SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 10 - Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2004

Commission file no. 1-10299

FOOT LOCKER, 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.)**
112 W. 34th Street, New York, New York	**10120**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number: (212) 720-3700

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

Number of shares of Common Stock outstanding at August 27, 2004: 155,665,049

FOOT LOCKER, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except shares)

	July 31, 2004	August 2, 2003	January 31, 2004
	(Unaudited)	(Unaudited)	*
ASSETS			
Current assets			
Cash and cash equivalents	$ 399	$ 332	$ 448
Merchandise inventories	1,166	948	920
Assets of discontinued operations	2	2	2
Other current assets	156	98	149
	1,723	1,380	1,519
Property and equipment, net	694	621	644
Deferred taxes	208	256	194
Goodwill and intangible assets	392	223	232
Other assets	89	109	100
	$ 3,106	$ 2,589	$ 2,689
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 475	$ 339	$ 234
Accrued liabilities	293	259	300
Current portion of repositioning and restructuring reserves	1	4	1
Current portion of reserve for discontinued operations	8	17	8
Liabilities of discontinued operations	2	2	2
Current portion of long-term debt and obligations under capital leases	18	—	—
	797	621	545
Long-term debt and obligations under capital leases	339	348	335
Other liabilities	318	428	434
	1,454	1,397	1,314
Shareholders' equity			
Common stock and paid-in capital: 155,704,339, 142,262,025 and 144,008,667 shares, respectively	587	385	411
Retained earnings	1,244	1,012	1,132
Accumulated other comprehensive loss	(178)	(204)	(167)
Less: Treasury stock at cost: 48,922, 66,124 and 56,587 shares, respectively	(1)	(1)	(1)
Total shareholders' equity	1,652	1,192	1,375
	$ 3,106	$ 2,589	$ 2,689

See Accompanying Notes to Condensed Consolidated Financial Statements.

* The balance sheet at January 31, 2004 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 2004.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in millions, except per share amounts)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2004	Aug. 2, 2003	July 31, 2004	Aug. 2, 2003
Sales	$ 1,268	$ 1,123	$ 2,454	$ 2,251
Costs and Expenses				
Cost of sales	900	792	1,726	1,575
Selling, general and administrative expenses	268	233	516	474
Depreciation and amortization	37	38	71	75
Restructuring charge	2	1	2	1
Interest expense, net	4	4	8	9
Other income, net	—	—	—	—
	1,211	1,068	2,323	2,134
Income from continuing operations before income taxes	57	55	131	117
Income tax expense	12	18	39	41
Income from continuing operations	45	37	92	76
Income (loss) on disposal of discontinued operations, net of income tax benefit of $37 in 2004 and $1 in 2003, respectively	37	(1)	38	(1)
Cumulative effect of accounting change, net of income tax of $-	—	—	—	(1)
Net income	$ 82	$ 36	$ 130	$ 74
Basic earnings per share:				
Income from continuing operations	$ 0.30	$ 0.26	$ 0.63	$ 0.54
Income (loss) from discontinued operations	0.25	(0.01)	0.26	(0.01)
Cumulative effect of accounting change	—	—	—	—
Net income	$ 0.55	$ 0.25	$ 0.89	$ 0.53
Weighted-average common shares outstanding	150.8	141.3	147.1	141.2
Diluted earnings per share:				
Income from continuing operations	$ 0.29	$ 0.25	$ 0.60	$ 0.52
Income (loss) from discontinued operations	0.24	(0.01)	0.24	(0.01)
Cumulative effect of accounting change	—	—	—	—
Net income	$ 0.53	$ 0.24	$ 0.84	$ 0.51
Weighted-average common shares assuming dilution	157.1	152.1	156.6	151.7

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2004	Aug. 2, 2003	July 31, 2004	Aug. 2, 2003
Net income	$ 82	$ 36	$ 130	$ 74
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments arising during the period	5	3	(11)	8
Change in fair value of derivatives / reclassification adjustments, net of tax of $-, respectively	—	(1)	—	1
Comprehensive income	$ 87	$ 38	$ 119	$ 83

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Twenty-six weeks ended	
	July 31, 2004	Aug. 2, 2003
From Operating Activities:		
Net income	$ 130	$ 74
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
(Income) loss from disposal of discontinued operations, net of tax	(38)	1
Cumulative effect of accounting change, net of tax	—	1
Restructuring charge	2	1
Depreciation and amortization	71	75
Deferred income taxes	(6)	(14)
Change in assets and liabilities:		
Merchandise inventories	(213)	(107)
Accounts payable and other accruals	235	55
Pension contribution	(50)	(50)
Other, net	(38)	18
Net cash provided by operating activities of continuing operations	93	54
From Investing Activities:		
Lease acquisition costs	(15)	(9)
Acquisition of Footaction stores	(224)	—
Capital expenditures	(83)	(59)
Net cash used in investing activities of continuing operations	(322)	(68)
From Financing Activities:		
Increase in long-term debt	175	—
Debt issuance costs	(2)	—
Issuance of common stock	27	5
Dividends paid	(18)	(8)
Net cash provided by (used in) financing activities of continuing operations	182	(3)
Net Cash used in Discontinued Operations	(1)	(3)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	(1)	(5)
Net change in Cash and Cash Equivalents	(49)	(25)
Cash and Cash Equivalents at beginning of year	448	357
Cash and Cash Equivalents at end of interim period	$ 399	$ 332
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	$ 13	$ 13
Income taxes	$ 68	$ 39
Non-cash Financing Activities:		
Common stock issued upon conversion of convertible debt	$ 150	$ —
Debt issuance costs reclassified to equity upon conversion of convertible debt	$ (3)	$ —

See Accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended January 31, 2004, as filed with the Securities and Exchange Commission (the "SEC") on April 5, 2004. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the twenty-six weeks ended July 31, 2004 are not necessarily indicative of the results expected for the year.

2. Acquisition

The Company closed its purchase of 349 Footaction stores from Footstar, Inc. on May 7, 2004. Footstar, Inc. had filed for Chapter 11 bankruptcy protection on March 2, 2004; consequently, the disposition of its Footaction stores was conducted under a Bankruptcy Code Section 363 sale process. The U.S. Bankruptcy Court approved the sale on April 21, 2004 and the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired on May 4, 2004. The agreement to acquire the Footaction stores is in line with the Company's strategic priorities, including the acquisition of compatible athletic footwear and apparel retail companies. The Company's consolidated results of operations include those of Footaction beginning with the date that the acquisition was consummated.

The Company integrated the Footaction business into the Athletic Stores segment and will operate the majority of the stores under the Footaction name. The purchase price of $224 million was increased for direct costs related to the acquisition totaling $5 million. The direct costs include investment banking, legal and accounting fees and other costs. The Company has allocated the purchase price of approximately $229 million based, in part, upon internal estimates of cash flows, recoverability and independent appraisals, and may be revised as more definitive facts and evidence become available. Pro forma effects of the acquisition have not been presented, as their effects were not significant to the consolidated results of operations. The allocation of the purchase price is detailed below:

(in millions)		
Inventory	$	38
Property and equipment		45
Intangible assets		29
Goodwill		126
Total assets	$	238
Accounts payable and accrued liabilities (1)		5
Other liabilities (2)		4
Total liabilities	$	9
Total purchase price	$	229
Due to Footstar, Inc. (3)		(4)
Other amounts due and payable (4)		(1)
Cash paid as of July 31, 2004	$	224

(1) "Accounts payable and accrued liabilities" include approximately $3 million for anticipated payments to landlords to cancel two of the acquired leases. Also included is approximately $1 million of liabilities related to gift cards assumed. The remaining $1 million relates to transfer taxes and real estate charges assumed from Footstar, Inc. as part of the acquisition.

(2) "Other liabilities" includes $4 million of liabilities assumed for leased locations with rents above their fair value.

(3) "Due to Footstar, Inc. includes amounts payable to Footstar, Inc. for final purchase price adjustments.

(4) "Other amounts due and payable" includes professional fees related to the transaction.

In accordance with the purchase agreement, $13.7 million of the purchase price was deposited into an escrow account pending resolution of certain lease related issues. As of July 31, 2004, the Company and the respective landlords were in negotiation to resolve those issues.

3. Term Loan and Amended Revolving Credit Facility

The Company elected to finance a portion of the Footaction stores' purchase price, and on May 19, 2004 obtained a 5-year, $175 million amortizing term loan with the bank group participating in its existing revolving credit facility. The initial interest rate on the LIBOR-based, floating-rate loan was 2.625 percent. The loan requires minimum principal payments each May, equal to a percentage of the original principal amount of 10 percent in years 2005 and 2006, 15 percent in years 2007 and 2008 and 50 percent in year 2009. The Company also amended and extended its revolving credit agreement to 2009 to coincide with the final maturity of the term loan. Closing and upfront fees totaling approximately $2 million were paid for the term loan and the amendment to the revolver. These fees, as well as the remaining unamortized fees on the existing revolver, are being amortized over the five-year period. The amended and restated revolving credit facility includes various financial covenants, with which the Company was in compliance as of July 31, 2004.

4. Convertible Subordinated Notes

The Company notified The Bank of New York, as Trustee under the indenture, that it intended to redeem its entire $150 million outstanding 5.5 percent convertible subordinated notes, effective June 4, 2004. By June 3, 2004, The Bank of New York had received notice from 100 percent of the holders of the notes of their election to convert their securities into shares of the Company's common stock. As of June 3, 2004, all of the convertible subordinated notes were cancelled and approximately 9.5 million new shares of the Company's common stock were issued. The Company reclassified the remaining $3 million of unamortized deferred costs related to the original issuance of the convertible debt to equity as a result of the conversion.

5. Goodwill and Intangible Assets

The Company accounts for goodwill and other intangibles in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite lives no longer be amortized but reviewed for impairment if impairment indicators arise and, at a minimum, annually. During the first quarters of 2004 and 2003, the Company completed its annual reviews of goodwill, which did not result in an impairment charge. The goodwill assigned to the Footaction acquisition is expected to be tested for impairment at the Company's next scheduled evaluation, which is the first day of the 2005 fiscal year.

Goodwill (in millions)	**July 31, 2004**	**August 2, 2003**	**January 31, 2004**
Athletic Stores	$ 181	$ 56	$ 56
Direct-to-Customers	80	80	80
	$ 261	$ 136	$ 136

Intangible Assets (in millions)	**July 31, 2004**	**August 2, 2003**	**January 31, 2004**
Intangible assets not subject to amortization	$ 2	$ 2	$ 2
Intangible assets subject to amortization, net of accumulated amortization of $56 million, $42 million and $51 million, respectively	129	85	94
	$ 131	$ 87	$ 96
Total	$ 392	$ 223	$ 232

Intangible assets not subject to amortization relate to the Company's U.S. defined benefit retirement plan.

The changes in the carrying amount of goodwill and intangibles subject to amortization for the twenty-six weeks ended July 31, 2004 are as follows:

	Jan. 31, 2004	Acquisitions (a)	Additions	Amortization / Other (b)	July 31, 2004	Weighted Average Useful Life in Years
Goodwill	$ 136	$ 126	$ —	$ (1)	$ 261	
Finite life intangible assets						
Lease acquisition costs	$ 94	$ —	$ 15	$ (9)	$ 100	12.1
Trademark	—	21	—		21	20.0
Loyalty program	—	1	—	—	1	2.0
Favorable leases	—	7	—	—	7	4.7
Total	$ 94	$ 29	$ 15	$ (9)	$ 129	12.7

(a) Attributable to acquisition of 349 Footaction stores.
(b) Includes effect of foreign currency translation.

Lease acquisition costs represent amounts that are required to secure prime lease locations and other lease rights, primarily in Europe. Included in finite life intangibles, as a result of the Footaction purchase, are the trademark for the Footaction name, amounts paid for leased locations with rents below their fair value and amounts paid to obtain names of members associated with the loyalty program.

Amortization expense for the intangibles subject to amortization was approximately $4 million and $3 million for the second quarters of 2004 and 2003, respectively, and $7 million and $5 million for the first half of 2004 and 2003, respectively. Annual estimated amortization expense for lease acquisition costs is expected to be approximately $13 million for 2004, 2005 and 2006, approximately $12 million for 2007 and approximately $11 million for 2008.

6. Asset Retirement Obligations

The Company adopted SFAS No. 143, “Accounting for Asset Retirement Obligations” (“SFAS No. 143”) as of February 2, 2003. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate can be made. The carrying amount of the related long-lived asset shall be increased by the same amount as the liability and that amount will be amortized over the useful life of the underlying long-lived asset. The difference between the fair value and the value of the ultimate liability will be accreted over time using the credit-adjusted risk-free interest rate in effect when the liability is initially recognized. Asset retirement obligations of the Company may at any time include structural alterations to store locations and equipment removal costs from distribution centers required by certain leases. The Company recorded a liability of $2 million for the expected present value of future retirement obligations on February 2, 2003, increased property and equipment by $1 million and recognized a $1 million after tax charge for the cumulative effect of the accounting change. Accretion, amortization expense and effects of foreign exchange translation recorded during the first half of 2004 and 2003 were not material. The liability at July 31, 2004 and August 2, 2003 was $4 million and $2 million, respectively.

7. Derivative Financial Instruments

The Company operates internationally and utilizes certain derivative financial instruments to mitigate its foreign currency exposures, primarily related to third party and intercompany transactions. For a derivative to qualify as a hedge at inception and throughout the hedged period, the Company formally documents the nature and relationships between the hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking the various hedge transactions and the methods of assessing hedge effectiveness and hedge ineffectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction would occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss would be recognized in earnings immediately.

Beginning in the second quarter of 2004, the Company began to implement new strategies to mitigate the effect of fluctuating foreign exchange rates on the reporting of foreign currency denominated earnings. Such strategies may at times include holding a variety of derivative instruments, which includes entering into forwards and option contracts, whereby the changes in the fair value of these financial instruments are charged to the statements of operations immediately.

Derivative financial instrument qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the items being hedged, both at inception and throughout the hedged period, which management evaluates periodically.

The primary currencies to which the Company is exposed are the euro, the British Pound and the Canadian Dollar. When using a forward contract as a hedging instrument, the Company excludes the time value from the assessment of effectiveness. The change in a forward contract's time value is reported in earnings. For forward foreign exchange contracts designated as cash flow hedges of inventory, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive loss and is recognized as a component of cost of sales when the related inventory is sold. The Company enters into other forward contracts to hedge intercompany royalty cash flows that are denominated in foreign currencies. The effective portion of gains and losses associated with these forward contracts is reclassified from accumulated other comprehensive income or loss to selling, general and administrative expenses in the same quarter as the underlying intercompany royalty transaction occurs.

The Company has hedged forecasted transactions for no more than the next twelve months and expects all derivative-related amounts reported in accumulated other comprehensive income or loss to be reclassified to earnings within twelve months. The changes in fair value of forward contracts and option contracts that do not qualify as hedges are recorded in earnings.

Changes in fair values and reclassifications for settled contracts during the thirteen and twenty-six week periods of 2004 were not material. Accumulated comprehensive income decreased by approximately $1 million after-tax due to changes in the fair values of derivative financial instruments designated as hedges and reclassified to the statements of operations for settled contracts during the second quarter of 2003 and increased by $1 million after-tax for the 2003 year to date period.

The impact of cash flow hedges that were classified as ineffective during the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003 was not material. The changes in fair value of derivative instruments not designated as hedges were substantially offset by the changes in value of the underlying transactions, which were recorded in selling, general and administrative expenses, in both periods.

The fair value of derivative contracts outstanding at July 31, 2004 comprised current assets of $1 million, current liabilities of $3 million and non-current liabilities of $5 million.

8. 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.

A taxing authority may challenge positions that the Company has adopted in its income tax filings. Accordingly, the Company may apply different tax treatments for transactions in filing its income tax returns than for income tax financial reporting. The Company regularly assesses its tax position for such transactions and records reserves for those differences.

As mentioned in the Company's Form 10-K for the year ending January 31, 2004, the Internal Revenue Service ("IRS") indicated that it was going to conduct a survey of the Company's income tax returns for the years from 1999-2001 and had begun an examination for the 2002 year and a voluntary pre-filing review for 2003. During the second quarter of 2004, the IRS completed its survey of the 1999-2001 years and its examination of the 2002 year. The IRS and the Company have come to an agreement on the pre-filing review of the Company's income tax return for 2003. As a result of these actions by the IRS, during the second quarter of 2004, the Company reduced its income tax provision for Continuing Operations by $7.1 million and Discontinued Operations by $37 million. The reduction in Continuing Operations was principally related to U.S. taxation of the Company's foreign operations. The reduction in Discontinued Operations related to previously discontinued foreign businesses.

During the second quarter of 2004, the Commonwealth of Puerto Rico concluded an examination of the Company's branch income tax returns, including an income tax audit, for the years 1994 through 1999 and a branch profit tax audit for the years 1994 through 2002. As a result, the Company reduced its income tax provision for Continuing Operations by $2.1 million.

9. Discontinued Operations

On January 23, 2001, the Company announced that it was exiting its 694-store Northern Group segment. During the second quarter of 2001, the Company completed the liquidation of the 324 stores in the United States. On September 28, 2001, the Company completed the stock transfer of the 370 Northern Group stores in Canada, through one of its wholly owned subsidiaries for approximately CAD$59 million (approximately US$38 million), which was paid in the form of a note (the "Note"). Another wholly owned subsidiary of the Company was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E "Accounting for Divestiture of a Subsidiary or Other Business Operation," as a "transfer of assets and liabilities under contractual arrangement" as no cash proceeds were received and the consideration comprised the Note, the repayment of which was dependent on the future successful operations of the business.

An agreement in principle had been reached during December 2002 to receive CAD$5 million (approximately US$3 million) cash consideration in partial prepayment of the Note and accrued interest, and further, the Company agreed to reduce the face value of the Note to CAD$17.5 million (approximately US$12 million). During the fourth quarter of 2002, circumstances had changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture. Accordingly, the Note was recorded in the financial statements at its estimated fair value of CAD$16 million (approximately US$10 million).

On May 6, 2003, the amendments to the Note were executed and a cash payment of CAD$5.2 million (approximately US$3.5 million) was received representing principal and interest through the date of the amendment. At July 31, 2004 and August 2, 2003, US$3 million and US$1 million, respectively, are classified as a current receivable, with the remainder classified as long term within other assets in the accompanying Condensed Consolidated Balance Sheet. All principal and interest payments have been received timely and in accordance with the terms of the Note.

As indicated above, as the assignor of the Northern Canada leases, the Company remained secondarily liable under those leases. As of July 31, 2004, the Company estimates that its gross contingent lease liability is between CAD$38 to $42 million (approximately US$29 to $32 million). The Company currently estimates the expected value of the lease liability to be approximately US$1 million. The Company believes that it is unlikely that it would be required to make such contingent payments. The remaining reserve balance of $2 million at July 31, 2004 is expected to be utilized within twelve months.

The major components of the pre-tax losses (gains) on disposal and disposition activity related to the reserves are presented below:

Northern Group (in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Other costs	$ 2	$ —	$ —	$ 2

In 1998, the Company exited both its International General Merchandise and Specialty Footwear segments. During the first quarter of 2004, the Company recorded income of $1 million, after-tax, related to a refund of Canadian customs duties related to certain of the businesses that comprised the Specialty Footwear segment.

In 1997, the Company exited its Domestic General Merchandise segment. In 2002, the successor-assignee of the leases of a former business included in the Domestic General Merchandise segment has filed a petition in bankruptcy, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Company. Two of the actions brought against this subsidiary by former landlords on lease obligations remain unresolved as of July 31, 2004 and the associated gross contingent lease liability, related to these two leases, is approximately $3 million. The Company recorded charges totaling $3 million, after-tax, related to certain of these actions, as well as others that have been settled, during the second and fourth quarters of 2003. The Company believes that it may have valid defenses; however, the outcome of the remaining actions cannot be predicted with any degree of certainty.

During the second quarter of 2004, the Company recorded $37 million of income tax benefit in discontinued operations as a result of achieving resolution of U.S. income tax examinations.

The remaining reserve balances for these three discontinued segments totaled $16 million as of July 31, 2004, $6 million of which is expected to be utilized within twelve months and the remaining $10 million thereafter.

Disposition activities related to the reserves are presented below:

(in millions)

International General Merchandise

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
The Bargain! Shop – Real estate & lease liabilities	$ 5	$ —	$ —	$ 5

Specialty Footwear

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Real estate & lease liabilities	$ 2	$ 1	$ (1)	$ 2

Domestic General Merchandise

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Real estate & lease liabilities	$ 6	$ —	$ —	$ 6
Legal and other costs	4	(1)	—	3
Total	$ 10	$ (1)	$ —	$ 9

10. Repositioning and Restructuring Programs

1999 Restructuring

Total restructuring charges of $96 million before-tax were recorded in 1999 for the Company's restructuring program to sell or liquidate eight non-core businesses. The restructuring plan also included an accelerated store-closing program in North America and Asia, corporate headcount reduction and a distribution center shutdown. The dispositions of Randy River Canada, Foot Locker Outlets, Colorado, Going to the Game!, Weekend Edition and the store-closing program were essentially completed in 2000. Of the original 1,400 planned terminations associated with the store-closing program, approximately 200 positions were retained as a result of the continued operation of 32 of the stores. In 2001, the Company completed the sales of The San Francisco Music Box Company ("SFMB") and the assets related to its Burger King and Popeye's franchises. The termination of the Maumelle distribution center lease was completed in 2002.

In connection with the sale of SFMB, the Company remained as an assignor or guarantor of leases of SFMB related to a distribution center and five store locations. In May 2003, SFMB filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. During July and August 2003, SFMB rejected five of the leases and assumed one of the store leases in the bankruptcy proceedings. During the second quarter of 2003 and 2004, the Company recorded a charge of $1 million and $2 million, respectively, primarily related to the distribution center lease. The lease for the distribution center expires January 31, 2010, while the remaining store leases expired on January 31, 2004. As of July 31, 2004, the Company estimates its gross contingent lease liability for the distribution center lease to be approximately $4 million, however, the Company believes that this liability may be settled for an amount lower than the gross obligation due to potential subleases that may be obtained during the lease term. Accordingly, at July 31, 2004 the reserve balance is $2 million.

1993 Repositioning and 1991 Restructuring

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. Approximately 900 stores were closed under the 1991 restructuring program.

Disposition activity related to the reserves within the restructuring programs is presented below.

1999 Restructurings
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Real estate	$ 1	$ (1)	$ 2	$ 2

1993 Repositioning and 1991 Restructuring
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Real estate	$ 1	$ —	$ —	$ 1
Other disposition costs	1	—	—	1
Total	$ 2	$ —	$ —	$ 2

Total Restructuring Reserves
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 7/31/2004
Real estate	$ 2	$ (1)	$ 2	$ 3
Other disposition costs	1	—	—	1
Total	$ 3	$ (1)	$ 2	$ 4

The remaining reserve balances totaled $4 million at July 31, 2004, of which, $1 million is expected to be utilized within the next twelve months and the remaining $3 million thereafter.

11. 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 and the conversion of convertible long-term debt. The following table reconciles the numerator and denominator used to compute basic and diluted earnings per share for continuing operations.

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 31, 2004**	**Aug. 2, 2003**	**July 31, 2004**	**Aug. 2, 2003**
Numerator:				
Income from continuing operations	$ 45	$ 37	$ 92	$ 76
Effect of Dilution:				
Convertible debt [1]	1	1	2	2
Income from continuing operations assuming dilution	$ 46	$ 38	$ 94	$ 78
Denominator:				
Weighted-average common shares outstanding	150.8	141.3	147.1	141.2
Effect of Dilution:				
Stock options and awards	3.0	1.3	3.1	1.0
Convertible debt [1]	3.3	9.5	6.4	9.5
Weighted-average common shares assuming dilution	157.1	152.1	156.6	151.7

[1] By June 3, 2004, 100 percent of the convertible notes were converted to equity.

Options to purchase 1.7 million and 4.0 million shares of common stock were not included in the computation for the thirteen weeks ended July 31, 2004 and August 2, 2003, respectively. Options to purchase 1.3 million and 5.7 million shares of common stock were not included in the computation for the twenty-six weeks ended July 31, 2004 and August 2, 2003, respectively. These amounts were not included because the exercise price of the options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

12. Accumulated Other Comprehensive Loss.

Accumulated other comprehensive loss was comprised of the following:

(in millions)	July 31, 2004	August 2, 2003	January 31, 2004
Foreign currency translation adjustments	$ 5	$ (7)	$ 16
Minimum pension liability adjustment	(182)	(198)	(182)
Fair value of derivatives designated as hedges	(1)	1	(1)
	$ (178)	$ (204)	$ (167)

13. Segment Information

Sales and division results for the Company's reportable segments for the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003, respectively, are presented below. Division profit reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

The operations of the Footaction stores have been included in the Athletic Segment as a result of the Company's review of its operating segments in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Company assigned the stores to the segment based on its method of internal reporting, which disaggregates its business by product category. The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended January 31, 2004.

Sales:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	July 31, 2004	Aug. 2, 2003	July 31, 2004	Aug. 2, 2003
Athletic Stores	$ 1,194	$ 1,050	$ 2,294	$ 2,091
Direct-to-Customers	74	73	160	160
Total Sales	$ 1,268	$ 1,123	$ 2,454	$ 2,251

Operating results:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	July 31, 2004	Aug. 2, 2003	July 31, 2004	Aug. 2, 2003
Athletic Stores	$ 80	$ 68	$ 162	$ 143
Direct-to-Customers	6	8	17	17
	86	76	179	160
All Other [(1)]	(2)	(1)	(2)	(1)
Total division profit	84	75	177	159
Corporate expense	23	16	38	33
Operating profit	61	59	139	126
Non-operating income	—	—	—	—
Interest expense, net	4	4	8	9
Income from continuing operations before income taxes	$ 57	$ 55	$ 131	$ 117

(1) The disposition of all other formats presented as "All Other" was completed in 2001. All periods presented represent restructuring charges associated with the SFMB closure.

14. Retirement Plans and Other Benefits

Pension and Other Postretirement Plans

The Company has defined benefit pension plans covering most of its North American employees, which are funded in accordance with the provisions of the laws where the plans are in effect. 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 are the components of net periodic pension benefit cost for the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 31, 2004**	**Aug. 2, 2003**	**July 31, 2004**	**Aug. 2, 2003**
Service cost	$ 3	$ 2	$ 5	$ 4
Interest cost	9	11	19	22
Expected return on assets	(10)	(12)	(21)	(24)
Net Amortization:				
Unrecognized prior service cost	—	—	—	—
Unrecognized net loss	2	2	5	5
Net periodic pension benefit cost	$ 4	$ 3	$ 8	$ 7

The following are the components of the net postretirement benefit income for the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 31, 2004**	**Aug. 2, 2003**	**July 31, 2004**	**Aug. 2, 2003**
Service cost	$ —	$ —	$ —	$ —
Interest cost	1	1	1	1
Net amortization of unrecognized prior service benefit	(1)	(1)	(1)	(1)
Amortization of net gain	(4)	(5)	(7)	(8)
Net postretirement benefit income	$ (4)	$ (5)	$ (7)	$ (8)

The Company previously disclosed in its financial statements for the year ended January 31, 2004, that it expected to contribute $50 million to its pension plans during 2004, to the extent that the contributions were tax deductible. As of July 31, 2004, $50 million of contributions have been made. The Company expects to make additional payments of $1 million for its non-qualified plans throughout the remainder of the year. The Company may accelerate a portion of its planned February 2005 contribution, or approximately $56 million, in September 2004 to its U.S. qualified pension plan.

In December 2003, the United States enacted into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”). The Act establishes a prescription drug benefit under Medicare, known as “Medicare Part D,” and a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the FASB issued FASB Staff Position No. 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-2”). FSP 106-2 requires companies to account for the effect of the subsidy on benefits attributable to past service as an actuarial experience gain and as a reduction of the service cost component of net postretirement health care costs for amounts attributable to current service, if the benefit provided is at least actuarially equivalent to Medicare Part D. Management has concluded that the health care benefits that it provides to retirees is not actuarially equivalent to Medicare Part D and therefore, the Company will not be eligible to receive the Federal subsidy.

15. Stock-Based Compensation

The Company accounts for stock-based compensation by applying APB No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), as permitted by SFAS 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 not less than the quoted market price at the date of grant. Compensation expense is also not recorded for employee purchases of stock under the 2003 and 1994 Stock Purchase Plans. The plans, which are compensatory as defined in SFAS No. 123, are non-compensatory as defined in APB No. 25. SFAS No. 123 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 stock-based compensation in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions, except per share amounts)	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net income, as reported:	$ 82	$ 36	$ 130	$ 74
Add: Stock-based employee compensation expense included in reported net income, net of income tax benefit	1	—	2	1
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of income tax benefit	3	1	6	2
Pro forma net income	$ 80	$ 35	$ 126	$ 73
Basic earnings per share:				
As reported	$ 0.55	$ 0.25	$ 0.89	$ 0.53
Pro forma	$ 0.53	$ 0.25	$ 0.86	$ 0.51
Diluted earnings per share:				
As reported	$ 0.53	$ 0.24	$ 0.84	$ 0.51
Pro forma	$ 0.52	$ 0.24	$ 0.82	$ 0.50

16. Subsequent Event

On August 20, 2004, the Company received a contingent payment, which was based upon a certain transaction, from the purchasers of the Northern Group of CAD$1 million. Based upon this payment the contingency was settled, the CAD$17.5 million Note executed on May 6, 2003 was cancelled and a new note was issued for the remaining principal balance of CAD$15.5 million. Prior to the receipt of this payment, an additional payment of CAD$1 million had been received on January 15, 2004, which aided in decreasing the remaining balance on the Note. The terms of the new note are substantially the same as the May 6, 2003 Note including the expiration date and interest payment terms.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS OVERVIEW

Foot Locker, Inc., through its subsidiaries, operates in two reportable segments – Athletic Stores and Direct-to-Customers. The Athletic Stores segment is one of the largest athletic footwear and apparel retailers in the world, whose formats include Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports and Footaction (beginning May 2004). The Direct-to-Customers segment reflects Footlocker.com, Inc., which sells, through its affiliates, including Eastbay, Inc., to customers through catalogs and Internet websites.

SALES AND GROSS MARGIN

All references to comparable-store sales for a given period relate to sales of stores that are open at the period-end and that have been open for more than one year. Accordingly, stores opened and closed during the period are not included. All comparable-store sales increases and decreases exclude the impact of foreign currency fluctuations. All references to comparable store sales for the thirteen and twenty-six weeks ended July 31, 2004 exclude the acquisition of Footaction.

Sales of $1,268 million for the second quarter of 2004 increased 12.9 percent from sales of $1,123 million for the second quarter of 2003. For the twenty-six weeks ended July 31, 2004, sales of $2,454 million increased 9.0 percent from sales of $2,251 million for the twenty-six weeks ended August 2, 2003. The sales increases were primarily driven by the addition of the Footaction stores which were acquired near the beginning of the second quarter of 2004. Footaction sales amounted to $104 million for the thirteen and twenty-six weeks ended July 31, 2004. Excluding the impact of foreign currency fluctuations, sales for the thirteen and twenty-six week periods ended July 31, 2004 increased 11.2 percent and 6.6 percent, respectively, as compared with the corresponding prior-year periods. Comparable-store sales decreased by 0.5 percent and 0.1 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively.

Gross margin, as a percentage of sales, of 29.0 percent and 29.7 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively, declined as compared with 29.5 and 30.0 percent, respectively, in the corresponding prior-year periods. Excluding the impact of Footaction, gross margin, as a percentage of sales would have been 30.5 percent and 30.4 percent for the thirteen and twenty-six week periods ending July 31, 2004, respectively. Footaction recorded markdowns to properly position the inventories for the back-to-school selling season. Additionally, markdowns, as a percentage of sales, were increased as a result of the promotional environment in certain European countries, in particular, France, Germany and the U.K.

STORE COUNT

At July 31, 2004, the Company operated 3,958 stores, as compared with 3,610 at January 31, 2004. During the first half of 2004, the Company opened 61 stores, acquired 349 stores, closed 62 stores, and remodeled/relocated 167 stores.

SEGMENT INFORMATION

Sales

The following table summarizes sales by segment:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 31, 2004**	**Aug. 2, 2003**	**July 31, 2004**	**Aug. 2, 2003**
Athletic Stores	$ 1,194	$ 1,050	$ 2,294	$ 2,091
Direct-to-Customers	74	73	160	160
Total Sales	$ 1,268	$ 1,123	$ 2,454	$ 2,251

Athletic Stores sales increased by 13.7 percent and 9.7 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively, primarily due to the additional sales from the newly acquired Footaction stores, additional stores in Europe, and the strength of the euro's performance against the U.S. dollar in the first half of 2004 as compared with the same period of 2003. Excluding the impact of the Footaction stores, sales increased 3.8 percent and 4.7 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively, as compared with the corresponding prior-year periods. Excluding the effect of foreign currency fluctuations, Athletic Stores' sales increased 11.8 percent and 7.1 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively. As compared with the corresponding periods of the prior year. Comparable-store sales decreased 0.7 percent and 0.2 percent for the second quarter and first half of 2004, respectively. The sale of classic footwear continued to be the key driver during the first and second quarters of 2004 while the Company continued to benefit from exclusive offerings from its primary suppliers. Private-label apparel products also generated strong sales gains during the first half of 2004. Classic footwear sales during the first quarter of 2004 resulted in a lower average selling price per unit. However, average selling prices began to increase in the second quarter of 2004 as the Company has regained greater access to higher price point marquee footwear and the fashion trend is beginning to return to more technical based footwear.

Direct-to-Customers sales remained relatively unchanged for the thirteen weeks and twenty-six weeks ended July 31, 2004, as compared with the corresponding prior-year period. Internet sales increased by 15.0 and 14.7 percent to $44 million and $92 million, for the thirteen and twenty-six weeks ended July 31, 2004, respectively, as compared with the corresponding prior year periods. These increases in Internet sales were offset by a decline in catalog sales, reflecting the continuing trend of the Company's customers to browse and select products through its catalogs and then make their purchases via the Internet.

Operating Results

Division profit reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

Operating results:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 31, 2004**	**Aug. 2, 2003**	**July 31, 2004**	**Aug. 2, 2003**
Athletic Stores	$ 80	$ 68	$ 162	$ 143
Direct-to-Customers	6	8	17	17
	86	76	179	160
Restructuring charge [1]	(2)	(1)	(2)	(1)
Division profit	84	75	177	159
Corporate expense	23	16	38	33
Operating profit	61	59	139	126
Non-operating income	—	—	—	—
Interest expense, net	4	4	8	9
Income from continuing operations before income taxes	$ 57	$ 55	$ 131	$ 117

(1) All periods presented represent restructuring charges associated with the SFMB closure which was completed in 2001.

Athletic Stores division profit increased by 17.6 percent and 13.3 percent for the second quarter and first half of 2004, respectively, as compared with the corresponding prior-year periods. Division profit, as a percentage of sales, increased to 6.7 percent and 7.1 percent in the second quarter and first half of 2004, respectively, from 6.5 percent and 6.8 percent in the corresponding prior-year periods. These increases in the second quarter and first half of 2004 were primarily a result of lower selling, general and administrative expenses, as a percentage of sales, offset in part by the Footaction format loss of $5 million.

Direct-to-Customers division profit decreased 25.0 percent for the thirteen weeks ended July 31, 2004, as compared with the corresponding period ended August 2, 2003. The decrease in division profit is a result of an increase in certain catalog costs related to expanded catalog circulation during the second quarter of 2004. Division profit, as a percentage of sales, decreased to 8.1 percent in the second quarter from 11.0 percent in the corresponding prior-year period. Direct-to-Customers division profit and division profit, as a percentage of sales, remained relatively the same for the twenty-six weeks ended July 31, 2004 as compared with the twenty-six weeks ended August 2, 2003.

Corporate expense consists of unallocated general and administrative expenses related to the Company's corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses and other items. The increases in corporate expense in the second quarter and first half of 2004 were primarily related to $5 million of Footaction integration costs and increased personnel costs. Integration costs represent incremental costs directly related to the Footaction acquisition and were primarily related to expenses incurred to re-merchandise the Footaction stores during the first three months of operations.

RESULTS OF OPERATIONS

Selling, general and administrative expenses ("SG&A") of $268 million increased by $35 million or 15.0 percent in the second quarter of 2004 as compared with the corresponding prior-year period. SG&A of $516 million increased by $42 million or 8.9 percent in the first half of 2004 as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, SG&A increased $33 million for both the thirteen and twenty-six weeks ended July 31, 2004 as compared with the corresponding prior year periods, of which $26 million related to Footaction. SG&A, as a percentage of sales, increased to 21.1 percent for the thirteen weeks ended July 31, 2004 as compared with 20.7 percent in the corresponding prior-year period. SG&A, as a percentage of sales, remained relatively flat for the twenty-six weeks ended July 31, 2004 as compared with the corresponding prior-year period. Excluding Footaction, SG&A, as a percentage of sales, was 20.8 percent and 20.9 percent for the thirteen and twenty-six weeks ended July 31, 2004, respectively.

Depreciation and amortization decreased by $1 million in the second quarter of 2004 to $37 million as compared with $38 million for the second quarter of 2003. Depreciation and amortization decreased by $4 million in the first half of 2004 to $71 million as compared with $75 million for the first half of 2003. These declines were a result of older assets becoming fully depreciated offset by an increase in depreciation associated with Footaction assets of $2 million in both 2004 periods.

Net interest expense of $4 million remained essentially flat for the second quarters of 2004 and 2003, and decreased to $8 million from $9 million, or 11.1 percent for the first half of 2004, as compared with the corresponding prior-year period. Interest expense remained flat at $6 million for the second quarters of 2004 and 2003, and decreased to $12 million for the twenty-six weeks ended July 31, 2004 from $13 million as compared with the corresponding prior year period. The decreases in both the quarter and year-to-date periods were primarily attributable to the lower debt balance as $150 million of its 5.5 percent convertible subordinated notes were converted to equity in June 2004 and repurchased $19 million of the 8.50 percent debentures payable in 2022 during the second half of 2003. These decreases were offset by an increase resulting from the interest from the new term loan that commenced in May 2004. Interest income was $2 million for the thirteen weeks ended July 31, 2004 and August 2, 2003. Interest income was $4 million for the twenty-six weeks ended July 31, 2004 and August 2, 2003.

The Company's effective tax rate for the thirteen and twenty-six weeks ended July 31, 2004 were approximately 20.8 percent and 29.8 percent as compared with approximately 32.7 percent and 34.7 percent for the corresponding prior-year periods. The lower effective tax rate during 2004 included tax benefits of $9.2 million recorded in the second quarter of 2004 from favorable determinations by taxing authorities. During the second quarter of 2003, the Company recorded $2 million of tax benefits related to multi-state tax planning strategies. These tax planning strategies resulted in a reduction in the valuation allowance. The Company expects its effective tax rate to approximate 37 percent for each of the remaining quarters of 2004.

During the second quarter of 2004, the Company recorded $37 million income tax benefit resulting from the resolution of U.S income tax examinations related to discontinued businesses. During the first quarter of 2004, the Company recorded income from discontinued operations of $1 million, after tax, related to a refund of customs duties related to certain of the businesses that comprised the Specialty Footwear segment. The first quarter and year-to-date periods of 2003 included an after-tax charge of $1 million, or $0.01 per diluted share, related to the adoption of SFAS No. 143, which was reflected as a cumulative effect of an accounting change.

LIQUIDITY AND CAPITAL RESOURCES

Generally, the Company's primary sources of cash have been from operations. The Company has a $200 million revolving credit facility, which was amended on May 19, 2004. As a result of the amendment, the credit facility maturity date was extended to May 2009 from July 2006. Other than $24 million to meet letter of credit requirements, this revolving credit facility was not used during the first half of 2004. The Company generally finances real estate with operating leases. The principal use of cash has been to finance inventory requirements, capital expenditures related to store openings, store remodelings and management information systems, and to fund other general working capital requirements.

The Company closed its purchase of 349 Footaction stores from Footstar, Inc. on May 7, 2004 for a purchase price of approximately $229 million (including direct costs related to the acquisition of $5 million). The Company elected to finance a portion of the Footaction stores' purchase price through a 5-year, $175 million amortizing term loan with the bank group participating in its existing revolving credit facility. The loan was obtained on May 19, 2004 simultaneously with the amendment to extend the revolving credit agreement's expiration date.

On April 20, 2004, the Company notified The Bank of New York, as Trustee under the indenture, that it intended to redeem all of its $150 million outstanding 5.5 percent convertible subordinated notes, effective June 4, 2004. By June 3, 2004, The Bank of New York had received notice from 100 percent of the holders of the notes of their election to convert their securities into shares of the Company's common stock. As of June 3, 2004, all of the convertible subordinated notes were cancelled and approximately 9.5 million new shares of the Company's common stock were issued.

Management believes operating cash flows and current credit facilities will be adequate to finance its working capital requirements, to fund the operations of the Footaction stores, to make planned pension contributions for the Company's retirement plans, to fund quarterly dividend payments and support the development of its short-term and long-term strategies.

Any materially adverse reaction to customer demand, fashion trends, competitive market forces, uncertainties related to the effect of competitive products and pricing, customer acceptance of the Company's merchandise mix and retail locations, the Company's reliance on a few key vendors for a significant portion of its merchandise purchases, risks associated with foreign global sourcing or economic conditions worldwide and the integration of the Footaction stores could affect the ability of the Company to continue to fund its needs from business operations.

Net cash provided by operating activities of continuing operations was $93 million and $54 million for the twenty-six weeks ended July 31, 2004 and August 2, 2003, respectively. These amounts reflect the income from continuing operations adjusted for non-cash items and working capital changes. Inventories increased $213 million, excluding the impact of foreign currency fluctuations, which was primarily related to the addition of the Footaction stores. The Company's inventory position as of the end of the second quarter of 2004 is well positioned to meet the back-to-school demand. The Company contributed $44 million and $6 million to its U.S. and Canadian qualified pension plans, respectively, in February 2004. The U.S. contribution was made in advance of ERISA requirements.

Net cash used in investing activities of continuing operations were $322 million and $68 million for the first half of 2004 and 2003, respectively. During the first half of 2004, the Company paid $224 million for the purchase of 349 Footaction stores. Total projected capital expenditures (inclusive of anticipated capital expenditures for the Footaction stores) of $180 million for 2004 comprise $108 million for new store openings and modernizations of existing stores, $40 million for the development of information systems and other support facilities, $21 million of lease acquisition costs, primarily related to the securing of leases for the Company's European operations and $11 million of costs related to the Foot Locker Europe distribution center expansion. The Company has the ability to revise and reschedule its anticipated capital expenditure program in the event that any changes to the Company's financial position require it.

Financing activities for the Company's continuing operations provided net cash of $182 million for the twenty-six weeks ended July 31, 2004 as compared with net cash used of $3 million for the twenty-six weeks ended August 2, 2003. The $175 million amortizing term loan was obtained on May 19, 2004 simultaneously with the amendment to extend the revolving credit agreement's expiration date. The Company declared and paid a $0.06 per share dividend during the first and second quarters of 2004 totaling $18 million as compared with a $0.03 per share dividend during the first and second quarters of 2003, which totaled $8 million. The Company received proceeds from the issuance of common stock in connection with employee stock programs of $27 million and $5 million for the twenty-six weeks ended July 31, 2004 and August 2, 2003, respectively.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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, but not limited to, such things as future capital expenditures, expansion, strategic plans, dividend payments, stock repurchases, growth of the Company's business and operations, including future cash flows, revenues and earnings, and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors including, but not limited to, the effects of currency fluctuations, customer demand, fashion trends, competitive market forces, uncertainties related to the effect of competitive products and pricing, customer acceptance of the Company's merchandise mix and retail locations, the Company's reliance on a few key vendors for a majority of its merchandise purchases (including a significant portion from one key vendor), unseasonable weather, risks associated with foreign global sourcing, including political instability, changes in import regulations, disruptions to transportation services and distribution, the presence of severe acute respiratory syndrome, economic conditions worldwide, any changes in business, political and economic conditions due to the threat of future terrorist activities in the United States or in other parts of the world and related U.S. military action overseas, and the ability of the Company to execute its business plans effectively with regard to each of its business units, including its plans for the marquee and launch footwear component of its business and its plans for the integration of the Footaction stores. Any changes in such assumptions or factors could produce significantly different results. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk Management

The Company operates internationally and utilizes certain derivative financial instruments to mitigate its foreign currency exposures, primarily related to third party and intercompany transactions. For a derivative to qualify as a hedge at inception and throughout the hedged period, the Company formally documents the nature and relationships between the hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking the various hedge transactions and the methods of assessing hedge effectiveness and hedge ineffectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction would occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss would be recognized in earnings immediately.

Beginning in the second quarter of 2004, the Company began to implement new strategies to mitigate the effect of fluctuating foreign exchange rates on the reporting of foreign currency denominated earnings. Such strategies may at times include holding a variety of derivative instruments, which includes entering into forwards and option contracts, whereby the changes in the fair value of these financial instruments are charged to the statements of operations immediately.

Derivative financial instrument qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the items being hedged, both at inception and throughout the hedged period, which management evaluates periodically.

The primary currencies to which the Company is exposed are the euro, the British Pound and the Canadian Dollar. When using a forward contract as a hedging instrument, the Company excludes the time value from the assessment of effectiveness. The change in a forward contract's time value is reported in earnings. For forward foreign exchange contracts designated as cash flow hedges of inventory, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive loss and is recognized as a component of cost of sales when the related inventory is sold. The Company enters into other forward contracts to hedge intercompany royalty cash flows that are determinated in foreign currencies. The effective portion of gains and losses associated with these forward contracts is reclassified from accumulated other comprehensive loss to selling, general and administrative expenses in the same quarter as the underlying intercompany royalty transaction occurs.

The Company is hedging forecasted transactions for no more than the next twelve months and expects all derivative-related amounts reported in accumulated other comprehensive loss to be reclassified to earnings within twelve months. The changes in fair value of forward contracts and option contracts that do not qualify as hedges are recorded in earnings.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be included in this quarterly report has been made known to them in a timely fashion.

The Company's Chief Executive Officer and Chief Financial Officer also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting. Based on the evaluation, there have been no such changes during the quarter covered by this report.

There have been no material changes in the Company's internal controls, or in the factors that could materially affect internal controls, subsequent to the date the Chief Executive Officer and the Chief Financial Officer completed their evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in claims, proceedings and litigation, arising from the operation of its business and incident to the sale and disposition of businesses that have occurred in past years. Management does not believe that the outcome of such proceedings will have a material effect on the Company's consolidated financial position, liquidity, or results of operations.

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

(a) The Company's annual meeting of shareholders was held on May 26, 2004. There were represented at the meeting, in person or by proxy, 134,774,698 shares of Common Stock, par value $0.01 per share, which represented 92.8 percent of the shares outstanding on April 2, 2004, the record date for the meeting.

(b) Each of James E. Preston, Matthew D. Serra, Christopher A. Sinclair and Dona D. Young was elected as a director in Class I for a three-year term ending at the annual meeting of shareholders of the Company in 2007. All of these individuals previously served as directors of the Company. J. Carter Bacot, Purdy Crawford, Nicholas DiPaolo, Philip H. Geier Jr., Jarobin Gilbert Jr., David Y. Schwartz and Cheryl Nido Turpin, having previously been elected directors of the Company for terms continuing beyond the 2004 annual meeting of shareholders, continue in office as directors of the Company.

(c) The matters voted upon and the results of the voting were as follows:

(1) Election of Directors:

Name	Votes For	Votes Withheld	Abstentions and Broker Non-Votes
James E. Preston	129,957,539	4,817,159	0
Matthew D. Serra	129,107,339	5,667,359	0
Christopher A. Sinclair	131,055,699	3,718,999	0
Dona D. Young	127,862,010	6,912,688	0

(2) Proposal to ratify the appointment of independent accountants:

Votes For	Votes Against	Abstentions	Broker Non-Votes
129,351,037	5,315,345	108,316	0

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits that are in this report immediately follow the index.

(b) Reports on Form 8-K

Form 8-K, dated May 6, 2004, under Items 7 and 12, reporting the Company's sales results for the first quarter of 2004.

Form 8-K, dated May 7, 2004, under Items 5 and 7, announcing the closing of the Company's purchase of approximately 350 Footaction stores from Footstar, Inc.

Form 8-K, dated May 19, 2004, under Item 5 announcing that the Company entered into a five-year $175 million amortizing loan with its existing bank group and amended and extended to 2009 its revolving credit agreement; and under Items 7 and 12, reporting the Company's operating results for the first quarter of 2004.

Form 8-K, dated June 4, 2004, under Items 5 and 7, announcing the conversion of 100 percent of the Company's $150 million 5.5 percent convertible subordinated notes into approximately 9.5 million new shares of Foot Locker, Inc. Common Stock.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOOT LOCKER, INC.
(Company)

Date: September 8, 2004

/s/ BRUCE L. HARTMAN

BRUCE L. HARTMAN
Executive Vice President and Chief Financial Officer

FOOT LOCKER, INC.
INDEX OF EXHIBITS REQUIRED BY ITEM 6(a) OF FORM 10-Q
AND FURNISHED IN ACCORDANCE WITH ITEM 601 OF REGULATION S-K

Exhibit No. in Item 601 of Regulation S-K	Description
10.1	Fifth Amended and Restated Credit Agreement dated as of April 9, 1997, amended and restated as of May 19, 2004.
10.2	Form of Nonstatutory Stock Option Award Agreement for Executive Officers.
10.3	Form of Incentive Stock Option Award Agreement for Executive Officers.
10.4	Form of Nonstatutory Stock Option Award Agreement for Non-employee Directors.
10.5	Asset Purchase Agreement between Footstar, Inc., Certain of its Subsidiaries, FL Specialty Operations LLC, FL Retail Operations LLC, Foot Locker Stores, Inc., Foot Locker Retail, Inc. and Foot Locker, Inc. (solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10), dated as of April 13, 2004, which closed on May 7, 2004 ("Footstar Purchase Agreement").
10.6	First Amendment Agreement dated as of April 28, 2004 to the Footstar Purchase Agreement.
10.7	Second Amendment Agreement dated as of May 7, 2004 to the Footstar Purchase Agreement.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Accountants' Acknowledgement.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	Report of Independent Registered Public Accounting Firm.

EXHIBIT 10.1

Execution Copy

$375,000,000

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

dated as of
April 9, 1997,
and
amended and restated as of
May 19, 2004,

among

Foot Locker, Inc.

The Subsidiaries Party Hereto

The Banks Party Hereto

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

Banc of America Securities LLC,

BNY Capital Markets, Inc.
as Joint Lead Arrangers and Joint Book Runners

Bank of America, N.A.
JPMorgan Chase Bank
as Co-Syndication Agents

and

Wachovia Bank, National Association
Wells Fargo Bank, National Association,
as Co-Documentation Agents

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FIFTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 9, 1997 and amended and restated as of May 19, 2004 among FOOT LOCKER, INC., the SUBSIDIARIES party hereto, the BANKS party hereto, THE BANK OF NEW YORK, as Administrative Agent, LC Agent and Swingline Bank and the JOINT LEAD ARRANGERS party hereto.

WHEREAS, the Company, the banks party thereto (the **"Existing Banks"),** the co-agents party thereto, Bank of America, N.A. (formerly known as 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, further amended as of July 1, 2002, further amended as of November 22, 2002 and further amended and restated as of July 30, 2003 (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 Section 3.01 hereof;

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

"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 Co-Documentation Agents, the Co-Syndication Agents 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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004.

"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 $547,000,000 amount shown as such total rent expense (net of sublease income) for Fiscal year 2003 under the heading "Leases" on page 43 of the Company's 2003 Annual Report to its shareholders.

"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.

"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, and (iii) any disposition of assets not described in clauses (i) and (ii) 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 (iii), do not exceed $5,000,000.

"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 Parties" means the Banks, the Swingline Bank, the Agents and the Joint 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 ½ of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means a Committed Revolver Loan or Term 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.

"Class" (a) when used with respect to Commitments, refers to whether such Commitments are Revolver Commitments or Term Commitments and (b) when used in respect to a Loan or a Borrowing, refers to whether such Loans or the Loans comprising such Borrowing are Committed Revolver Loans, Term Loans or Money Market Loans.

"Co-Documentation Agents" means Wachovia Bank, National Association and Wells Fargo Bank, National Association, each in its capacity as a co-documentation agent for the credit facility provided hereunder.

"Co-Syndication Agents" means Bank of America, N.A. and JPMorgan Chase Bank, each in its capacity as a co-syndication agent for 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, the Foreign Collateral Documents, the Mortgages, and each additional mortgage entered into pursuant to Section 5.18 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.

"Collateral Trigger Date" means the first date on or after the date on which the Investment Grade Condition is satisfied on which the Company's senior unsecured long-term debt securities are not rated at least (i) BBB- by S&P and (ii) Baa3 by Moody's.

"Commitment" means a Revolver Commitment or a Term Commitment, or any combination thereof (as the context requires).

"Commitment Schedule" means the Commitment Schedule attached hereto.

"Committed Revolver Loan" means a loan made or to be made by a Bank pursuant to Section 2.01(a) or Section 2.17(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 Revolver 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 Foot Locker, Inc., a New York corporation, and its successors.

"Company's 2003 Form 10-K" means the Company's annual report on Form 10-K for the 2003 Fiscal Year, 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 after January 31, 2004 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 Revolver Credit Exposure at such time; plus

(ii) the amount of its Term Credit Exposure at such time.

"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).

"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 are authorized or required by law to close; *provided* that, when used in Section 2.16 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.

"Domestic Loans" means Base Rate Loans.

"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.

"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.

"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 Revolver Loan or Term 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(b).

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.07(b) 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, N.A., and JPMorgan Chase Bank.

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

"European Entities" means Foot Locker Europe, B.V., Foot Locker UK Limited, Foot Locker France S.A.S., Foot Locker Austria GmbH, Foot Locker Italy S.r.l., Foot Locker Netherlands B.V., Foot Locker Belgium BVBA, Freedom Sportsline Limited, Foot Locker Sweden Aktiebolag, Foot Locker Denmark ApS, and Foot Locker Artigos desportivos e de tempos livres, Lda.

"European Entities Foreign Specified Trademarks" means Foreign Specified Trademarks (as such term is defined in the Security Agreement) that are registered in any European country or the European Union.

"European Entities Holding Companies" means FLE Management, FLE CV GP, Foot Locker Europe CV LP, FLE CV, FLE Holdings, B.V. and any other Subsidiary that is a direct or indirect holding company of the capital stock or other equity interests of FLE Holdings, B.V.

"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.

"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.

"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 2003 refers to the Fiscal Year that ended on January 31, 2004).

"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.

"FL Europe Holdings" means FL Europe Holdings, Inc., a Delaware corporation.

"FLE CV" means FLE CV, a Dutch limited partnership.

"FLE CV GP" means FLE CV GP, LLC, a Delaware limited liability company.

"FLE Management" means FLE CV Management, Inc., a Delaware corporation.

"Foot Locker Europe CV LP" means Foot Locker Europe CV LP, LLC, a Delaware limited liability company.

"Foreign Collateral Documents" means the Pledge Agreement dated as of May 20, 1999 between Eduardo Sebastian de Erice in the name and on behalf of Venator Group, Inc. and Jose Fernandez-Ranada Lopez-Dorign in the name and on behalf of The Bank of New York in respect of shares Foot Locker Spain S.L. and the Pledge Agreement dated May 20, 1999 between Venator Group Holdings, Inc. and The Bank of New York in respect of partnership interests in Woolworth Holding, S. de R.L. de C.V.

"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 Loans consisting of (i) all Loans of the same Class to the same Borrower which are Base Rate Loans at such time or (ii) all Euro-Dollar Loans of the same Class to the same Borrower which have the same Interest Period at such time; *provided* that if a Committed Revolver Loan or a Term 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 Amended and Restated 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 Section 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 10 of the Company's annual report incorporated by reference in the Company's 2003 Form 10-K.

"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 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.

(3) 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.

"Investment Grade Condition" means the satisfaction of the following: the Company's senior unsecured long-term debt securities shall not have been rated less than (i) BBB- by S&P and (ii) Baa3 by Moody's on each day of each of two consecutive Fiscal Quarters.

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

"Joint Lead Arrangers" means Banc of America Securities LLC and BNY Capital Markets, Inc. each in its capacity as a joint lead arranger for the credit facility provided hereunder.

"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.

"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 Revolver Bank at any time, an amount equal to its Revolver 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 2.16(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.

"Letter of Credit" means a letter of credit issued or to be issued hereunder by the LC Agent.

"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 Term Loan, Committed Revolver Loan or a Money Market Loan and **"Loans"** means Term Loans, Committed Revolver 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(b).

"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 Revolver Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Revolver Bank, its Domestic Lending Office or such other office, branch or affiliate of such Revolver Bank as it may hereafter designate as its Money Market Lending Office by notice to the Company and the Administrative Agent; *provided* that any Revolver 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 Revolver 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 Revolver 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 Revolver 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.

"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, with respect to any Asset Sale (including for this purpose any disposition that would be an Asset Sale but for clause (iii) 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.

"Notes" means promissory notes of a Borrower, substantially in the form of Exhibit A hereto, evidencing such Borrower's obligation to repay the Loans (or the Loans of a particular Class) 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 2.17(b).

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

"Outstanding Revolver Committed Amount" means, with respect to any Revolver Bank at any time, the sum of (i) the aggregate outstanding principal amount of its Committed Revolver Loans, (ii) its Revolver 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 Revolver 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 Amended and Restated Pledge Agreement 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 has pledged 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 Credit Exposure at such time and the denominator of which is the aggregate amount of the Credit Exposure of all Banks at such time.

"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.

"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 2.16 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 Revolver Bank has become subrogated pursuant to paragraph (1) of Section 2.16(j).

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

"Required Banks" means at any time Banks having at least 51% of the aggregate amount of the Credit Exposures at such time.

"Responsible Officer" means, with respect to any Obligor, 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).

"Revolver Bank" means a Bank with a Revolver Commitment or, if the Revolver Commitments have terminated or expired, a Bank with a Revolver Credit Exposure.

"Revolver Commitment" means, with respect to each Bank, the amount (if any) set forth opposite the name of such Bank on the Commitment Schedule under the heading "Revolver Commitment" (or, in the case of an Assignee, the portion of the transferor Bank's Revolver 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 2.10 and Section 2.11 or changed as a result of an assignment pursuant to Section 8.06 or Section 9.06(c). The term **"Revolver Commitment"** does not include the Swingline Commitment.

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

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

(ii) if the Revolver Commitments have terminated or expired in their entirety, the sum of (x) its Outstanding Revolver 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 Revolver Bank pursuant to Section 8.06 or 9.06.

"Revolver Pro Rata Share" means, with respect to any Revolver Bank at any time, a fraction the numerator of which is the amount of such Revolver Bank's Revolver Credit Exposure at such time and the denominator of which is the aggregate amount of the Revolver Credit Exposure of all Revolver Banks at such time.

"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 Amended and Restated Security Agreement 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.

"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 Footlocker.com, Inc., a Delaware corporation, Foot Locker Retail, Inc., a New York corporation, Team Edition Apparel, Inc., a Florida corporation, Foot Locker Stores, Inc., a Delaware corporation, Foot Locker Specialty, Inc., a New York corporation, Foot Locker Europe B.V., a Netherlands corporation, Foot Locker Australia, Inc., a Delaware corporation and Foot Locker Canada Corporation, 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 2.17, 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 $50,000,000.

"Swingline Loan" means a loan made by the Swingline Bank pursuant to Section 2.17(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 the Loans to the Company are expressly rated at least BBB- by S&P and at least Baa3 by Moody's.

"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 or 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, (v) other short-term Investments that are rated A or higher by S&P or A2 or higher by Moody's or (vi) in the case of Investments made by a Foreign Subsidiary, Investments substantially similar to those described in clauses (i) through (v) 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.

"Term Bank" means a Bank with a Term Commitment or, if the Term Commitments have terminated or expired, a Bank with a Term Exposure.

"Term Commitment" means, with respect to each Bank, the amount (if any) set forth opposite the name of such Bank on the Commitment Schedule under the heading "Term Commitment" (or, in the case of an Assignee, the portion of the transferor Bank's Term Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount shall be reduced pursuant to Section 2.11 or changed as a result of an assignment pursuant to Section 8.06 or Section 9.06(c).

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

(i) the amount of its Term Commitment; or

(ii) if the Term Commitments have terminated or expired in their entirety, the aggregate outstanding principal amount of its Term Loans,

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

"Termination Date" means May 19, 2009, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day.

"Term Loan" means a loan made by a Bank pursuant to Section 2.01(b); *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 "Term 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.

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

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

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

"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.* 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.

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 Class and Type (subject to Article 8) and, except in the case of Base Rate Loans, have the same Interest Period or initial Interest Period. The **"Type"** of a Loan refers to the pricing of such Loan and the determination of whether it is a Euro-Dollar Loan or a Base Rate Loan. Borrowings are classified for purposes of this Agreement either by reference to the Type of Loans comprising such Borrowing (*e.g.*, a **"Euro-Dollar Borrowing"** is a Borrowing comprised of Euro-Dollar Loans), by reference to the provisions of Article 2 under which participation therein is determined (*i.e.*, a **"Committed Revolver Borrowing"** is a Borrowing under Section 2.01(a) in which all Revolver Banks participate in proportion to their Revolver 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), or by reference to their Class (e.g., a **"Term Borrowing"** is a Borrowing of Term Loans).

ARTICLE 2
THE CREDITS

Section 2.01. *Commitments To Lend.* (a) Committed Revolver Loans. Each Revolver Bank severally agrees, on the terms and conditions set forth in this Agreement, to make revolving 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 Committed Revolver Loans and Swingline Loans):

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

(ii) the Total Revolver Usage shall not exceed the Total Revolver Commitments; and

(iii) subject to Section 3.03(c), the aggregate outstanding principal amount of Committed Revolver Loans and Money Market Loans to the Company and Swingline Loans does not exceed $50,000,000.

Each Base Rate Borrowing under this Section 2.01(a) shall be in an aggregate principal amount of $2,500,000 or any larger multiple of $1,000,000, and each Euro-Dollar Borrowing shall be in an aggregate principal amount of $5,000,000 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 Revolver 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 Revolver Banks ratably in proportion to their respective Revolver Commitments. Within the foregoing limits and subject to Section 2.11, the Borrowers may borrow under this Section 2.01(a), prepay Revolving Loans to the extent permitted by Section 2.13, and reborrow under this Section 2.01(a) at any time prior to the Termination Date.

(b) Term Loans. Each Term Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a single term loan to the Borrowers pursuant to this Section 2.01(b) on the Effective Date in a principal amount not to exceed such Term Bank's Term Commitment. The Borrowing under this Section 2.01(b) shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000. The Borrowing shall be made from the several Term Banks ratably in proportion to their respective Term Commitments. The Term Commitments are not revolving in nature, and any amount thereof repaid may not be reborrowed.

Section 2.02. *Notice of Committed Borrowing.* 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, and (y) 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 and, in the case of the Borrowing of Term Loans, shall be the Effective Date,

(ii) whether such Borrowing is to be a Borrowing of Term Loans or Committed Revolver Loans,

(iii) the aggregate amount of such Borrowing, which shall be $2,500,000 or a larger multiple of $1,000,000 in the case of a Base Rate Borrowing or $5,000,000 or a larger multiple of $1,000,000 in the case of a Euro-Dollar Borrowing,

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

(v) if such Borrowing is a Euro-Dollar 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 Revolver Borrowings pursuant to Section 2.01(a), any Borrower may, as set forth in this Section, request the Revolver 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 Revolver 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 Revolver 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 Revolver Banks by telex or facsimile transmission an Invitation for Money Market Quotes, which shall constitute an invitation by the Borrower to each Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Revolver 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 Revolver Commitment of the quoting Revolver 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 Revolver 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 Revolver Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Revolver 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 Revolver 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 Revolver 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 (i) 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, (ii) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (iii) 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 Revolver 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 Revolver Loans and Swingline Loans), (1) the Total Revolver Usage shall not exceed the Total Revolver Commitments and (2) the aggregate outstanding principal amount of Revolver Loans and Money Market Loans to the Company and Swingline Loans shall not exceed $50,000,000.

(g) *Allocation by Administrative Agent*. If offers are made by two or more Revolver 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 Revolver 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 having a Commitment of the relevant Class 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 (if any), in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. On the

date of each Revolver Borrowing, 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 Revolver 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. *Evidence of Debt.* (a) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Bank resulting from each Loan made by such Bank, including the amounts of principal and interest payable and paid to such Bank from time to time.

(b) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and each Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Bank hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Banks and each Bank's share thereof.

(c) The entries made in the accounts maintained pursuant to subsections (a) and (b) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that any failure by any Bank or the Administrative Agent to maintain such accounts or any error therein shall not affect each Borrower's obligation to repay the Loans made to it in accordance with the terms of the Agreement.

(d) No Notes are required, and the failure by any Bank to request a Note shall not affect the obligations of any Borrower under any Loan Documents. Any Bank may, by notice to a Borrower, request that such Borrower's obligation to repay such Bank's Loans, or such Bank's Loans of a particular Class or Type, to such Borrower be evidenced by a 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 if it evidences solely Loans of the relevant Class or 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. Each Bank may record the date and amount of each Loan made by it to each Borrower on its Note of such 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 Revolver Loan and Term Loan shall mature, and the then unpaid 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) To the extent the terms of any Debt issued by the Company or any of its Subsidiaries after March 19, 1999 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 (c), 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.

(d) 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 Revolver 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 2.16(i) and any Reimbursement Obligation that has been cash collateralized in accordance with this subsection or subsection (c) above) does not exceed $50,000,000. The Borrowers will prepay Committed Revolver Loans and cash collateralize Letters of Credit to the extent necessary to comply with the immediately preceding sentence. For purposes of this subsection (d), **"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.

(e) On each date set forth below, the Borrowers shall repay Term Loans in an aggregate principal amount equal to the amount set forth below opposite such date:

Date	Amount
May 19, 2005	$ 17,500,000
May 19, 2006	$ 17,500,000
May 19, 2007	$ 26,250,000
May 19, 2008	$ 26,250,000
May 19, 2009	$ 87,500,000

(f) The prepayments and the cash collateralization (if applicable) to be made pursuant to subsections (c) and (d) 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 Revolver Loans then outstanding, until all Committed Revolver 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 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 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.

(c) 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.

(d) 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(b) 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.

(e) 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.

(f) Each Euro-Dollar Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Euro-Dollar 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 Euro-Dollar 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 Revolver Borrowing and Term 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 Euro-Dollar Loans as of any Euro-Dollar Business Day; or

(ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate 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 $2,500,000 or any larger multiple of $1,000,000 in the case of a Base Rate Borrowing or $5,000,000 or any larger multiple of $1,000,000 in the case of a Euro-Dollar Borrowing.

(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 Euro-Dollar Loans, the duration of the initial Interest Period applicable thereto; and

(iv) if such Loans are to be continued as 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 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 Revolver Loans or Term Loans to, or continue any Committed Revolver Loans or Term Loans for an additional Interest Period as, 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 Revolver Bank a facility fee, calculated for each day at the Facility Fee Rate for such day, on the amount of such Bank's Revolver 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 Revolver Credit Exposures are reduced to zero and shall be payable quarterly in arrears on each June 19, September 19, December 19 and March 19 and on the day on which the Revolver Credit Exposures are reduced to zero. Upon any termination or reduction of the Revolver Commitments under Section 2.10, the Borrower shall pay to the Administrative Agent for the account of the Revolver Banks ratably in accordance with their respective Revolver Pro Rata Shares, facility fees accrued to the date of such termination or reduction on the terminated or reduced portion of the Revolver Commitments.

"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 Revolver Commitments at any time, if no Revolver Bank has an Outstanding Revolver Committed Amount at such time or (ii) ratably reduce the Revolver Commitments from time to time, in each case by an aggregate amount of at least $5,000,000 or any larger multiple of $1,000,000; *provided* that immediately after such reduction:

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

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

(y) the aggregate outstanding principal amount of the Swingline Loans shall not exceed the Swingline Commitment.

Upon any such termination or reduction of the Revolver 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 Revolver Commitments hereunder and prepay any and all Committed Revolver Loans, Term 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 Revolver Loans, Term 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 Revolver Loans, Term Loans or Swingline Loans on such date, the Company complies with the requirements of subsections (a) and (b) of Section 2.12, Section 2.14 and subsection (d) of Section 2.17, as applicable, 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 Termination of Commitments.* (a) The Revolver Commitments shall terminate on the Termination Date and any Committed Revolver 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.

(c) The Term Commitments shall terminate upon the earlier of the funding of the Term Borrowing and 5 P.M. (New York City time) on the Domestic Business Day next following the Effective Date.

Section 2.12. *Optional Prepayments.* (a) The Borrower may upon at least one Domestic Business Day's notice to the Administrative Agent, prepay any Group of 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 $5,000,000 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 included in such Group (or the Money Market Loans included in such Money Market Borrowing).

(b) Subject to Section 2.14, the Borrower may, upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Group of Euro-Dollar Loans, in whole at any time, or from time to time in part in amounts aggregating $1,000,000 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 Euro-Dollar Loans of the several Banks included in such Group.

(c) Any prepayment of Term Loans pursuant to subsections (a) and (b) shall be applied in the direct order of maturity of the remaining scheduled amortization payments in respect thereof, unless otherwise specified in written notice delivered to the Administrative Agent by the Borrower at the time of such prepayment.

(d) 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.

(e) Except as provided in Section 2.06 and 2.12(a), the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(f) 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 2.13. *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 2.16, and in each case such payment shall be made without any set-off, counterclaim or deduction whatsoever. 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 2.14. *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(c), or if a Borrower fails to borrow or prepay any Fixed Rate Loans or fails to continue any Euro-Dollar Loans for an additional Interest Period or fails to convert any outstanding Loans to 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 Section 2.12(f), 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 2.15. *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 2.16. *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 $80,000,000 (of which the aggregate amount attributable to standby Letters of Credit will not exceed $30,000,000);

(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 Revolver Bank, its Outstanding Revolver Committed Amount shall not exceed its Revolver Commitment; and

(iv) the Total Revolver Usage shall not exceed the Total Revolver 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 Revolver Bank and each Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver Banks ratably in accordance with their respective Revolver 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 Revolver 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 Revolver Bank its Revolver 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 Revolver 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 Revolver Bank of such unreimbursed amount and request that each Revolver Bank reimburse the LC Agent for such Revolver Bank's Revolver Pro Rata Share thereof. Upon receiving such notice from the LC Agent, each Revolver Bank shall make available to the LC Agent, at its address referred to in Section 9.01, an amount equal to such Revolver 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 Revolver 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 Revolver Bank at the Federal Funds Rate for such day. Upon payment in full thereof, such Revolver Bank shall be subrogated to the

rights of the LC Agent against the Borrower to the extent of such Revolver Bank's Revolver Pro Rata Share of the related Reimbursement Obligation (including interest accrued thereon). Nothing in this subsection (j) shall affect any rights any Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver Bank its Revolver 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 Revolver 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. To the fullest extent permitted under applicable law, none of the LC Agent, the Revolver Banks and their respective officers, directors, employees and agents shall be responsible for, and the obligations of each Revolver 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. To the fullest extent permitted under applicable law, any action taken or omitted by the LC Agent or any Revolver 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 Revolver 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 Revolver 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 Revolver 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 Revolver Banks shall, ratably in accordance with their respective Revolver 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 Revolver Bank, the LC Agent shall have the same rights and obligations under this Section as any other Revolver Bank.

Section 2.17. *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 Revolver Bank, its Outstanding Revolver Committed Amount shall not exceed its Revolver Commitment, and

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

Each loan under this Section shall (x) be in a principal amount not less than $1,000,000 and shall be in a multiple of $1,000,000 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(b), 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 Revolving 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*. On the date of each Borrowing pursuant to Section 2.01(a) or Section 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.

(f) *Refunding Unpaid Swingline Loans*. The Swingline Bank may at any time, by notice to the Revolver Banks (including the Swingline Bank, in its capacity as a Revolver Bank), require each Revolver Bank to pay to the Swingline Bank an amount equal to such Revolver Bank's Revolver 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 Revolver 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 Revolver Bank shall constitute a Revolver Base Rate Loan to the Company; *provided* that, if the Revolver Banks are prevented from making such Revolver Loans to the Company by the provisions of the United States Bankruptcy Code or otherwise, the amount so paid by each Revolver 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 Revolver 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 Revolver 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 Revolver 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 Agreement shall become effective on the date (the **"Effective Date"**) on which all of the conditions set forth below 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.

(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 Administrative Agent;

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

(d) (i) the fact that the representations and warranties set forth in Article 4 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 no Default 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;

(f) receipt by the Administrative Agent of executed counterparts (or facsimile or other written confirmation satisfactory to the Administrative Agent that each applicable party has signed a counterpart thereof) of (i) the Security Agreement signed by the Company, each Subsidiary Guarantor and the Administrative Agent together with an updated Perfection Certificate (as defined in the Security Agreement) and other schedules contemplated thereby, (ii) the Pledge Agreement signed by the Company, each Subsidiary Guarantor and the Administrative Agent together with updated schedules contemplated thereby, and (iii) the Guarantee Agreement signed by each Subsidiary Guarantor and the Administrative Agent; and

(g) 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 Amended Agreement, the Fourth Restated Credit Agreement and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent.

Section 3.02. *Consequences of Effectiveness.* (a) On the Effective Date, without further action by any of the parties to the Existing Credit Agreement or the Amended Agreement, (i) the Existing Credit Agreement will be automatically amended and restated to read as this Amended Agreement reads, (ii) the Commitments of each Bank shall be the amounts set forth opposite the name of such Bank on the Commitment Schedule, as such amount may be changed from time to time in accordance with the terms hereof, (iii) any Bank whose aggregate Commitment is zero (a **"Departing Bank"**) shall, upon the Effective Date, cease to be a Bank party to the Existing Credit Agreement or the Amended Agreement and shall have no further obligations hereunder, and (iv) all accrued fees and other amounts payable to the Banks (including any Departing Bank) under the Existing Credit Agreement shall be due and payable on the Effective Date.

(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 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. Each Letter of Credit outstanding under the Existing Credit Agreement on the Effective Date will be deemed to be a Letter of Credit under this Amended Agreement.

(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 2.17(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;

(b) receipt (i) by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03(b), (ii) by the Swingline Bank of a Notice of Swingline Borrowing as required by Section 2.17(b) or (iii) by the LC Agent of a notice of proposed issuance or extension as required by Section 2.16(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), 2.16(a) or Section 2.17(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, 2004 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 2003 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) Since January 31, 2004 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 reasonable opinion of the Company, adequate.

Section 4.10. *Subsidiaries.* (a) Each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all requisite power 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. *Ranking.* The Secured Obligations, as defined in the Security Agreement, of such Borrower rank (i) so long as the Investment Grade Condition is not met, 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.

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 60 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 40 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) 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 Section 5.06 to 5.10, inclusive, and Section 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 (c) 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;

(d) 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 (c) above;

(e) as soon as practicable and in any event within 60 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;

(f) 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;

(g) 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;

(h) 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;

(i) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(j) 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;

(k) 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

(l) 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 Effective Date 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 $50,000,000;

(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 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;

(viii) Liens (other than Liens described in clause (vii)) 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

(ix) 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 (ix) 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)(vii) and (a)(viii) 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) $1,053,000,000 plus (ii) for each Fiscal Quarter ended at or prior to such time (but after February 1, 2004), 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, the ratio of (i) Consolidated Debt 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 the period in which such date falls:

Fiscal Year	Maximum Ratio
Effective Date through and including the last day of Fiscal Year 2004	1.60:1

Fiscal Year	Maximum Ratio
Fiscal Year 2005	1.50:1
Fiscal Year 2006	1.40:1
Fiscal Year 2007	1.30:1
Fiscal Year 2008	1.20:1
Fiscal Year 2009	1.10:1

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 any unsecured Debt of the Company outstanding at January 31, 2004 and reflected on the balance sheet of the Company at January 31, 2004, 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 Joint Lead Arranger and (v) 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 during each Fiscal Year listed below, the Fixed Charge Coverage Ratio will not be less than the ratio set forth below opposite such period:

Fiscal Year	Minimum Ratio
2004	1.75:1
2005	1.80:1
2006	1.85:1
2007	1.90:1
2008	1.95:1
2009	2.00:1

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", "World Foot Locker"** and **"Footaction"**(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 (i) to finance their working capital; (ii) to finance Consolidated Capital Expenditures to the extent permitted under Section 5.13; and (iii) for general corporate purposes. No part of the proceeds of any Loans and Swingline Loans will be used, directly or indirectly, for any purpose that entails a violation of any of the regulations of the Board of Governors of the Federal Reserve System, including without limitation Regulations U and X.

Section 5.13. *Limitation on Capital Expenditures.* Consolidated Capital Expenditures will not, for any Fiscal Year, exceed the sum of (i) $185,000,000 (the **"Base Amount"**) plus (ii) the unused portion (the **"Carry-Over Amount"**), if any, of the Base Amount for the immediately preceding Fiscal Year (and for purposes of this Section 5.13, any Consolidated Capital Expenditures made in any Fiscal Year shall reduce first the Base Amount for such Fiscal Year until the Base Amount is $0, and thereafter the Carry-Over Amount (if any) for such Fiscal Year).

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; *provided* that all such Investments (x) shall be set forth on Schedule 5.14(a) or (y) to the extent not set forth on Schedule 5.14(a), shall not exceed $5,000,000 in the aggregate.

(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;

(d) Investments consisting of seller notes and set forth on Schedule 5.14(d); and

(e) 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 $40,000,000, (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 (e) since the Effective Date does not exceed $75,000,000, 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 Section 5.08, 5.09, 5.10 and Section 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) immediately before and after giving effect thereto, no Default has occurred and is continuing, (ii) 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 2.0:1 and (iii) the aggregate amount of Restricted Payments made does not exceed 35% of the consolidated net income from continuing operations of the Company and its Consolidated Subsidiaries for the then most recently ended Fiscal Year with respect to which the Company has delivered the financial statements described in Section 5.01(a); *provided* that regardless of whether the conditions set forth in clauses (i) through (iii) 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 $2,000,000 in any Fiscal Year; and (2) payments in respect of shareholders rights plans in an aggregate amount not to exceed $1,750,000.

Section 5.16. *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 5.17. *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 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, 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, in the case of the other actions described in this Section.

Section 5.18. *Collateral Documents; Release of Liens.* (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 (other than a leasehold 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.

(b) The Borrowers and the Banks agree that, upon satisfaction of the Investment Grade Condition, the security interests granted pursuant to the Collateral Documents shall terminate and the Liens on the Collateral created by the Collateral Documents shall be automatically released and the Administrative Agent will execute and deliver to the Company such documents as the Company shall reasonably request to evidence such termination and release. If at any time after the Investment Grade Condition has been satisfied, the Collateral Trigger Date shall occur, then, within 30 days after the occurrence thereof, the Company

will, and will cause each Subsidiary Guarantor to, grant Liens on their respective assets of the same type as the assets that are Collateral (as such term is defined in the Collateral Documents in effect immediately prior to the satisfaction of the Investment Grade Condition) such Liens to have terms and conditions substantially the same as those in the Collateral Documents in effect immediately prior to the satisfaction of the Investment Grade Condition, and will cause each Subsidiary Guarantor to, execute such Collateral Documents to evidence such Liens, and deliver such other 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.

Section 5.19. *Provisions Relating to European Entities Holding Companies and FL Europe Holdings.* (a) No European Entities Holding Company shall conduct any activities other than the ownership, directly or indirectly, of the capital stock or other equity interests of other European Entities Holding Companies and of the European Entities, in each case as such ownership is in effect on the Effective Date; *provided*, *however*, that FLE CV may license and sub-license the European Entities Foreign Specified Trademarks and provide management, brand development, and related services to its direct and indirect subsidiaries. Without limiting the generality of the foregoing, each European Entities Holding Company will not (i) incur, assume, create or suffer to exist any Debt or other obligations (other than Debt or other obligations owed to the Company or any Subsidiary, so long as any such obligations shall be subordinated to the obligations under the Loan Documents on terms reasonably satisfactory to the Administrative Agent and the Company), or any Lien on any of its property, whether now owned or hereafter acquired, and (ii) transfer any capital stock or other equity interests of any European Entity to any other Subsidiary.

(b) FL Europe Holdings shall not conduct any activities other than the ownership of the European Entities Foreign Specified Trademarks; provided, however, that FL Europe Holdings may license and sub-license the European Entities Foreign Specified Trademarks.

(c) The Company represents and warrants that (i) all of the capital stock or other equity interests of the European Entities are directly held by FLE Holdings, B.V., (ii) all of the capital stock or other equity interests of FLE Holdings, B.V. are directly held by FLE CV, (iii) all the capital stock or other equity interests of FLE CV are held directly by FLE Management or other direct domestic wholly-owned Subsidiaries of FLE Management, (iv) at least 65% of the capital stock or other equity interests of FLE CV are held directly by FLE Management and (v) all the capital stock or other equity interests of FLE Management are held directly by the Company.

Section 5.20. *Foreign Collateral Documents.* The Company and each Subsidiary party to the Foreign Collateral Documents or any additional pledge agreements, security agreements, or other documents or instruments in respect of foreign Collateral required by the Pledge Agreement or the Security Agreement shall, as soon as practicable using commercially reasonable efforts, but within 90 days of the Effective Date or such longer period as the Administrative Agent shall agree, (i) enter into such amendments or supplements thereto or other instruments or agreements, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to continue and preserve the perfection and priority of the security interest granted upon such Collateral pursuant to such Foreign Collateral Documents or other agreements, documents or instruments, 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.

Section 5.21. *Mortgages*. The Company and each Subsidiary that has entered into any mortgage listed in Schedule 5.21 shall, as soon as practicable using commercially reasonable efforts, but within 90 days of the Effective Date or such longer period as the Administrative Agent shall agree, (i) enter into such amendments or supplements thereto or other instruments or agreements, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to continue and preserve the perfection and priority of the security interest granted by such mortgage, 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.

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 Section 5.03 (as it relates to maintenance of existence) and Section 5.06 to Section 5.21, 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 $10,000,000 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 $10,000,000;

(j) a judgment or order for the payment of money in excess of $10,000,000 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 as a result of the satisfaction of the Investment Grade Condition) 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, JOINT LEAD ARRANGERS, CO-DOCUMENTATION AGENTS AND CO-SYNDICATION AGENTS

Section 7.01. *Appointment and Authorization.* Each Bank irrevocably appoints and authorizes the Administrative Agent and the Joint 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 Joint 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, Joint 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-Documentation Agents and Co-Syndication Agents.* The Co-Documentation Agents and Co-Syndication Agents, in their capacities as such, shall have no duties, obligations or liabilities of any kind hereunder.

Section 7.04. *Obligations of Administrative Agent and Joint Lead Arrangers.* The obligations of the Administrative Agent, the Joint Lead Arrangers and the affiliates of each Joint 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 Joint Lead Arranger, the LC Agent and the affiliates of each Joint 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 Joint Lead Arrangers.* None of the Co-Documentation Agents, Co-Syndication Agents, the Administrative Agent, any Joint 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 Co-Documentation Agents, Co-Syndication Agents, the Administrative Agent, any Joint 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 Joint 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 Joint 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 Joint 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 Euro-Dollar Loan or Money Market LIBOR Loan:

(a) the Administrative Agent is advised by the Euro-Dollar Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Euro-Dollar Reference Banks in the relevant market for such Interest Period, or

(b) in the case of Euro-Dollar Loans, Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that 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 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 Euro-Dollar Loans, or to continue such Loans for an additional Interest Period, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended and (ii) each outstanding Euro-Dollar Loan 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 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 Revolver Loan, Term Loan, Swingline Loan or Letter of Credit or any obligation to make Committed Revolver Loans, Term Loans, 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 with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment 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 Section 8.04 with respect to its 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) 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 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 Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related 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 Section 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 2.14) 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 Revolver Loans or Term 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 Section 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 Joint 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; Indemnification.* (a) The Company shall pay (i) all reasonable out-of-pocket expenses of the Joint 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 Joint Lead Arrangers, the Administrative Agent and the affiliates of each Joint Lead Arranger, including reasonable fees and disbursements of special counsel and reasonable fees and

disbursements of accountants and any other advisors to the Joint Lead Arrangers, the Administrative Agent and the affiliates of each Joint 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 (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Joint 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 Joint 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 Joint Lead Arrangers and their affiliates are affected thereby, by the Administrative Agent, the LC Agent, the Swingline Bank, or the Joint Lead Arrangers and their affiliates, as the case may be); *provided* that no such amendment or waiver shall, unless signed by all the Banks affected thereby, (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 (viii) 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 and, in the case of clause (i) of this proviso, Section 5.18(b).

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 (x) 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, (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 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 Revolver Commitment of not less than $5,000,000 or an initial Term Commitment of not less than $1,000,000, as the case may be) 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, in the case of an assignment of a Revolver Commitment, and with (and subject to) the subscribed consent of the Administrative Agent only, in the case of an assignment of a Term Commitment (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 and $1,000,000 minimum amounts specified above for Revolver Commitments and Term Commitments, respectively, for partial assignments 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 2.16 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.

Section 9.12. *USA PATRIOT Act Notice.* Each Bank that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the **"Act"**), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

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 Bank 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 Bank 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 Bank 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 Banks.

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

FOOT LOCKER, INC

By: /s/ PETER D. BROWN

Title: Vice President-Investor Relations and Treasurer

Each of the Subsidiary Borrowers listed below hereby consents to this Agreement and agrees to be a party to, and be bound by, this Agreement.

FOOTLOCKER.COM, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

FOOT LOCKER RETAIL, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

TEAM EDITION APPAREL, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

FOOT LOCKER STORES, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

FOOT LOCKER SPECIALTY, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

FOOT LOCKER EUROPE B.V.

By: /s/ PETER D. BROWN

Title: Attorney-in-Fact

FOOT LOCKER AUSTRALIA, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

FOOT LOCKER CANADA CORPORATION.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

THE BANK OF NEW YORK

By: /s/ RANDOLPH E.J. MEDRANO

Title: Vice President

BANK OF AMERICA, N.A., successor by merger to Bank of America National Trust and Savings Association

By: /s/ DAN KILLIAN

Title: Managing Director

JPMORGAN CHASE BANK

By: /s/ PAUL PHELAN

Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION, formerly known as First Union National Bank

By: /s/ SUSAN T. VITALE

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ LORI A. ROSS

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION (formerly Firstar Bank, N.A.)

By: /s/ JENNIFER L. THURSTON

Title: AVP

THE BANK OF NOVA SCOTIA

By: /s/ TODD S. MELLER

Title: Managing Director

BANCO POPULAR PUERTO RICO

By: /s/ HECTOR J. GONZALEZ

Title: Vice President

FLEET NATIONAL BANK

By: /s/ DAN KILLIAN

Title: Managing Director

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

By: /s/ RANDOLPH E.J. MEDRANO

Title: Vice President

BNY CAPITAL MARKETS, INC.

By: /s/ GLENN AUTORINO

Title: Managing Director

BANC OF AMERICA SECURITIES LLC

By: /s/ WYATT L. SMITH

Title: Principal

Acknowledged and consented to by:

EASTBAY, INC.
FOOT LOCKER COM, INC.
FOOT LOCKER AUSTRALIA, INC.
FOOT LOCKER STORES, INC.
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
FOOT LOCKER CORPORATE SERVICES, INC.
FOOT LOCKER HOLDINGS, INC.
FOOT LOCKER RETAIL, INC.
FOOT LOCKER SOURCING, INC.
FOOT LOCKER SPECIALTY, INC.
FOOT LOCKER INVESTMENTS, LLC
FOOT LOCKER OPERATIONS, LLC
FL EUROPE HOLDINGS, INC.
FOOT LOCKER NEW ZEALAND, INC.
FL SPECIALTY OPERATIONS, LLC
FL RETAIL OPERATIONS, LLC

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

RETAIL COMPANY OF GERMANY, INC.

By: /s/ PETER D. BROWN

Title: Vice President and Treasurer

COMMITMENT SCHEDULE

Bank	Revolver Commitment	Term Commitment
The Bank of New York	$ 32,000,000.00	$ 28,000,000.00
Bank of America, N.A.	$ 32,000,000.00	$ 28,000,000.00
JPMorgan Chase Bank	$ 32,000,000.00	$ 28,000,000.00
Wachovia Bank, National Association	$ 26,666,666.67	$ 23,333,333.33
Wells Fargo Bank, National Association	$ 26,666,666.67	$ 23,333,333.33
U.S. Bank National Association	$ 21,333,333.33	$ 18,666,666.67
The Bank of Nova Scotia	$ 16,000,000.00	$ 14,000,000.00
Banco Popular Puerto Rico	$ 13,333,333.33	$ 11,666,666.67
Fleet National Bank	00.00	00.00
Total	$ 200,000,000.00	$ 175,000,000.00

PRICING SCHEDULE

The **"Euro-Dollar Margin", "LC Fee Rate"** 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:

Pricing Level	Level I	Level II	Level III	Level IV	Level V	Level VI
Committed Revolver Loan Euro-Dollar Margin and LC Fee Rate	1.200%	1.250%	1.250%	1.375%	1.375%	1.500%
Facility Fee Rate	0.175%	0.250%	0.375%	0.500%	0.625%	0.750%
Term Loan Euro-Dollar Margin	1.375%	1.500%	1.625%	1.875%	2.000%	2.250%

"Base Rate Margin" means, on any day, (i) the Euro-Dollar Margin for such day minus (ii) 1.00%.

For purposes of this Schedule, the following terms have the following meanings:

"Fixed Charge Coverage Ratio" means, as of any day, the ratio, at the last day of the most recently ended Fiscal Quarter for which financial statements have been delivered in accordance with the Amended Agreement, 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; provided that during any period when financial statements have not been delivered in accordance with the Amended Agreement, the Fixed Charge Coverage Ratio shall be deemed to be less than 1.75:1.

"Level I Pricing" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.75:1.

"Level II Pricing" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.50:1 and Level I Pricing does not apply.

"Level III Pricing" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.25:1 and neither Level I Pricing nor Level II Pricing applies.

"Level IV Pricing" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.00:1 and none of Level I Pricing, Level II Pricing or Level III Pricing applies.

"Level V Pricing" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 1.75:1 and none of Level I Pricing, Level II Pricing, Level III Pricing or Level IV Pricing applies.

"Level VI Pricing" applies on any day on which no other Pricing Level applies.

"Pricing Level" refers to the determination of which of Level I Pricing, Level II Pricing, Level III Pricing, Level IV Pricing, Level V Pricing or Level VI Pricing applies on any day.

MATERIAL TRADEMARKS
Schedule 1.01(a)

Athletic Shoe Factory

Champs Sports

Champssports.com

Colorado

Eastbay

Eastbay.com

Final Score

Footaction

Foot Locker

Footlocker.com

Foot Locker Athletic Club

Going to the Game

Kids Foot Locker

Kidsfootlocker.com

Lady Foot Locker

Ladyfootlocker.com

Referee Design

Team Edition

Vestiaire Sportif

World Foot Locker

Schedule 5.06
(in millions)

	5/1/2004
Junction City IRB	*
One Store lease- immaterial amount	$ 0.0

* The Company is the holder of the Junction City IRB in the amount of $14.5 million, and has the offsetting capital lease liability in the same amount.

Schedule 5.14(a)
(in millions)

	Due	5/1/2004	Year end 2003	Year end 2002
Santa Monica	5/1/2009	$ 8.6	$ 8.7	$ 8.9
Northern Note	9/28/2008	$ 8.3	$ 8.1	$ 10.2
Junction City IRB *	2/1/2008	$ —	$ —	$ —
Total		$ 16.9	$ 16.8	$ 19.1

* The Company is the holder of the Junction City IRB in the amount of $14.5 million, and has the offsetting capital lease liability in the same amount.

Schedule 5.14(d)
(in millions)

	Due	5/1/2004	Year end 2003	Year end 2002
Northern Note	9/28/2008	$ 8.3	$ 8.1	$ 10.2

Mortgages and Related Documents
Schedule 5.21

Bradenton, Florida

1. Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated as of June 14, 1999 from Robby's Sporting Goods, Inc., ("Robby's") as mortgagor, to The Bank of New York ("Bank NY"), as Administrative Agent, as mortgagee, recorded in the Public Records of Manatee County, Florida on June 18, 1999 in Book 1599, Page 7485, as amended by:

    - Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated June 25, 2001, recorded in the Public Records of Manatee County, Florida on August 20, 2001 in Book 1697, Page 1808

    - Amendment No. 2 to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated November 28,2003, recorded in the Public Records of Manatee County, Florida on April 2, 2004 in Book 1913, Page 5496 (DKT # 1933056)

2. UCC-1 Financing Statement from Robby's, as debtor, to Bank NY, as secured party, recorded in the Public Records of Manatee County, Florida on June 18, 1999 as Document # 1254212 in Book 1599, Page 7525

3. UCC-1 Financing Statement from Robby's, as debtor, to Bank NY, as secured party, filed with the Secretary of State of Florida on June 17, 1999 as Document No. 990000137310

Miami, Florida

4. Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated as of June 14, 1999 from Venator Group Specialty, Inc., ("Venator"), as mortgagor, to Bank NY, as mortgagee, recorded in the Public Records of Miami-Dade County, Florida on June 18, 1999 in Book 18659, Page 935, as amended by:

    - Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated June 25,2001, recorded in the Public Records of Miami-Dade County, Florida on August 20, 2001 in Book 19849, Page 4659

    - Amendment No. 2 to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated November 28,2003, recorded in the Public Records of Miami-Dade County, Florida on April 5, 2004 in Book 22178, Page 3513 (CFN 2004R0231329)

5. UCC-1 Financing Statement from Venator, as debtor, to Bank NY, as secured party, recorded in the Public Records of Miami-Dade County, Florida on June 18, 1999 as Document No. 99R318500 in Book 18659, Page 972

6. UCC-1 Financing Statement from Venator, as debtor, to Bank NY, as secured party, filed with the Secretary of State of Florida on June 17, 1999 as Document No. 990000137284

Cumberland, Pennsylvania

7. Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated as of June 14, 1999 from Venator Group Corporate Services, Inc. ("Venator, Corp."), (as to an undivided 87% interest), and Venator (as to an undivided 13% interest), Jointly, as Tenants in common, as mortgagor, to Bank NY, as mortgagee, recorded in Cumberland County, Pennsylvania on June 23, 1999 in Book 1552, Page 123, as amended by:

    - Amendment to Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated June 25, 2001, recorded in the Public Records of Cumberland County, Pennsylvania on August 17, 2001 in Book 680, Page 1459

    - Amendment No. 2 to Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated November 28, 2003, recorded in the Public Records of Cumberland County, Pennsylvania on April 1, 2004 in Book 1859, Page 915

8. UCC-1 Financing Statement from Venator Corp. and Venator, as debtor, to Bank NY, as secured party, recorded in Cumberland County, Pennsylvania on June 25, 1999 as Document No. 5985

9. UCC-1 Financing Statement from Venator Corp. and Venator, as debtor, to Bank NY, as secured party, filed with the Prothonotary of Cumberland, Pennsylvania on June 17, 1999 as Document No. 99-3671

10. UCC-1 Financing Statement from Venator Corp. and Venator, as debtor, to Bank NY, as secured party, filed with the Secretary of State of Pennsylvania on June 17, 1999 as Document No. 30381497

New Orleans, Louisiana [1]

11. Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated as of December 21, 1999 and effective as of December 23, 1999 from Venator, as mortgagor, to Bank NY, as mortgagee, filed for record with the Recorder of Mortgages, Parish of Orleans, Louisiana, on January 5, 2000, as Instrument No. 2000-01426, as amended by:

    - Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated June 25, 2001, filed for record with the Recorder of Mortgages, Parish of Orleans, Louisiana, on August 20, 2001 as Instrument NO. 616433

12. UCC-1 Financing Statement from Venator, as debtor, to Bank NY, as secured party filed with Orleans Parish, Louisiana on January 25, 2000 as Instrument No. 36-145289

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[1] Sale pending

EXHIBIT A

NOTE

New York, New York
May __ , 2004

For value received, FOOT LOCKER, 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 [Term Loan/Committed Revolver 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 [Term Loan/Committed Revolver 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 [Term Loans/Committed Revolver 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 [Term Loan/Committed Revolver 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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among the Borrower, its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents 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.

FOOT LOCKER, INC.

By: _____

Name:
Title:

[TERM LOANS/COMMITTED REVOLVER LOANS]
AND PAYMENTS OF PRINCIPAL

Date	Amount of Term Loan/ Committed Revolver Loan]	Amount of Principal Repaid	Notation Made by

EXHIBIT B

SWINGLINE NOTE

New York, New York
May __, 2004

For value received, FOOT LOCKER, 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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among the Borrower, its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents 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.

FOOT LOCKER, INC.

By: _____

Name:
Title:

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: Foot Locker, Inc.

Re: Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among Foot Locker, Inc., its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto (as the same may be amended from time to time, the "**Credit Agreement**").

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]
$	

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[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.

EXHIBIT D

FORM OF INVITATION FOR MONEY MARKET QUOTES

To: [Name of Bank]

Re: Invitation for Money Market Quotes to Foot Locker, Inc. (the "**Borrower**")

Pursuant to Section 2.03 of the Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among Foot Locker, Inc. (the "**Borrower**"), its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent (in such capacity, the "**Administrative Agent**"), LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto (as the same may be 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

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.

FOOT LOCKER, INC.

By: _____
Name:
Title:

EXHIBIT E

FORM OF MONEY MARKET QUOTE

To: The Bank of New York,
as Administrative Agent

Re: Money Market Quote to Foot Locker, 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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among the Borrower, its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent (in such capacity, the "**Administrative Agent**"), LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto (as the same may be 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

AMENDED AND RESTATED SECURITY AGREEMENT

AGREEMENT dated as of May 19, 2004 among Foot Locker, 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**"), amending and restating the Security Agreement dated as of June 16, 1999 (the "**Existing Security Agreement**") among the Company, the Administrative Agent and the Subsidiary Guarantors party thereto.

W I T N E S S E T H :

WHEREAS, pursuant to the Existing Credit Agreement (as defined in the Credit Agreement (referred to below)), the Company and certain Subsidiaries of the Company were required to enter into the Existing Security Agreement; and

WHEREAS, it is a condition of the effectiveness of the Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Credit Agreement**"), among the Company, the Subsidiaries of the Company party thereto, the banks from time to time party thereto (the "**Banks**"), The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc. as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto, that the Company and the Subsidiary Guarantors amend and restate the Existing Security Agreement by executing and delivering this Amended and Restated Security Agreement (it being understood that the security interests granted pursuant to the Existing Pledge Agreement shall continue to constitute valid security interests securing the "Secured Obligations" described therein and shall remain continuously perfected notwithstanding the amended and restatement of the Existing Security Agreement as set forth herein); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to an Amended and Restated Guarantee Agreement dated as of May 19, 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Guarantee Agreement**"); 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 Amended and Restated Security 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 to amend and restate the Existing Security Agreement 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, (i) with respect to any Obligor that is a party to this Agreement on and as of the date hereof Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, the Netherlands, New Zealand, Portugal, Spain, Sweden and the United Kingdom and (ii) with respect to any other Obligor (if any) any jurisdiction outside the United States where such Obligor operates a store, or licenses the use of a Trademark constituting the name of a store to another entity for the operation of such store, on and as of the date on which such Obligor becomes a party to this Agreement.

"Foreign Patents" means, with respect to each Obligor, (i) any letters patent of a Designated Foreign Jurisdiction held by such Obligor, all registrations and recordings thereof, and all applications by such Obligor for letters patent of a Designated Foreign Jurisdiction, including registrations, recordings and applications in the Foreign PTO of such Designated Foreign Jurisdiction or any political subdivision thereof, *provided* such patent is used by such Obligor, or licensed by such Obligor to another entity for use in the operation of a store, in such Designated Foreign Jurisdiction, and including those described in the Perfection Certificate of such Obligor, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

"Foreign PTO" means the patent and trademark office or other office or agency of a Designated Foreign Jurisdiction with which a filing must be made, or to which notice must be given, or other action taken, in order to perfect a Lien on patents or trademarks or other intellectual property under the laws of such Designated Foreign Jurisdiction.

"Foreign Specified Trademarks" means, with respect to each Obligor, any trademark held by such Obligor in any Designated Foreign Jurisdiction constituting the name of a store used by such Obligor or its licensee for the operation of a store in such Designated Foreign Jurisdiction, as listed on Schedule 2B under such Obligor's name (as such Schedule 2B may be amended from time to time in accordance with Section 4(c)).

"**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 (i) copyrights, copyright licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses and (ii) rights in other intellectual property, goodwill, trade names, service marks, trade secrets, and any rights of such Obligor under any contract or agreement in each case with respect to any of the foregoing specified in clause (i).

"**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 Person that was a Bank Party (or any affiliate of any Bank Party) on the trade date for such obligation.

"**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, collectively, the U.S. Patents and the Foreign Patents, in each case of such Obligor.

"**Patent License**" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to a third party 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, or in the form required for registration in a Designated Foreign Jurisdiction, as applicable, in each case as 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, collectively, the USPTO and each Foreign PTO.

"**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.

"**Secured Parties**" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent, the Joint Lead Arrangers and any Person to whom a Hedging Obligation is owed.

"**Security Interests**" means the security interests in the Collateral granted hereunder securing the Secured Obligations.

"**Specified Trademarks**" means, with respect to each Obligor, collectively, the U.S. Specified Trademarks and the Foreign Specified Trademarks, in each case of such Obligor.

"**Specified Trademark License**" means, with respect to each Obligor, any Trademark License granted 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 in the United States, 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, or any State 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, and (iv) to the extent not included in clauses (i) through (iii), the Specified Trademarks held by such Obligor.

"**Trademark License**" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to an unrelated third-party 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, or in the form required for registration in a Designated Foreign Jurisdiction, as required, 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 (including without limitation any Patent or Specified Trademark) is governed by the Uniform Commercial Code as in effect in a jurisdiction in the United States other than New York, or by the laws, rules or regulations as in effect in a Designated Foreign Jurisdiction, "**UCC**" means the Uniform Commercial Code as in effect in such other jurisdiction in the United States or such other laws, rules or regulations in effect in such Designated Foreign Jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

"USPTO" means the United States Patent and Trademark Office.

"**U.S. Patents**" means, with respect to each Obligor, (i) all letters patent of the United States, all registrations and recordings thereof, and all applications by such Obligor for letters patent of the United States, including registrations, recordings and applications in the PTO or in any similar office or agency of the United States 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.

"U.S. Specified Trademarks" means, with respect to each Obligor, the trademarks listed on Schedule 2C under such Obligor's name (as such Schedule 2C may be amended from time to time in accordance with Section 4(c)).

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 created under the Collateral Documents or 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 Licenses 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 90 (ninety) days after the date hereof, such Obligor shall furnish to the Administrative Agent file search reports from the USPTO confirming that a filing with respect to each U.S. Patent listed on Schedule 2A and held by such Obligor on the date hereof and each U.S. 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) Such Obligor has entered into the Patent Security Agreement, as required, and the Trademark Security Agreement, as required, and such other agreements as may be reasonably requested by the Administrative Agent to grant the Administrative Agent, for the benefit of the Secured Parties, a perfected security interest in the Foreign Patents and the Foreign Specified Trademarks held by such Obligor *provided* that a security interest in the Patents and Trademarks of Austria, Italy, Portugal and Spain will not be perfected until a Default. Within 90 days after the date hereof (or such longer period as may be agreed by the Administrative Agent), where a filing or other action is required to be made in a Designated Foreign Jurisdiction to perfect, or preserve the perfection of, the Security Interests in the Foreign Patents and the Foreign Specified Trademarks held by such Obligor, or is required to enforce the Security Interests therein against a third party, such Obligor shall furnish to the Administrative Agent a letter from counsel to such Obligor in each such Designated Foreign Jurisdiction reasonably satisfactory to the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent confirming that all required actions, if any, have been taken with respect to each Foreign Patent and Foreign Specified Trademark held by such Obligor in such Designated Foreign Jurisdiction to perfect (or preserve the perfection of) the Security Interests therein and to enforce such Security Interests against third parties in such Designated Foreign Jurisdiction.

(e) Schedule 2A (as amended from time to time in accordance with Section 4(c)) lists all Patents and Patent Licenses granted by such Obligor. Schedule 2B (as amended from time to time in accordance with Section 4(c)) lists all Foreign Specified Trademarks held by such Obligor. Schedule 2C (as amended from time to time in accordance with Section 4(c)) lists all U.S. Specified Trademarks held by such Obligor and all Specified Trademark Licenses held by such Obligor.

(f) 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 locations 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 (f)), prior to all other Liens and rights of others therein. To the extent that federal patent and trademark law are applicable to the perfection of security interests and to the extent that a Patent Security Agreement of such Obligor has been recorded with the USPTO pursuant to the Existing Security Agreement or will be recorded within 90 (ninety) days of the date hereof, the Security Interests in all right, title and interest of such Obligor in the U.S. Patents listed in Schedule 1 to such Agreement, shall be effective against and senior to all subsequent purchasers and mortgagees of such Patents. To the extent that federal patent and trademark law are applicable

to the perfection of security interests, and to the extent that a Trademark Security Agreement of such Obligor has been recorded with the USPTO pursuant to the Existing Security Agreement or will be recorded within 90 (ninety) days of the date hereof, the Security Interests in all right, title and interest of such Obligor in the U.S. Specified Trademarks listed in Schedule 1 to such Agreement, shall be effective against and senior to subsequent purchasers of such Trademarks. With respect to Foreign Patents or Foreign Specified Trademarks of any Obligor for which filings or other actions are required pursuant to clause (d), all filings have been made, and all other actions have been taken, in each case, within the time period specified in clause (d) which in each case are necessary to perfect the Security Interest in such Foreign Patents or Foreign Specified Trademarks under the laws of each designated Foreign Jurisdiction with respect to such Obligor.

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, chief place of business or jurisdiction of organization 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. 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 or substitute filings with the PTO) that from time to time may be necessary or desirable, or that the Administrative Agent may reasonably 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 (i) with respect to any Trademark that is not a Specified Trademark or any Trademark License that is not a Specified Trademark License and (ii) with respect to the Collateral in Austria, Italy, Portugal and Spain except as required by Section 2(d). To the extent permitted by applicable law, each Obligor hereby authorizes the Administrative Agent to execute and file financing statements or continuation statements with respect to the Collateral 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 in the PTO 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, 2B or 2C, 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 Licenses 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, 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, 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 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.

(h) Each Obligor will upon a Default, take all steps necessary to grant the Administrative Agent, for the benefit of the Secured Parties, a perfected security interest in the Foreign Patents and Foreign Specified Trademarks held by such Obligor in Austria, Italy, Portugal and Spain.

Section 5. *LC Collateral Account.* (a) There is hereby established with the Administrative Agent an account with account number 8900570277, with the account name "Foot Locker, Inc. L/C Collateral Account (the "**LC Collateral Account**") on the books of The Bank of New York (in its capacity as 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 Revolver 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 shall be required to obtain sufficient cash to make such distribution and, notwithstanding any other provision of this Section 5, 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 (v) 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 applicable 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 but subject to the terms of any license pertaining to such Patent, Trademark or Common Law Right, (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 7, 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 by any Obligor 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 13, 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), and take all other actions 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 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 and obligations 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 is subject to any such restriction.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Security Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

FOOT LOCKER, INC.

By: /s/ PETER D. BROWN

Name: Peter D. Brown
Title: Vice President-Investor Relations and Treasurer

EASTBAY, INC.
FOOT LOCKER.COM, INC.
FOOT LOCKER AUSTRALIA, INC.
FOOT LOCKER STORES, INC.
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
FOOT LOCKER CORPORATE SERVICES, INC.
FOOT LOCKER HOLDINGS, INC.
FOOT LOCKER RETAIL, INC.
FOOT LOCKER SOURCING, INC.
FOOT LOCKER SPECIALTY, INC.
FOOT LOCKER INVESTMENTS, LLC
FOOT LOCKER OPERATIONS, LLC
FOOT LOCKER NEW ZEALAND, INC.
FL EUROPE HOLDINGS, INC.
FL SPECIALTY OPERATIONS, LLC
FL RETAIL OPERATIONS, LLC

By: /s/ PETER D. BROWN

Name: Peter D. Brown
Title: Vice President-Investor Relations and Treasurer

Attn: General counsel
112 West 34th Street
New York, NY 10120
Fax: 717-972-3746

RETAIL COMPANY OF GERMANY, INC.

By: /s/ PETER D. BROWN

Name: Peter D. Brown
Title: Vice President and Treasurer

Attn: General counsel
112 West 34th Street
New York, NY 10120
Fax: 717-972-3746

THE BANK OF NEW YORK, as
Administrative Agent

By: /s/ RANDOLPH E.J. MEDRANO

Name: Randolph E.J. Medrano
Title: Vice President

SCHEDULE 2A

Patents & Patent Licenses

SCHEDULE 2B

Foreign Specified Trademarks

25

SCHEDULE 2C

U.S. Specified Trademarks

EXHIBIT A
TO SECURITY AGREEMENT

PERFECTION CERTIFICATE

The undersigned, an officer of [NAME OF OBLIGOR], a _____ corporation (the "**Obligor**"), hereby certifies with reference to the Security Agreement dated as of May __, 2004 among Foot Locker, 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, 1, 3 and 4 of this certificate as to each acquiree or constituent party to a merger or consolidation.]

2. *Current Locations*. The chief executive office of the Obligor is located at the following address:

Mailing Address	**County**	**State**

3. *Prior Locations*. Specified below is the information required by subparagraph 2 above with respect to each location or place of business maintained by the Obligor at any time during the past five years:

4. *Jurisdiction of Organization*. The jurisdiction of organization of the Obligor is:

5. *UCC Filings*. A financing statement on Form UCC-1 containing a description of Collateral in substantially the form included in Schedule 5 hereto has been delivered to the Administrative Agent for filing in the Uniform Commercial Code filing office in each jurisdiction identified in paragraphs 2 or 4 hereof, as applicable.

6. *Schedule of Filings*. Attached hereto as Schedule 6 is a schedule setting forth filing information with respect to the filings described in paragraph 5 above.

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of _____, 2004.

By: _____

Name:
Title:

SCHEDULE 5

DESCRIPTION OF COLLATERAL

[to include description of “Collateral” set forth in the
Security Agreement and related definitions]

SCHEDULE 6

SCHEDULE OF FILINGS

Debtor	Filing Officer	File Number	Date of Filing [1]

[1] Indicate lapse date, if other than fifth anniversary.

EXHIBIT G

AMENDED AND RESTATED PLEDGE AGREEMENT

AGREEMENT dated as of May 19, 2004 among Foot Locker, 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**"), amending and restating the Pledge Agreement dated as of May 20, 1999 (the "**Existing Pledge Agreement**") among the Company, the Administrative Agent and the Subsidiary Guarantors party thereto.

W I T N E S S E T H :

WHEREAS, pursuant to the Existing Credit Agreement (as defined in the Credit Agreement (referred to below)), the Company and certain Subsidiaries of the Company were required to enter into the Existing Pledge Agreement; and

WHEREAS, it is a condition to the effectiveness of the Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Credit Agreement**"), among the Company, the Subsidiaries of the Company party thereto, the banks from time to time party thereto (the "**Banks**"), The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto, that the Company and the Subsidiary Guarantors amend and restate the Existing Pledge Agreement by executing and delivering this Amended and Restated Pledge Agreement (it being understood that the security interests granted pursuant to the Existing Pledge Agreement shall continue to constitute valid security interests securing the "Secured Obligations" described therein and shall remain continuously perfected notwithstanding the amended and restatement of the Existing Pledge Agreement as set forth herein); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to an Amended and Restated Guarantee Agreement dated as of May 19, 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Guarantee Agreement**"); 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 Amended and Restated Pledge 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 to amend and restate the Existing Pledge Agreement 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 Equity Interests 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 Person that was Bank Party (or any affiliate of any Bank Party) on the trade date for such obligation.

"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.

"Secured Parties" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent, the Lead Arrangers and any Person to whom a Hedging Obligation is owed.

"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.

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 (i) 65% of the aggregate capital stock with voting power and 100% of all other equity interests held by such Obligor of FLE CV Management, Inc. or (ii) 65% of the aggregate capital stock and other equity interests held by such Obligor of any other 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 previously been or will be filed within 3 Domestic Business Days after the date hereof in each of the jurisdictions referred to in Section 2(c) with respect to such Obligor.

(ii) The Security Interests constitute valid security interests in favor of the Administrative Agent for the benefit of the Secured Parties. The Security Interests constitute perfected security interests in favor of the Administrative Agent for the benefit of the Secured Parties (or, solely with respect to the Pledged Equity Interests of any Issuer that is a Foreign Subsidiary being pledged by any Obligor hereunder, will constitute perfected security interests in favor of the Administrative Agent for the benefit of the Secured Parties upon the completion of all the actions described in the immediately succeeding sentence with respect to such Pledged Equity Interests). With respect to the Pledged Equity Interests of any Issuer that is a Foreign Subsidiary being pledged by an Obligor hereunder, such Obligor will take, or will cause to be taken, in each case within 90 Domestic Business Days after the date hereof (or such longer period as the Administrative Agent may agree), all actions that are necessary or appropriate, or that the Administrative Agent has reasonably requested, in order to perfect, or to preserve the perfection of, the Security Interests in such Pledged Equity Interests in accordance with the laws of the jurisdiction of incorporation of such Issuer (including, without limitation, the execution of an additional pledge agreement governed by the laws of such jurisdiction or an amendment to any such existing agreement and, if required, the registration of the Security Interests in the shareholder book of such Issuer).

(iii) 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.

(iv) 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 and jurisdiction of organization of each Obligor is located on Schedule 2 hereto opposite such Obligor's name.

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; *provided*, *however*, that the term "**Collateral**" shall not include (i) any capital stock or other equity interests of any Foreign Subsidiary in excess of 65% of the aggregate capital stock or other equity interests of such entity or (ii) any capital stock with voting power of FLE CV Management, Inc. in excess of 65% of the aggregate capital stock with voting power of such entity).

(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 pledged or deposited 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 pledged or deposited 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 pledged or deposited 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, if any Pledged Equity Interests of any Obligor are represented by any certificates, such Obligor shall deliver all such certificates to the Administrative Agent in the State of New York pursuant hereto, and all such certificates shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, and shall be 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 jurisdiction of organization or 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 *provided* that, with respect to any Pledged Equity Interests issued by any Issuer that is a Foreign Subsidiary, the Administrative Agent shall have such rights only to the extent permitted by the laws of the jurisdiction in which such Issuer is

incorporated. 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 (i) unless an Event of Default has occurred and is continuing, the foregoing sentence shall not apply to Cash Distributions and (ii) with respect to dividends, interest and other payments and distributions made upon or with respect to the Collateral of any Obligor consisting of any Pledged Equity Interests issued by any Issuer that is a Foreign Subsidiary, the Administrative Agent shall have the rights set forth in the foregoing sentence only to the extent permitted by the laws of the jurisdiction in which such Issuer is incorporated. 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 (each in form and substance satisfactory to the Administrative Agent) in respect of any of its Pledged Equity Interests which are registered in the name of the Administrative Agent or its nominee as shall be specified in such request.

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 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 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 Administrative Agent were the absolute and sole owner thereof; *provided* that, with respect to any Pledged Equity Interests issued by any Issuer that is a Foreign Subsidiary, the Administrative Agent shall have such rights only to the extent permitted by the laws of the jurisdiction in which such Issuer is incorporated.

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. The parties hereto acknowledge and agree that the exercise by the Administrative Agent of the power of attorney granted to it by each Obligor in this Section with respect to any Pledged Equity Interests issued by any Issuer that is a Foreign Subsidiary and pledged by such Obligor is subject to, and may be exercised only in accordance with, the applicable laws of the jurisdiction where such Issuer is incorporated.

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. Notwithstanding the foregoing, the parties hereto acknowledge and agree that the exercise of any remedies set forth in this Section with respect to any Pledged Equity Interests issued by any Issuer that is a Foreign Subsidiary is subject to, and may be made only in accordance with, the applicable laws of the jurisdiction where such Issuer is incorporated.

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 (i) if such party is an Obligor, at its address or facsimile number set forth on Schedule 2 hereto opposite such Obligor's name and (ii) if such party is the Administrative Agent, as its address or facsimile number set forth on the signature pages hereof or, in the case of any such party, 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.**

Section 25. *Inconsistent Agreements.* The parties hereto agree that (i) in the case of any conflict arising in any proceeding arising out of or relating to this Agreement and brought in a Federal court of the United States or in a court sitting in any State of the Unites States (including without limitation New York State) between the provisions of this Agreement and the provisions of any additional pledge agreement entered into by any Obligor pursuant to this Agreement, the provisions of this Agreement shall govern and (ii) in the case of any conflict arising in any proceeding arising out of or relating to any Pledged Equity Interests

of any Issuer that is a Foreign Subsidiary and brought in a court in the jurisdiction in which such Issuer is incorporated between the provisions of this Agreement and the provisions of any additional pledge agreement entered into by any Obligor with respect to such Pledged Equity Interests pursuant to this Agreement and by its terms governed by the laws of such jurisdiction, the provisions of such additional pledge agreement shall govern.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Pledge Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

FOOT LOCKER, INC.

By: /s/ Peter D. Brown

Name: Peter D. Brown
Title: Vice President-Investor Relations and Treasurer

EASTBAY, INC.
FOOT LOCKER.COM, INC.
FOOT LOCKER AUSTRALIA, INC.
FOOT LOCKER STORES, INC.
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
FOOT LOCKER CORPORATE SERVICES, INC.
FOOT LOCKER HOLDINGS, INC.
FOOT LOCKER RETAIL, INC.
FOOT LOCKER SOURCING, INC.
FOOT LOCKER SPECIALTY, INC.
FOOT LOCKER INVESTMENTS, LLC
FOOT LOCKER OPERATIONS, LLC
FOOT LOCKER NEW ZEALAND, INC.
FL EUROPE HOLDINGS, INC.
FL SPECIALTY OPERATIONS, LLC
FL RETAIL OPERATIONS, LLC

By: /s/ Peter D. Brown

Name: Peter D. Brown
Title: Vice President-Investor Relations and Treasurer

RETAIL COMPANY OF GERMANY, INC.

By: /s/ Peter D. Brown

Name: Peter D. Brown
Title: Vice President and Treasurer

Address: General Counsel
112 West 34th Street
New York, NY 10120
Facsimile: 212-720-4330

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ Randolph E. J. Medrano

Name: Randolph E. J. Medrano
Title: Vice President
Address: One Wall Street
New York, NY 10286
Facsimile: 212-635-1483

Schedule 1

Stock Pledged by Foot Locker, Inc.
and Foot Locker Holdings, Inc.

Foot Locker, Inc.

Issuer	Number of Shares	Certificate Number(s)

Foot Locker Holdings, Inc.

Issuer	Number of Shares	Certificate Number

Schedule 2

Obligor	Chief Executive Office	Jurisdiction of Organization	Address for Notices

EXHIBIT H

AMENDED AND RESTATED GUARANTEE AGREEMENT

GUARANTEE AGREEMENT dated as of May 19, 2004 among each of the Subsidiaries of Foot Locker, Inc. (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 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 and amending and restating the Guarantee Agreement dated as of March 19, 1999 (the **"Existing Guarantee Agreement"**) among the Administrative Agent and the Subsidiary Guarantors party thereto.

W I T N E S S E T H:

WHEREAS, pursuant to the Existing Credit Agreement (as defined in the Credit Agreement (referred to below)), certain Subsidiaries of the Company were required to enter into the Existing Guarantee Agreement; and

WHEREAS, it is a condition to the effectiveness of the Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May __, 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the **"Credit Agreement"**), among the Company, the Subsidiaries of the Company party thereto, the banks from time to time party thereto (the **"Banks"**), The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto that the Subsidiary Guarantors amend and restate the Existing Guarantee Agreement by executing and delivering this Amended and Restated Guarantee Agreement; 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 Amended and Restated 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 to amend and restate the Existing Guarantee Agreement 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 and **"Bank Party"** shall include any person to whom a Hedging Obligation is owed.

"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 Person that was a Bank Party (or any affiliate of any Bank Party) on the trade date for such obligation.

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;

(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, 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 Debt of the Company described in clause (iv) 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.

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 Foot Locker, 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 Foot Locker, 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 Amended and Restated Guarantee Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

EASTBAY, INC.
FOOT LOCKER.COM, INC.
FOOT LOCKER AUSTRALIA, INC.
FOOT LOCKER STORES, INC.
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
FOOT LOCKER CORPORATE SERVICES, INC.
FOOT LOCKER HOLDINGS, INC.
FOOT LOCKER RETAIL, INC.
FOOT LOCKER SOURCING, INC.
FOOT LOCKER SPECIALTY, INC.
FOOT LOCKER INVESTMENTS, LLC
FOOT LOCKER OPERATIONS, LLC
FOOT LOCKER NEW ZEALAND, INC.
FL EUROPE HOLDINGS, INC.
FL SPECIALTY OPERATIONS, LLC
FL RETAIL OPERATIONS, LLC

By: /s/ Peter D. Brown

Name: Peter D. Brown
Title: Vice President and Treasurer

Attn: General counsel
112 West 34th Street
New York, NY 10120
Fax: 717-972-3746

RETAIL COMPANY OF GERMANY, INC.

By: /s/ Peter D. Brown

Name: Peter D. Brown
Title: Vice President and Treasurer

Attn: General counsel
112 West 34th Street
New York, NY 10120
Fax: 717-972-3746

THE BANK OF NEW YORK, as
Administrative Agent

By: /s/ Randolph E. J. Medrano

Name: Randolph E. J. Medrano
Title: Vice President

Address: One Wall Street
New York, NY 10286
Facsimile: 212-635-1483

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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May 19, 2004 among Foot Locker, Inc. (the "**Borrower**"), its Subsidiaries party thereto, the Banks party thereto, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto, and the Co-Documentation Agents party thereto (as the same may be amended from time to time, the "**Credit Agreement**");

WHEREAS, as provided under the Credit Agreement, the Assignor has [a Revolver Commitment to make Committed Revolver 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 $_____] [and/or had an initial Term Commitment to the Borrower to make Term Loans for the account of the Borrower in an aggregate amount not to exceed $_____];

WHEREAS, [Committed Revolver Loans] [Term 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 [Revolver Commitment] [Term Loans] thereunder in an amount equal to $_____ [2] (the "**Assigned Amount**") [, together with a corresponding portion of its outstanding Committed Revolver 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;

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[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 in respect of Revolver Commitments and $1,000,000 in respect of Term Loans 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 Revolver 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 Revolver Commitment] [Term Loans] in an amount equal to the Assigned Amount, and (ii) the [Revolver Commitment] [Term Loans] 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.

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[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 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.

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[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:

FOOT LOCKER, 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 Fifth Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of May [19], 2004 among Foot Locker, Inc., the Subsidiaries party thereto, the Banks party thereto, The Bank of New York, as Administrative Agent (the "**Administrative Agent**"), LC Agent and Swingline Bank, Banc of America Securities LLC and BNY Capital Markets, Inc., as Joint Lead Arrangers and Book Runners, the Co-Syndication Agents party thereto and the Co-Documentation Agents 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 Borrowing will be a [Term] [Committed Revolver] Borrowing.

2. The aggregate principal amount of the [Term] [Committed Revolver] Borrowing will be $ _____.[3]

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[1] To be delivered not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing and (y) 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 Base Rate Borrowing shall be in an aggregate principal amount of $2,500,000 or any larger multiple of $1,000,000, and each Euro-Dollar Borrowing shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000. Any such Borrowing shall be and further subject to the provisions of Section 2.01 of the Credit Agreement.

3. The initial interest rate for the Loans comprising the [Term] [Committed Revolver] Borrowing will be at [a Base Rate] [a Euro- Dollar Rate].

[4. The initial Interest Period for the Loans comprising the [Term] [Committed Revolver] Borrowing will be _____.[4]

FOOT LOCKER, INC.

By: _____

Title:

Date:

[4] This paragraph applies only if the Borrowing is a Euro-Dollar Borrowing and is subject to the provisions of the definition of Interest Period.

FOOT LOCKER _____STOCK OPTION AND AWARD PLAN [1]

NONSTATUTORY STOCK OPTION AWARD AGREEMENT

Stock Option Grant

Effective _____(the "Date of Grant"), pursuant to action taken by the Stock Option Plan Sub-Committee of the Compensation and Management Resources Committee of the Board of Directors of Foot Locker, Inc. (the "Company"), a New York corporation, the Company hereby grants to you a Nonstatutory Stock Option (the "Option") under the Foot Locker _____Stock Option and Award Plan (the "Plan"), to purchase, in accordance with the terms of the Plan, up to, but not more than, that number of full shares of common stock of the Company ("Common Stock") set forth below at the purchase price per share of US $_____ (the "Exercise Price"), which is 100 percent of the Fair Market Value (as defined in the Plan) of a share of Common Stock on the Date of Grant.

The Option has been granted to you for a period expiring on _____unless, prior to that time, the Option is exercised in full, is cancelled, or expires due to your death, retirement or other termination of employment, as provided in the Plan. Except as otherwise provided in the Plan, the Option will become exercisable in annual installments over a three-year vesting period according to the vesting schedule set forth below.

Name of Participant:	
Number of Shares of Common Stock Covered by the Option:	
Date of Grant:	
Exercise Price Per Share:	$
Vesting Schedule:	_____shares on_____ _____shares on_____ _____shares on_____

The Option is subject to the terms of the Plan, the Prospectus covering the Plan dated_____, any subsequently issued Prospectus or Appendix covering the Plan, and the terms and conditions set forth above. All of these documents are incorporated herein by this reference and made a part of the Option.

Non-Competition

By accepting this Option, as provided below, you agree that during the "Non-Competition Period" you will not engage in "Competition" with the Company or any of its subsidiaries, divisions, or affiliates (the "Control Group").

As used herein, "Competition" means:

(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 other country where any of your former employing members of the Control Group does business, in (A) a business in competition with the retail, catalog, or on-line sale of athletic footwear, athletic apparel and sporting goods conducted by the Control Group (the "Athletic Business"), or (B) a business that in the prior fiscal year supplied product to the Control Group for the Athletic Business having a value of $20 million or more at cost to the Control Group; provided, however, that such participation shall not include (X) the mere ownership of not

[1] Use 1995 Stock Option and Award Plan, 1998 Stock Option and Award Plan or 2003 Stock Option and Award Plan, whichever plan is applicable.

more than 1 percent of the total outstanding stock of a publicly held company; (Y) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in competition with the Athletic Business or for a business which supplies product to the Control Group for the Athletic Business; or (Z) any activity engaged in with the prior written approval of the Chief Executive Officer of the Company; 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 former employing members of the Control Group where such employee or employees do in fact so terminate their employment.

As used herein, "Non-Competition" Period means (i) the period commencing _____ and ending on_____, or any part thereof, during which you are employed by the Control Group and (ii) if your employment with the Control Group terminates for any reason during such period, the one-year period commencing on the date your employment with the Control Group terminates. Notwithstanding the foregoing, the Non-Competition Period shall not extend beyond the date your employment with the Control Group terminates if such termination of employment occurs following a "Change in Control" as defined in Attachment A hereto.

You agree that the breach by you of the provisions included herein under the heading "Non-Competition" (the "Non-Competition Provision") would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law. You therefore agree that in the event of a breach or a threatened breach of the Non-Competition Provision, the Company shall be entitled to (i) an immediate injunction and restraining order to prevent such breach, threatened breach, or continued breach, including by any and all persons acting for or with you, without having to prove damages and (ii) any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach of the Non-Competition Provision, including, but not limited to, recovery of damages. In addition, in the event of your breach of the Non-Competition Provision, any stock options covered by this Nonstatutory Stock Option Award Agreement ("Award Agreement") that are then unexercised (whether or not vested) shall be immediately cancelled. You and the Company further agree that the Non-Competition Provision is reasonable and that the Company would not have granted the stock option provided for in this Award Agreement but for the inclusion of the Non-Competition Provision herein. If any provision of the Non-Competition Provision is found by any court of competent jurisdiction 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. The validity, construction, and performance of the Non-Competition Provision shall be governed by the laws of the State of New York without regard to its conflicts of laws principles. For purposes of the Non-Competition Provision, you and the Company consent to the jurisdiction of state and federal courts in New York County.

Acceptance of Stock Option Grant

If you agree to the terms and conditions included in this Award Agreement, including the provisions set forth under the heading "Non-Competition," you should sign, date and return one copy of this Award Agreement to: Secretary, Foot Locker, Inc., 112 West 34th Street, New York, New York 10120, Attention: Sheilagh M. Clarke, not later than _____(the "Return Date"). An Award Agreement that is mailed in an envelope that is postmarked on or before the Return Date will be deemed to have been delivered by the Return Date. **If you do not sign and return a copy of this Award Agreement by the Return Date, you will be considered to have declined the terms and conditions of this Option, and the Option will be cancelled.**

If you accept the Option, please note your complete home address on the copy of the Award Agreement that you return.

Date

FOOT LOCKER, INC.

By: _____

ACCEPTED:

_____

Signature

_____

Print Name

HOME ADDRESS:

_____

Street/P.O. Box

_____

Town/City State/Province

_____

Zip/Postal Code

ATTACHMENT 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 of the Company 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 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 (ß) 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.

FOOT LOCKER _____ STOCK OPTION AND AWARD PLAN [1]

INCENTIVE STOCK OPTION AWARD AGREEMENT

Stock Option Grant

Effective_____, (the "Date of Grant"), pursuant to action taken by the Stock Option Plan Sub-Committee of the Compensation and Management Resources Committee of the Board of Directors of Foot Locker, Inc. (the "Company"), a New York corporation, the Company hereby grants to you an incentive stock option (the "Option"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), under the Foot Locker _____ Stock Option and Award Plan (the "Plan"), to purchase, in accordance with the terms of the Plan, up to, but not more than, that number of full shares of common stock of the Company ("Common Stock") set forth below at the purchase price per share of U.S. $_____ (the "Exercise Price"), which is 100 percent of the Fair Market Value (as defined in the Plan) of a share of Common Stock on the Date of Grant.

The Option has been granted to you for a period expiring on _____unless, prior to that time, the Option is exercised in full, is cancelled, or expires due to your death, retirement or other termination of employment, as provided in the Plan. Except as otherwise provided in the Plan, the Option will become exercisable in annual installments over a three-year vesting period according to the vesting schedule set forth below.

Name of Participant:	
Number of Shares of Common Stock Covered by the Option:	
Date of Grant:	
Exercise Price Per Share:	$
Vesting Schedule:	_____shares on_____ _____shares on_____ _____shares on_____

If the Option, or other incentive stock options granted to you under the Plan or any other stock option plan of the Company or its parent (if any) or subsidiary corporations, first become exercisable during any calendar year and those options represent shares of Common Stock having an aggregate Fair Market Value (determined as of the Dates of Grant of each option) in excess of U.S. $100,000, then those options (or portions thereof) representing the amount of the aggregate Fair Market Value exceeding U.S. $100,000 shall automatically be converted (in reverse order of their Dates of Grant) into Nonstatutory Options (as defined in the Plan).

The Option is subject to the terms of the Plan, the Prospectus covering the Plan dated _____, any subsequently issued Prospectus or Appendix covering the Plan, and the terms and conditions set forth above. All of these documents are incorporated herein by this reference and made a part of the Option.

Non-Competition

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[1] Use 1995 Stock Option and Award Plan, 1998 Stock Option and Award Plan or 2003 Stock Option and Award Plan, whichever plan is applicable.

By accepting this Option, as provided below, you agree that during the "Non-Competition Period" you will not engage in "Competition" with the Company or any of its subsidiaries, divisions, or affiliates (the "Control Group").

As used herein, "Competition" means:

(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 other country where any of your former employing members of the Control Group does business, in (A) a business in competition with the retail, catalog, or on-line sale of athletic footwear, athletic apparel and sporting goods conducted by the Control Group (the "Athletic Business"), or (B) a business that in the prior fiscal year supplied product to the Control Group for the Athletic Business having a value of $20 million or more at cost to the Control Group; provided, however, that such participation shall not include (X) the mere ownership of not more than 1 percent of the total outstanding stock of a publicly held company; (Y) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in competition with the Athletic Business or for a business which supplies product to the Control Group for the Athletic Business; or (Z) any activity engaged in with the prior written approval of the Chief Executive Officer of the Company; 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 former employing members of the Control Group where such employee or employees do in fact so terminate their employment.

As used herein, "Non-Competition" Period means (i) the period commencing _____and ending on _____, or any part thereof, during which you are employed by the Control Group and (ii) if your employment with the Control Group terminates for any reason during such period, the one-year period commencing on the date your employment with the Control Group terminates. Notwithstanding the foregoing, the Non-Competition Period shall not extend beyond the date your employment with the Control Group terminates if such termination of employment occurs following a "Change in Control" as defined in Attachment A hereto.

You agree that the breach by you of the provisions included herein under the heading "Non-Competition" (the "Non-Competition Provision") would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law. You therefore agree that in the event of a breach or a threatened breach of the Non-Competition Provision, the Company shall be entitled to (i) an immediate injunction and restraining order to prevent such breach, threatened breach, or continued breach, including by any and all persons acting for or with you, without having to prove damages and (ii) any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach of the Non-Competition Provision, including, but not limited to, recovery of damages. In addition, in the event of your breach of the Non-Competition Provision, any stock options covered by this Incentive Stock Option Award Agreement ("Award Agreement") that are then unexercised (whether or not vested) shall be immediately cancelled. You and the Company further agree that the Non-Competition Provision is reasonable and that the Company would not have granted the stock option provided for in this Award Agreement but for the inclusion of the Non-Competition Provision herein. If any provision of the Non-Competition Provision is found by any court of competent jurisdiction 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. The validity, construction, and performance of the Non-Competition Provision shall be governed by the laws of the State of New York without regard to its conflicts of laws principles. For purposes of the Non-Competition Provision, you and the Company consent to the jurisdiction of state and federal courts in New York County.

Acceptance of Stock Option Grant

If you agree to the terms and conditions included in this Award Agreement, including the provisions set forth under the heading "Non-Competition," you should sign, date and return one copy of this Award Agreement

to: Secretary, Foot Locker, Inc., 112 West 34th Street, New York, New York 10120, Attention: Sheilagh M. Clarke, not later than _____ (the "Return Date"). An Award Agreement that is mailed in an envelope that is postmarked on or before the Return Date will be deemed to have been delivered by the Return Date**. If you do not sign and return a copy of this Award Agreement by the Return Date, you will be considered to have declined the terms and conditions of this Option, and the Option will be cancelled**.

If you accept the Option, please note your complete home address on the copy of the Award Agreement that you return.

_____
Date

FOOT LOCKER, INC.

By: _____

ACCEPTED:

HOME ADDRESS:

_____
Signature

_____
Street/P.O. Box

_____
Print Name

_____
Town/City State/Province

_____
Zip/Postal Code

ATTACHMENT 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 of the Company 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 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 (ß) 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 10.4

FOOT LOCKER 2002 DIRECTORS STOCK PLAN

NONSTATUTORY STOCK OPTION AGREEMENT

Effective _____ (the "Date of Grant"), Foot Locker, Inc. (the "Company"), a New York corporation, hereby grants to the person named below (the "Participant") a Nonstatutory Option (the "Option") under the Foot Locker 2002 Directors Stock Plan (the "Plan"), to purchase, in accordance with the terms of the Plan, up to, but not more than, that number of full shares of common stock of the Company ("Common Stock") set forth below at the purchase price per share of US $_____ (the "Exercise Price"), which is 100 percent of the Fair Market Value (as defined in the Plan) of a share of Common Stock on _____.

The Option has been granted to the Participant for a period expiring on _____ unless, prior to such time, the Option is exercised in full, is cancelled, or expires due to the Participant's death, retirement from the Board of Directors of the Company or other termination of service as a director of the Company, as provided in the Plan. Except as otherwise provided in the Plan, the Option will become exercisable according to the vesting schedule set forth below.

Name of Participant:	
Number of Shares of Common Stock Covered by the Option:	
Date of Grant:	
Exercise Price Per Share:	$
Vesting Schedule:	_____ shares on _____

The Option is subject to the terms of the Plan, the Prospectus covering the Plan dated July 1, 2002, any subsequently issued Prospectus or Appendix covering the Plan, and the terms and conditions set forth above. All of such documents are incorporated herein by this reference and made a part of the Option.

For the Option to become a binding obligation of the Company, the Participant must indicate his or her acceptance of the terms and conditions set forth above by signing and delivering or mailing one copy of this Nonstatutory Stock Option Agreement to the Secretary of Foot Locker, Inc. in the envelope provided.

_____
Date

FOOT LOCKER, INC.

By: _____

ACCEPTED:

_____
Signature

_____
Print Name

EXHIBIT 10.5
Execution Copy

ATHLETIC DIVISION

ASSET PURCHASE AGREEMENT

BETWEEN

FOOTSTAR, INC.,

CERTAIN OF ITS SUBSIDIARIES,

FL SPECIALTY OPERATIONS LLC,

FL RETAIL OPERATIONS LLC,

FOOT LOCKER STORES, INC.,

FOOT LOCKER RETAIL, INC.

AND

FOOT LOCKER, INC. (solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10)

Dated as of April 13, 2004

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of April 13, 2004 (this "Agreement"), between Footstar, Inc., a Delaware corporation ("Parent"), its Subsidiaries set forth on the signature page hereto (each an "Athletic Company," collectively, "Athletic Companies" and Athletic Companies together with Parent, "Sellers"), FL Specialty Operations LLC, a New York limited liability company, FL Retail Operations LLC, a New York limited liability company, Foot Locker Stores, Inc., a Delaware corporation, and Foot Locker Retail, Inc., a New York corporation (collectively, "Purchaser"), and Foot Locker, Inc., a New York corporation ("Foot Locker"), solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10. (Each of Sellers and Purchaser is a "Party" and collectively they are the "Parties" to this Agreement).

W I T N E S S E T H:

WHEREAS, Sellers are debtors-in-possession under title 11, of the United States Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), and filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on March 2, 2004, in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") (Case No. 04-22350 (ASH)) (the "Bankruptcy Case");

WHEREAS, the Athletic Companies presently conduct the Business;

WHEREAS, Sellers desire to sell, transfer and assign to Purchaser, and Purchaser desires to purchase, acquire and assume from Sellers, pursuant to Sections 363 and 365 of the Bankruptcy Code, all of the Purchased Assets and Assumed Liabilities, all as more specifically provided herein; and

WHEREAS, certain terms used in this Agreement are defined in Section 1.1;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Definitions

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Accounts Receivable" shall mean, related to the Business and regardless of age, (a) all trade accounts receivable and other rights to payment from customers and the full benefit of all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of goods shipped or Products sold or services rendered to customers, (b) all other accounts or notes receivable and the full benefit of all security for such accounts or notes, and (c) any claim, remedy or other right related to any of the foregoing.

"Acquired Inventory" shall mean all merchandise inventories of the Business, wherever located, held for sale in the Ordinary Course of the Business.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"Business" means the business of the Athletic Companies selling footwear and apparel at retail through stores operated under the tradename Footaction USA, and via catalogs and the internet under the same tradename, but excluding Parent and any other businesses of Footstar Corporation, which include, without limitation, those activities in which Parent's Meldisco segment ("Meldisco") is currently engaged and those activities in which Meldisco has previously engaged.

"Business Day" means any day of the year on which national banking institutions in New York are open to the public for conducting business and are not required or authorized to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any written contract, indenture, note, bond, lease or other agreement.

"Documents" means all files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials related primarily to the Business and the Purchased Assets in each case whether or not in electronic form.

"Employees" means all individuals, as of the date hereof, whether or not actively at work as of the date hereof, who are employed by any of the Athletic Companies in connection with the Business, together with individuals who are hired in respect of the Business after the date hereof and prior to the Closing.

"Environmental Law" means any foreign, federal, state or local statute, regulation, ordinance, or rule of common law currently in effect relating to the protection of human health and safety or the environment or natural resources including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. App. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.) the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.), and the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), and the regulations promulgated pursuant thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Contracts" means the Contracts of the Business not set forth on Schedule 1.1(b).

"Furniture and Equipment" means all furniture, fixtures, furnishings, equipment, vehicles, leasehold improvements, and other tangible personal property owned or used by the Athletic Companies in the conduct of the Business, including all such artwork, desks, chairs, tables, Hardware, copiers, telephone lines and numbers, telecopy machines and other telecommunication equipment, cubicles and miscellaneous office furnishings and supplies.

"GAAP" means generally accepted accounting principles in the United States as of the date hereof.

"Governmental Body" means any government or governmental or regulatory body thereof, or political subdivision thereof, whether foreign, federal, state, or local, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

"Hardware" means any and all computer and computer-related hardware, including, but not limited to, computers, file servers, facsimile servers, scanners, color printers, laser printers and networks.

"Hazardous Material" means any substance, material or waste which is regulated by any Government Body including, without limitation, petroleum and its by-products, asbestos, and any material or substance which is defined as a "hazardous waste," "hazardous substance," "hazardous material," "restricted hazardous waste," "industrial waste," "solid waste," "contaminant," "pollutant," "toxic waste" or "toxic substance" under any provision of Environmental Law.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" of any Person means, without duplication, (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the Ordinary Course of Business); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person).

"Inventory" shall mean all merchandise inventories of the Business, wherever located, held for sale in the Ordinary Course of the Business other than customer returns that have been worn or used, in-store faded merchandise, torn or discolored merchandise, shoes with excessive glue showing, loose stitches or miss-stitched items, single or mismatched shoes, used sample merchandise and test merchandise.

"IRS" means the Internal Revenue Service.

"Knowledge of Sellers" means the actual knowledge of those officers, employees and directors of Sellers identified on Schedule 1.1(a).

"Law" means any federal, state, local or foreign law, statute, code, ordinance, rule or regulation.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, proceedings (public or private) or claims or any proceedings by or before a Governmental Body.

"Liability" means any debt, liability or obligation (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), and including all costs and expenses relating thereto.

"Lien" means any lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement or encumbrance.

"Material Adverse Effect" means (i) a material adverse effect on the business, assets, properties, results of operations or financial condition of the Business (taken as a whole), or (ii) a material adverse effect on the ability of Sellers to consummate the transactions contemplated by this Agreement or perform their obligations under this Agreement, other than an effect resulting from an Excluded Matter. "Excluded Matter" means any one or more of the following: (i) the effect of any change in the United States or foreign economies or securities or financial markets in general; (ii) the effect of any change that generally affects any industry in which Sellers operate; (iii) the effect of any change arising in connection with earthquakes, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date hereof; (iv) the effect of any action taken by Purchaser or its Affiliates with respect to the transactions contemplated hereby or with respect to Sellers, including their respective employees; (v) the effect of any changes in applicable Laws or accounting rules; or (vi) any effect resulting from the public announcement of this Agreement, compliance with terms of this Agreement or the consummation of the transactions contemplated by this Agreement; or (vii) any effect resulting from the filing of the Bankruptcy Case and reasonably anticipated effects thereof.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) of ERISA.

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Body.

"Ordinary Course of Business" means the ordinary and usual course of normal day-to-day operations of the Business through the date hereof consistent with past practice.

"Permits" means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Body.

"Permitted Exceptions" means (i) all defects, exceptions, restrictions, easements, rights of way and encumbrances disclosed in policies of title insurance which have been made available to Purchaser; (ii) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate and legally sufficient reserve is established therefor; (iii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the Ordinary Course of Business; (iv) zoning, entitlement and other land use and environmental regulations by any Governmental Body provided that such regulations have not been violated; and (v) title of a lessor under a capital or operating lease.

"Person" means any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"Products" means any and all products developed, manufactured, marketed or sold by the Athletic Companies in connection with the Business.

"Purchased Contracts" means the Contracts set forth on Schedule 1.1(b).

"Purchased Intellectual Property" means all intellectual property rights used by Sellers solely in connection with the Business and arising from or in respect of the following and as set forth on Schedule 1.1(c): (i) patents and applications therefor, including continuations, divisionals, continuations-in-part, or reissues of patent applications and patents issuing thereon (collectively, "Patents") (ii) trademarks, service marks, trade names, service names, brand names, all trade dress rights, logos, Internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof, (collectively, "Trademarks"), (iii) copyrights and registrations and applications therefor, works of authorship, and mask work rights , (collectively, "Copyrights"), and (iv) Software and Technology.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, or leaching into the indoor or outdoor environment, or into or out of any property.

"Remedial Action" means all actions to (i) clean up, remove, treat or in any other way address any Hazardous Material; (ii) prevent the Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; (iii) perform pre-remedial studies and investigations or post-remedial monitoring and care; or (iv) to correct a condition of noncompliance with Environmental Laws.

"Sale Motion" means the motion or motions of Sellers, in form and substance reasonably acceptable to Purchaser and Sellers, seeking approval and entry of the Sale Order.

"Sale Order" shall be an order or orders of the Bankruptcy Court in form and substance reasonably acceptable to Purchaser and Sellers approving this Agreement and all of the terms and conditions hereof, and approving and authorizing Sellers to consummate the transactions contemplated hereby. Without limiting the generality of the foregoing, such order shall find and provide, among other things, that (i) the Purchased Assets sold to Purchaser pursuant to this Agreement shall be transferred to Purchaser free and clear of all Liens (other than Liens created by Purchaser and Permitted Exceptions) and claims, such Liens and claims to attach to the Purchase Price; (ii) Purchaser has acted in "good faith" within the meaning of Section 363(m) of the Bankruptcy Code; (iii) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm's length bargaining positions; (iv) the Bankruptcy Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement, or the breach hereof as provided in Section 13.3 hereof; (v) Purchaser may take assignment of the Real Property Leases under Section 365 of the Bankruptcy Code notwithstanding any restrictions contained therein that would purport to restrict such assignment or use by Purchaser; and (vi) this Agreement and the transactions contemplated hereby may be specifically enforced against and binding upon, and not subject to rejection or avoidance by, Sellers or any chapter 7 or chapter 11 trustee of Sellers.

"Software" means, except to the extent generally available for purchase from a third Person, any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, and (iv) all documentation including user manuals and other training documentation related to any of the foregoing.

"Subsidiary" means any Person of which a majority of the outstanding voting securities or other voting equity interests are owned, directly or indirectly, by any Seller.

"Tax Authority" means any federal, state, local or foreign government, or agency, instrumentality or employee thereof, charged with the administration of any law or regulation relating to Taxes.

"Tax Return" means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes.

"Taxes" means (i) all federal, state, local or foreign taxes, charges or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, and (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Tax Authority in connection with any item described in clause (i).

"Technology" means, collectively, all designs, formulae, algorithms, procedures, methods, techniques, know-how, research and development, technical data, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in, displayed by or relate to, or are used or useful in the design, development, reproduction, maintenance or modification of, any of the Products.

"WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any similar state Law, ant the rules and regulations thereunder.

1.2 Terms Defined Elsewhere in this Agreement. For purposes of this Agreement, the following terms have meanings set forth in the sections indicated:

Term	Section
Accounting Firm	3.5(e)
Adjustment Amount	3.4(b)
Agreed Principles	3.5(a)
Antitrust Division	8.4(b)
Antitrust Laws	8.4(b)
Asset Acquisition Statement	12.3
Assumed Liabilities	3.1
Athletic Company	Recitals
Bankruptcy Case	Recitals
Bankruptcy Court	Recitals
Break-Up Fee	7.1
Claim	11.4(a)
Closing	4.1
Closing Date	4.1
Closing Inventory Value	3.5(b)
Closing Statement of Inventory	3.5(b)
Competing Bid	7.2
Compromised Liabilities	2.4(c)
Confidential Information	8.6
Confidentiality Agreement	8.6
Copyrights	(in Purchased Intellectual Property definition)
Effective Time	4.1
Employee Plans	5.7(a)
Escrow Agent	3.2
Escrow Agreement	3.2
Escrowed Funds	3.2
Excluded Assets	2.2
Excluded Liabilities	2.4
Expense Reimbursement	7.1
Expenses	11.2(a)(iv)
Final Number	3.5(e)
Foot Locker	Recitals
Footstar 401(k) Plan	9.2(b)
FTC	8.4(a)
Gross Rings	3.5(a)
Guarantee	13.10
Indemnification Claim	11.4

Term	Section
Inventory Count	3.5(a)
Inventory Service	3.5(a)
Leased Real Property	5.5(b)
Losses	11.2(a)(i)
Position	3.5(e)
Meldisco	(in Business definition)
Objection Notice	3.5(c)
Objection Period	3.5(c)
Parent	Recitals
Party	Recitals
Patents	(in Purchased Intellectual Property definition)
Post-Closing Adjustment Amount	3.5(g)
Purchased Assets	2.1
Purchase Price	3.1
Purchaser	Recitals
Purchaser Business	8.4(b)
Purchaser Documents	6.2
Purchaser 401(k) Plan	9.2(b)
Purchaser Plans	9.2(a)
Radius Adjustment Amount	3.4(c)
Radius Restrictions	3.4(c)
Real Property Escrow	3.4(b)
Real Property Lease	5.5(b)
Representative	3.5(f)
Revised Statements	12.3
Sellers	Recitals
Seller Documents	5.2
SKU	3.5(a)
Termination Date	4.4(a)
Trademarks	(in Purchased Intellectual Property definition)
Transferred Employees	9.1
Transfer Taxes	12.1
Unresolved Claims	11.6

1.3 Other Definitional and Interpretive Matters

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Dollars. Any reference in this Agreement to $ shall mean U.S. dollars.

Exhibits/Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any matter or item disclosed on one schedule shall be deemed to have been disclosed on each other schedule. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

Gender and Number. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

Headings. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

Herein. The words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

Including. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

PURCHASE AND SALE OF ASSETS; ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing Purchaser shall purchase, acquire and accept from the Athletic Companies, and the Athletic Companies shall sell, transfer, assign, convey and deliver to Purchaser (as designated in writing by Purchaser in advance of the Closing) all of the Athletic Companies' right, title and interest in, to and under the Purchased Assets. "Purchased Assets" shall mean the following assets of the Athletic Companies (but excluding Excluded Assets) as of the Closing to the extent exclusively related to the Business:

(a) all Acquired Inventory;

(b) all rights of the Athletic Companies under each Real Property Lease, together with all improvements, fixtures and other appurtenances thereto and rights in respect thereof;

(c) the Furniture and Equipment;

(d) the Purchased Intellectual Property;

(e) the Purchased Contracts;

(f) all Documents that are used in, held for use in or intended to be used in, or that arise exclusively out of, the Business, including Documents relating to Products, services, marketing, advertising, promotional materials, Purchased Intellectual Property, personnel files for Transferred Employees and all files, customer files and documents (including credit information), supplier lists, records, literature and correspondence, whether or not physically located on any of the premises referred to in clause (d) above, but excluding (i) personnel files for Employees of any Seller who are not Transferred Employees, (ii) such files as may be required under applicable Law regarding privacy, and (iii) any Documents primarily related to or are required to realize the benefits of any Excluded Assets;

(g) all Permits used by the Athletic Companies in the Business to the extent assignable;

(h) all supplies owned by the Athletic Companies and used in connection with the Business;

(i) all rights of the Athletic Companies under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of any of the Athletic Companies or with third parties to the extent relating to the Business or the Purchased Assets (or any portion thereof);

(j) all rights of the Athletic Companies under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to Products sold, or services provided, to the Athletic Companies or to the extent affecting any Purchased Assets other than any warranties, representations and guarantees pertaining to any Excluded Assets; and

(k) all goodwill and other intangible assets associated with the Business, including customer and supplier lists and the goodwill associated with the Purchased Intellectual Property.

2.2 Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and the Athletic Companies shall retain all right, title and interest to, in and under the Excluded Assets. "Excluded Assets" shall mean all assets, properties, interests and rights of the Athletic Companies other than the Purchased Assets, including, without limitation, each of the following assets:

(a) all cash, cash equivalents, bank deposits or similar cash items of the Athletic Companies;

(b) all of the Athletic Companies' deposits or prepaid charges and expenses paid in connection with or relating to any Excluded Assets;

(c) all Accounts Receivable;

(d) the Excluded Contracts

(e) any intellectual property rights of any Athletic Company and its Subsidiaries other than the Purchased Intellectual Property;

(f) any (i) confidential personnel and medical records pertaining to any Employee; (ii) other books and records that the Athletic Companies are required by Law to retain or that the Athletic Companies determine are necessary or advisable to retain including, without limitation, Tax Returns, financial statements, and corporate or other entity filings; provided, however, that Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the Business or any of the Purchased Assets and shall have the rights set forth in Section 8.7; (iii) any information management systems of the Athletic Companies, other than those used or held for use exclusively in the conduct of the Business; (iv) minute books, stock ledgers and stock certificates of Parent or any of its Subsidiaries; and (v) documents relating to proposals to acquire the Business by Persons other than Purchaser.

(g) any claim, right or interest of the Athletic Companies in or to any refund, rebate, abatement or other recovery for Taxes, together with any interest due thereon or penalty rebate arising therefrom, for any Tax period (or portion thereof) ending on or before the Closing Date;

(h) all insurance policies or rights to proceeds thereof relating to the assets, properties, business or operations of the Athletic Companies; and

(i) all deposits (including customer deposits and security deposits for rent, electricity, telephone or otherwise) and prepaid charges and expenses of the Athletic Companies other than any deposits or prepaid charges and expenses paid in connection with or relating to any Excluded Assets;

(j) any rights, claims or causes of action of the Athletic Companies against third parties relating to assets, properties, business or operations of the Athletic Companies arising out of events occurring on or prior to the Closing Date, provided that Sellers hereby waive all such claims against Foot Locker or any of its subsidiaries or Affiliates arising out of events occurring on or prior to the Closing Date and not in connection with this Agreement or the transactions contemplated hereunder.

2.3 Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing Purchaser shall assume, effective as of the Closing, and shall timely perform and discharge in accordance with their respective terms, the following Liabilities of Sellers (collectively, the "Assumed Liabilities"):

(a) all Liabilities of Sellers under the Purchased Contracts arising on or after the Closing Date;

(b) all Liabilities arising in connection with gift cards related to the Business, as calculated in accordance with Schedule 3.4(a);

(c) Liabilities arising from the sale of Products or Inventory in the Ordinary Course of Business pursuant to product warranties, product returns and rebates under established procedures requiring presentation of receipts, other than the Compromised Liabilities;

(d) all Transfer Taxes applicable to the transfer of the Purchased Assets pursuant to this Agreement;

(e) all other Liabilities with respect to the Business, the Purchased Assets or the Transferred Employees arising after the Closing; and

(f) all Liabilities relating to amounts required to be paid by Purchaser hereunder.

2.4 Excluded Liabilities. Notwithstanding anything in this Agreement to the contrary, Purchaser shall not assume, and shall be deemed not to have assumed, any Liabilities relating to the Business of the Athletic Companies except as expressly provided in Section 2.3 hereof or elsewhere in this Agreement, and the Athletic Companies shall be solely and exclusively liable with respect to all such Liabilities, other than the Assumed Liabilities and such other Liabilities expressly assumed by Purchaser hereunder (collectively, the "Excluded Liabilities"), including those Liabilities set forth below:

(a) all Liabilities arising out of Excluded Assets, including Contracts that are not Purchased Contracts;

(b) except as otherwise provided in Section 2.3(d) and Article XII, all Liabilities for Taxes of any Seller relating to the Purchased Assets for any Tax periods (or portions thereof) ending on or before the Effective Time;

(c) Liabilities incurred in the Ordinary Course of Business existing prior to the filing of the Bankruptcy Case that are subject to compromise under the Bankruptcy Case (the "Compromised Liabilities");

(d) Liabilities with respect to the Business, the Purchased Assets or the Transferred Employees arising prior to the Closing which are not Assumed Liabilities;

(e) accounts payable incurred in the Ordinary Course of Business existing on the Closing Date (including, for the avoidance of doubt, (i) invoiced accounts payable and (ii) accrued but uninvoiced accounts payable); and

(f) all Liabilities relating to amounts required to be paid by Sellers hereunder.

2.5 Cure Amounts.

At Closing and pursuant to Section 365 of the Bankruptcy Code, Sellers shall assume and assign to Purchaser and Purchaser shall assume from Seller, the Purchased Contracts and Real Property Leases. The cure amounts, as determined by the Bankruptcy Court, if any, necessary to cure all defaults, if any, and to pay all actual or pecuniary losses that have resulted from such defaults under the Purchased Contracts and Real Property Leases, shall be paid by Sellers, on or before Closing. Purchaser shall not have the right to terminate this Agreement as a result of the failure by Sellers to assume and assign to Purchaser any Purchased Contract (on terms and conditions no less favorable than those in existence as of the date hereof), unless any such failure results in a Material Adverse Effect.

2.6 Further Conveyances and Assumptions.

(a) From time to time following the Closing, Sellers shall, or shall cause their Affiliates to, make available to Purchaser such non-confidential data in personnel records of Transferred Employees as is reasonably necessary for Purchaser to transition such employees into Purchaser's records.

(b) From time to time following the Closing, Sellers and Purchaser shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquaintances and such other instruments, and shall take such further actions, as may be reasonably necessary or appropriate to assure fully to Purchaser and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Purchaser under this Agreement and the Seller Documents and to assure fully to Sellers and their Affiliates and their successors and assigns, the assumption of the liabilities and obligations intended to be assumed by Purchaser under this Agreement and the Seller Agreements, and to otherwise make effective the transactions contemplated hereby and thereby.

2.7 Bulk Sales Laws. Purchaser hereby waives compliance by Sellers with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale and transfer of any or all of the Purchased Assets to Purchaser.

ARTICLE III

CONSIDERATION

3.1 Consideration. The aggregate consideration for the Purchased Assets shall be (a) an amount in cash equal to One Hundred Sixty Million Dollars ($160,000,000) (the "Purchase Price"), subject to adjustment as provided in Sections 3.4 and 3.5, and (b) the assumption of the Assumed Liabilities.

3.2 Purchase Price Deposit. Upon the execution of this Agreement, pursuant to the terms of an escrow agreement substantially in the form of Exhibit C attached hereto (the "Escrow Agreement"), Purchaser shall immediately deposit with Wilmington Trust Company or such other Person mutually agreed upon by the Parties, in its capacity as escrow agent (the "Escrow Agent") the sum of Four Million Dollars ($4,000,000,000) by wire transfer of immediately available funds and Parent will deliver to the Escrow Agent the Four Million Dollars ($4,000,000,000) wired by or on behalf of Purchaser to Seller on April 12, 2004 (collectively, the "Escrowed Funds"), to be released by the Escrow Agent and delivered to either Purchaser or Parent, in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrowed Funds (together with all accrued investment income or interest thereon) shall be distributed as follows:

(a) if the Closing shall occur, the Escrowed Funds shall be applied towards the Purchase Price payable by Purchaser to Sellers under Section 3.3 hereof and all accrued investment income or interest thereon shall be delivered to Purchaser at the Closing;

(b) if this Agreement is terminated by Sellers pursuant to Section 4.4(f), the Escrowed Funds, together with all accrued investment income or interest thereon, shall be delivered to Seller; or

(c) if this Agreement is terminated for any reason other than by Sellers pursuant to Section 4.4(f), the Escrowed Funds, together with all accrued investment income or interest thereon, shall in each case be returned to Purchaser.

3.3 Payment of Purchase Price. On the Closing Date, Purchaser shall pay to Sellers, by wire transfer of immediately available funds into an account designated by Parent, the Purchase Price (less the Escrowed Funds), as adjusted in accordance with Section 3.4.

3.4 Purchase Price Adjustments.

(a) Gift Cards. At Closing, the Purchase Price shall be reduced in respect of any Liabilities arising in connection with gift cards related to the Business in an amount calculated in accordance with the principles set forth on Schedule 3.4(a).

(b) Real Property Leases. To the extent that at the Closing any of the Real Property Leases set forth on Schedule 3.4(b) have not been replaced by a new lease with respect to the real property subject to such Real Property Leases, transferred or assigned to Purchaser, the adjustment amount set forth on Schedule 3.4(b) (the "Adjustment Amount") with respect to any such Real Property Lease shall be deducted from the Purchase Price and placed into escrow (the "Real Property Escrow") with the Escrow Agent. At any time within one (1) year from the Closing Date that any Purchaser or any of their Affiliates enter into a lease with respect to any real property subject to any such Real Property Lease (including relocating any store subject to any such Real Property Lease to a new location in the same mall), the Adjustment Amount relating to such Real Property Lease and any interest or investment income accrued thereon shall be promptly disbursed from the Real Property Escrow by the Escrow Agent to Sellers. After the one (1) year anniversary of the Closing Date, any amounts remaining in the Real Property Escrow not payable to Sellers with respect to the Adjustment Amount shall be promptly disbursed by the Escrow Agent to Purchaser.

(c) To the extent that at the Closing any of the Real Property Leases set forth on Schedule 3.4(c) have not been replaced by a new lease with respect to the real property subject to such Real Property Leases, removing or modifying restrictions contained therein that prevent any Purchaser or their Affiliates from operating another store existing as of the date hereof within a radius set forth therein (the "Radius Restrictions"), or transferred or assigned to Purchaser without such Radius Restrictions, the adjustment amount set forth on Schedule 3.4(c) (the "Radius Adjustment Amount") with respect to any such Real Property Lease shall be deducted from the Purchase Price and placed into the Real Property Escrow with the Escrow Agent. At any time within one (1) year from the Closing Date that any Purchaser or any of their Affiliates enter into a lease or amended lease with respect to any real property subject to any such Real Property Lease which does not contain the Radius Restrictions, the Radius Adjustment Amount relating to such Real Property Lease and any interest or investment income accrued thereon shall be promptly disbursed from the Real Property Escrow by the Escrow Agent to Sellers. After the one (1) year anniversary of the Closing Date, any amounts remaining in the Real Property Escrow with respect to the Radius Adjustment not payable to Sellers shall be promptly disbursed by the Escrow Agent to Purchaser.

3.5 Inventory Count; Post-Closing Adjustment.

(a) On a mutually convenient date or dates as near as reasonably practicable to the Closing Date, but in no event more than three (3) days prior to the then anticipated Closing Date and no more than three (3) days after the actual Closing Date, Purchaser and Parent shall cause to be taken a physical count of the Inventory of the Business on a stock keeping unit ("SKU") basis as valued under the retail accounting method (the "Inventory Count"). The Inventory Count shall be taken by RGIS Inventory Services or such other inventory service designated jointly by Parent and Purchaser (the "Inventory Service") with Purchaser and Parent sharing equally the fees and expenses of the Inventory Service and Purchaser and Parent otherwise each bearing its own costs and expenses in connection therewith. The Inventory Service shall conduct the Inventory

Count in accordance with the principles set forth on Schedule 3.5(a) (the "Agreed Principles"). Purchaser and Parent shall conduct shall conduct the Inventory in accordance with the Agreed Principles, and shall roll back or roll forward the Inventory Count, as the case may be, to the Effective Time based on Gross Rings (as defined below). If the Inventory Count is conducted at any store location on a date that is before the Effective Time, then for the period from the completion of the Inventory Count at such store location until the Effective Time, Parent shall keep a count of units sold by SKU multiplied by the applicable retail value of such SKUs ("Gross Rings"). All such reports shall be made available by Parent to Purchaser on a daily basis. If the Inventory Count is conducted at any store location on a date that is after the Effective Time, then for the period from the Effective Time to the completion of the Inventory Count at such store location, Purchaser shall keep a count of the Gross Rings. All such reports shall be made available by Purchaser to Parent on a daily basis.

(b) The Inventory Service shall be additionally instructed by Purchaser and Parent to prepare and deliver to Purchaser and Parent a final certified report of Inventory Count and an unaudited statement (the "Closing Statement of Inventory") setting forth the value of the Inventory as determined in accordance with the Agreed Principles as of the Effective Time (the "Closing Inventory Value"), as promptly as practicable following the Inventory Count, but in any event no later than seven (7) days after the last day of the Inventory Count. Purchaser and Sellers shall cooperate with and reasonably assist the Inventory Service, and shall make available to the Inventory Service the books, records, personnel and properties of Purchaser or Sellers, as the case may be, that the Inventory Service reasonably requires in order to prepare and deliver the Closing Statement of Inventory.

(c) Purchaser and Parent shall have fifteen (15) days following the Inventory Service's delivery of the Closing Statement of Inventory (the "Objection Period") to provide written notice to the other Party (the "Objection Notice") of any good faith objection to any portion of the Closing Statement of Inventory relating to the calculation of the Closing Inventory Value, which objection shall be set forth with reasonable detail in such Objection Notice; provided, however, that if the disputed portions of the Closing Statement of Inventory are less than $100,000 in the aggregate, then (A) no such Objection Notice shall be delivered to the other Party and (B) the Closing Statement of Inventory as prepared by the Inventory Service shall be deemed final and undisputed. During the Objection Period, Purchaser, Parent and their respective accountants will be permitted to examine the work papers and all back-up materials and memoranda used or generated by Inventory Service in connection with the preparation of the Closing Statement of Inventory and such other documents as Purchaser or Parent may reasonably request in connection with its review of the Closing Statement of Inventory, and shall be provided access at all reasonable times to the personnel of the Service Company, Purchaser or Parent, as the case may be, for the purpose of reviewing and ascertaining the accuracy of the Closing Statement of Inventory. Unless Purchaser or Parent timely delivers an Objection Notice before the expiration of the Objection Period, the Closing Statement of Inventory (and the Closing Inventory Value reflected thereon or calculated therefrom) shall be deemed to have been accepted and approved by such non-

objecting party and shall thereafter be final and binding upon any such non-objecting party for purposes of any post-closing adjustment set forth in this Section 3.5 (and any amounts to be paid pursuant to Section 3.5(g) shall thereupon be paid). In addition, to the extent any portion of the Closing Statement of Inventory or of the calculation of the Closing Inventory Value shall not be expressly objected to in the Objection Notice, such matters shall be deemed to have been accepted and approved by Purchaser and Parent and shall be final and binding upon Purchaser and Parent for purposes hereof (and the undisputed amount, if any, to be paid pursuant to Section 3.5(g) shall thereupon be paid). If Purchaser or Parent timely delivers an Objection Notice before the expiration of the Objection Period, then those aspects of the Closing Statement of Inventory objected to in the Objection Notice shall not thereafter be final and binding until resolved in accordance with this Section 3.5.

(d) Following receipt of any Objection Notice, Parent and Purchaser shall discuss in good faith the applicable objections set forth therein for a period of ten (10) days thereafter and shall, during such period, attempt to resolve the matter or matters in dispute by mutual written agreement. If Parent and Purchaser reach such an agreement, the agreement shall be confirmed in writing and shall revise the Closing Statement of Inventory to reflect such agreement, which agreement (and Closing Statement of Inventory, as so revised, including the Closing Inventory Value reflected thereon or calculated therefrom) shall thereafter be final and binding upon Sellers and Purchaser for purposes of any post-closing adjustment set forth in this Section 3.5 (and any amounts remaining to be paid pursuant to Section 3.5(g) shall thereupon be paid).

(e) If Purchaser and Parent are unable to reach a mutual agreement in whole or in part in accordance with Section 3.5(d) during the ten (10) day period referred to therein, then Parent and Purchaser shall appoint Ernst & Young (or such other accounting firm of national standing designated jointly by Parent and Purchaser) (the "Accounting Firm"), which shall resolve those matters still in dispute with respect to the Closing Statement of Inventory and the Closing Inventory Value reflected thereon or calculated therefrom. Not later than 5:00 p.m. New York City time on the tenth (10^{th}) full Business Day after the day on which the Accounting Firm is appointed, Parent and Purchaser each shall deliver or cause to be delivered to the Accounting Firm: (i) a written statement of its position on each remaining dispute or disagreement (that Party's "Position"); (ii) the aggregate Closing Inventory Value, determined as though the Accounting Firm concurred with each such position (that Party's "Final Number"); and (iii) a wire transfer or certified check in the amount of $50,000, which amount the Accounting Firm shall be authorized to apply towards its fees and expenses in the manner set forth below. If one Party fully complies with the immediately preceding sentence and the other Party does not, the compliant Party's Position shall be final and binding on all Parties and no further action by the Accounting Firm is required. If both Parties comply with the second sentence of this paragraph (e), the Accounting Firm shall make a final and binding resolution of the remaining disputes or disagreements between Purchaser and Parent. The Accounting Firm shall be instructed that, in making its final and binding resolution, it must, as to each disputed item, select either the Position of Purchaser or the Position of Parent. No appeal from such determination shall be permitted. The costs and

expenses for the services of the Accounting Firm shall be borne entirely by the Party whose Final Number is furthest (in dollars) from the Closing Inventory Value as determined by the Accounting Firm. Subject to the foregoing sentence, all fees and expenses of Parent relating to matters described in this Section 3.5 shall be borne by Parent, and all fees and expenses of Purchaser relating to matters described in this Section 3.5 shall be borne by Purchaser. Parent and Purchaser agree to fully cooperate with each other and with the Accounting Firm to resolve any dispute.

(f) Notwithstanding any other provision of this Agreement, including, without limitation, any provision stating that remedies shall be cumulative and not exclusive, this Section 3.5 provides the sole and exclusive method for resolving any and all disputes that may arise between or among the Parties with respect to the determination of Closing Inventory Value. As among the Parties, each Party hereby irrevocably waives, relinquishes and surrenders on its own behalf and on behalf of its Affiliates and its officers, directors, principals, attorneys, agents, employees and other authorized representatives (each a "Representative") all rights to, and agrees that it will not attempt, and shall cause its Affiliates and Representatives not to attempt, to, resolve any such dispute or disputes related to the determination of the Closing Statement of Inventory in any manner other than as set forth in this Section 3.5, including, without limitation, through litigation. Each Party further agrees on its own behalf and on behalf of its Affiliates and Representatives that if one or more of them should initiate any attempt to resolve any such dispute or disputes related to the determination of the Closing Statement of Inventory in any manner other than the sole and exclusive manner set forth in this Section 3.5, such initiators shall pay and reimburse all fees, costs and expenses incurred by any other Party as a result of, in connection with or related to such attempt or attempts.

(g) The Purchase Price shall be calculated based upon the final calculation of the Closing Inventory Value as determined in this Section 3.5 and shall be calculated at the time the Closing Statement of Inventory (and the Closing Inventory Value reflected thereon or calculated therefrom) becomes final and binding on the Parties pursuant to this Section 3.5. If the Closing Inventory Value as reflected on or calculated from such final and binding Closing Statement of Inventory is greater or less than the base amount set forth in Schedule 3.5(a), then the Purchase Price shall be increased or decreased, as the case may be, by an adjustment amount calculated in accordance with Schedule 3.5(a) (the amount of any such adjustment, the "Post-Closing Adjustment Amount"). The Post-Closing Adjustment Amount payable by either Sellers or Purchaser pursuant to this Section 3.5(g) shall be paid promptly by the Party required to pay such Post-Closing Adjustment Amount, but in no event later than two (2) Business Days following the determination of such Post-Closing Adjustment Amount. Payment by either Sellers or Purchaser of the Post-Closing Adjustment Amount shall be made in immediately available funds via wire transfer to an account designated in writing by the Party entitled to receive such payment. The Post-Closing Adjustment Amount payable under this Section 3.5(g) shall be paid with interest thereon from and including the Closing Date, but excluding the date of payment, calculated at the prime rate of interest as published by *The Wall Street Journal* on the date of the final determination of the Post-

Closing Adjustment, plus one percent (1%), except that if the payment of the Post-Closing Adjustment is made later than the date provided for above in this Section 3.5(g), then the Post-Closing Adjustment Amount shall instead be paid with interest thereon from and including the Closing Date, but excluding the date of payment, calculated at the prime rate of interest as published by *The Wall Street Journal* on the date of the final determination of the of the Post-Closing Adjustment, plus five percent (5%).

ARTICLE IV

CLOSING AND TERMINATION

4.1 Closing Date. Subject to the satisfaction of the conditions set forth in Sections 10.1, 10.2 and 10.3 hereof (or the waiver thereof by the Party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities provided for in Article II hereof (the "Closing") shall take place at the offices of Weil, Gotshal & Manges LLP located at 767 Fifth Avenue, New York, New York (or at such other place as the Parties may designate in writing) at 10:00 a.m. (New York City time) on the date that is two (2) Business Days following the satisfaction or waiver of the conditions set forth in Article X (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), unless another time or date, or both, are agreed to in writing by the Parties. The date on which the Closing shall be held is referred to in this Agreement as the "Closing Date." The Closing shall be deemed to have occurred at 11:59:59 p.m. on the Saturday prior to the Closing Date (the "Effective Time").

4.2 Deliveries by Seller. At the Closing, Sellers shall deliver to Purchaser:

(a) a duly executed bill of sale in the form of Exhibit A hereto;

(b) duly executed assignment and assumption agreement in the form of Exhibit B hereto, duly executed assignments of the registered Trademarks, applications for registrations of Trademarks, Patents and Patent applications in each case, included in the Purchased Intellectual Property, in a form suitable for recording in the United States Patent and Trademark Office, duly executed assignments of registered Copyrights included in the Purchased Intellectual Property, in a form suitable for recording in the United States Copyright Office and duly executed general assignments of all other Purchased Intellectual Property;

(c) the officer's certificate required to be delivered pursuant to Sections 10.1(a) and 10.1(b);

(d) all other instruments of conveyance and transfer, in form and substance reasonably acceptable to Purchaser, as may be necessary to convey the Purchased Assets to Purchaser; and

(e) such other documents, instruments and certificates as Purchaser may reasonably request.

4.3 Deliveries by Purchaser. At the Closing, Purchaser shall deliver to Sellers:

(a) the Purchase Price (less the Escrowed Funds), as adjusted in accordance with Section 3.4, in immediately available funds, as set forth in Section 3.3 hereof;

(b) a duly executed assignment and assumption agreement in the form attached hereto as Exhibit B hereto;

(c) the officer's certificate required to be delivered pursuant to Sections 10.2(a) and 10.2(b); and

(d) such other documents, instruments and certificates as Sellers may reasonably request.

4.4 Termination of Agreement. This Agreement may be terminated prior to the Closing as follows:

(a) by Purchaser or Sellers, if the Closing shall not have occurred by the close of business on June 1, 2004 (the "Termination Date"); provided, however, that, if the Closing shall not have occurred due to the failure of the Bankruptcy Court to enter the Sale Order and if all other conditions to the respective obligations of the Parties to close hereunder that are capable of being fulfilled by the Termination Date shall have been so fulfilled or waived, then no Party may terminate this Agreement prior to June 15, 2004; provided, further, that if the Closing shall not have occurred on or before the Termination Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by Purchaser or Sellers, then the breaching party may not terminate this Agreement pursuant to this Section 4.4(a);

(b) by mutual written consent of Sellers and Purchaser;

(c) by Purchaser, if any of the conditions to the obligations of Purchaser set forth in Sections 10.1 and 10.3 shall have become incapable of fulfillment other than as a result of a breach by Purchaser of any covenant or agreement contained in this Agreement, and such condition is not waived by Purchaser;

(d) by Sellers, if any condition to the obligations of Sellers set forth in Sections 10.2 and 10.3 shall have become incapable of fulfillment other than as a result of a breach by any Seller of any covenant or agreement contained in this Agreement, and such condition is not waived by Sellers;

(e) by Purchaser, if there shall be a breach by any Seller of any representation or warranty, or any covenant or agreement contained in this Agreement which would result in a failure of a condition set forth in Section 10.1 or 10.3 and which breach cannot be cured or has not been cured by the earlier of (i) 20 Business Days after

the giving of written notice by Purchaser to Sellers of such breach and (ii) the Termination Date;

(f) by Sellers, if there shall be a breach by Purchaser of any representation or warranty, or any covenant or agreement contained in this Agreement which would result in a failure of a condition set forth in Section 10.2 or 10.3 and which breach cannot be cured or has not been cured by the earlier of (i) 20 Business Days after the giving of written notice by Sellers to Purchaser of such breach and (ii) the Termination Date;

(g) by Sellers or Purchaser if there shall be in effect a final nonappealable Order of a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; it being agreed that the Parties hereto shall promptly appeal any adverse determination which is not nonappealable (and pursue such appeal with reasonable diligence); or

(h) by Purchaser or Sellers, if the Bankruptcy Court shall enter an order approving a Competing Bid, subject to Purchaser's right to payment of the Break-Up Fee and Expense Reimbursement in accordance with the provisions of Section 7.1.

4.5 Procedure Upon Termination. In the event of termination and abandonment by Purchaser or Sellers, or both, pursuant to Section 4.4 hereof, written notice thereof shall forthwith be given to the other Party or Parties, and this Agreement shall terminate, and the purchase of the Purchased Assets hereunder shall be abandoned, without further action by Purchaser or Sellers. If this Agreement is terminated as provided herein each Party shall redeliver all documents, work papers and other material of any other Party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the Party furnishing the same.

4.6 Effect of Termination.

(a) In the event that this Agreement is validly terminated as provided herein, then each of the Parties shall be relieved of its duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Purchaser or Sellers; provided, however, that the obligations of the Parties set forth in Section 7.1, Article XI and Article XIII hereof shall survive any such termination and shall be enforceable hereunder.

(b) Nothing in this Section 4.6 shall relieve Purchaser or Sellers of any liability for a breach of this Agreement prior to the date of termination; in which event the non-breaching party shall be entitled to seek indemnification from the breaching party pursuant to Article XI.

(c) The Confidentiality Agreement shall survive any termination of this Agreement and nothing in this Section 4.6 shall relieve Purchaser or Sellers of their obligations under the Confidentiality Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers hereby represent and warrant to Purchaser that:

5.1 Organization and Good Standing.

Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and each of the other Sellers is a corporation duly organized, validly existing and in good standing under the laws of its respective state of incorporation as identified on Schedule 5.1, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted. Schedule 5.1 identifies the only jurisdictions in which the ownership, use or leasing of such Seller's assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary.

5.2 Authorization of Agreement. Each Seller has all requisite power, authority and legal capacity to execute and deliver this Agreement and each Seller has all requisite power, authority and legal capacity to execute and deliver each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by Sellers in connection with the consummation of the transactions contemplated by this Agreement (the "Seller Documents"), to perform their respective obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Seller Documents and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of each Seller. This Agreement has been, and each of the Seller Documents will be at or prior to the Closing, duly and validly executed and delivered by each Seller which is a party thereto and (assuming the due authorization, execution and delivery by the other parties hereto and thereto, the entry of the Sale Order, and, with respect to Sellers' obligations under Section 7.1, the entry of an order of the Bankruptcy Court approving such obligations) this Agreement constitutes, and each of the Seller Documents when so executed and delivered will constitute, legal, valid and binding obligations of Sellers enforceable against Sellers in accordance with their respective terms, subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.3 Conflicts; Consents of Third Parties.

(a) Except as set forth on Schedule 5.3(a), none of the execution and delivery by Sellers of this Agreement or the Seller Documents, the consummation of the transactions contemplated hereby or thereby, or compliance by Sellers with any of the provisions hereof or thereof will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under any provision of (i) the certificate of incorporation and

by-laws or comparable organizational documents of Sellers; (ii) subject to entry of the Sale Order, any Contract or Permit to which is a party or by which any of the properties or assets of Sellers are bound; or (iii) subject to entry of the Sale Order, any Applicable Law or Order of any Governmental Body applicable to Sellers or any of the properties or assets of Sellers as of the date hereof.

(b) Except as set forth on Schedule 5.3(b), no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of any Seller in connection with the execution and delivery of this Agreement or the Seller Documents, the compliance by any Seller with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or the taking by any Seller of any other action contemplated hereby, except for (i) compliance with the applicable requirements of the HSR Act, (ii) the entry of the Sale Order, and (iii) the entry of an order by the Bankruptcy Court with respect to Sellers' obligations under Section 7.1.

5.4 Title to Purchased Assets. Except as set forth in Schedule 5.4, and other than the Leased Real Property, intellectual property licensed to Sellers and the personal property used in the Business subject to leases, the Athletic Companies own each of the Purchased Assets, and Purchaser will be vested with good title to such Purchased Assets, free and clear of all Liens, other than Permitted Exceptions and Liens created by Purchaser, to the fullest extent permissible under Section 363(f) of the Bankruptcy Code.

5.5 Real Property.

(a) Other than Footstar Corporation, the Athletic Companies do not own any real property.

(b) Schedule 5.5(b) lists and describes briefly all real property leased or subleased to any of the Athletic Companies (the "Leased Real Property"). Sellers have made available to Purchaser correct and complete copies of the leases and subleases listed on Schedule 5.5(b) and all modifications thereof (collectively, the "Real Property Leases").

5.6 Intellectual Property. The Athletic Companies own and possess all right, title and interest in and to (or have the right to use pursuant to a valid and enforceable license) all Purchased Intellectual Property used by them in the Ordinary Course of Business as it is presently conducted and the Purchased Intellectual Property constitutes all of the intellectual property used by the Business in the Ordinary Course of Business as it is presently conducted. Except as set forth on Schedule 5.6, to the Knowledge of Sellers, (i) the material Purchased Intellectual Property used by the Athletic Companies is not the subject of any challenge received by Parent or the Athletic Companies in writing or otherwise and (ii) the Athletic Companies have not received any written notice of any default or any event that with notice or lapse of time, or both, would constitute a default under any material Purchased Intellectual Property license to which any of the Athletic Companies is a party or by which any of the Athletic Companies is bound.

5.7 Employee Benefits.

(a) Set forth on Schedule 5.7(a) is a complete and correct list of all "employee benefit plans" as defined by Section 3(3) of ERISA, all specified fringe benefit plans as defined in Section 6039D of the Code, severance, vacation, sick leave, plan or agreement as to which Sellers have any obligation or liability, contingent or otherwise, with respect to Employees (collectively the "Employee Plans").

(b) Sellers have made available to Purchaser true, accurate and complete copies of (i) the documents comprising each Employee Plan and; (ii) the most recent summary plan descriptions, summaries of material modifications and memoranda, employee handbooks and other written communications regarding the Employee Plans.

5.8 Litigation. Except for the Bankruptcy Case or as set forth on Schedule 5.8, there are no Legal Proceedings pending or, to the Knowledge of Sellers, threatened against any of the Athletic Companies before any Governmental Body.

5.9 Compliance with Laws. Except as described in Schedule 5.9: (i) each Athletic Company is in compliance in all material respects with all applicable Laws affecting the Business or the Purchased Assets and (ii) none of the Athletic Companies have violated, and none of them is in default in any material respect with respect to, any Order or any Permit, license or other authority from, any Governmental Entity.

5.10 Financial Advisors. Except as set forth on Schedule 5.10, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for any Seller in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment from Purchaser in respect thereof.

5.11 No Other Representations or Warranties; Schedules. Except for the representations and warranties contained in this Article V (as modified by the Schedules hereto), neither Sellers nor any other Person makes any other express or implied representation or warranty (including any implied or expressed warranty of merchantability or fitness for a particular purpose, or of conformity to models or samples of materials) with respect to Sellers, the Business, the Purchased Assets, the Assumed Liabilities or the transactions contemplated by this Agreement, and Sellers disclaim any other representations or warranties, whether made by Sellers, any Affiliate of Sellers or any of their respective officers, directors, employees, agents or representatives, and the Purchased Assets and the Business are being transferred to Purchaser on a "where is" and, as to condition, "as is" basis.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants and Foot Locker ,with respect to Sections 6.8 and 6.9, hereby represents and warrants to Sellers that:

6.1 Organization and Good Standing. Each Purchaser is the type of entity set forth in the preamble hereto duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization set forth in the preamble hereto and has all requisite limited liability or corporate power, as the case may be, and authority to own, lease and operate its properties, to carry on its business as now conducted and to perform its obligations under this Agreement and the Purchaser Documents.

6.2 Authorization of Agreement. Each of Purchaser has full company power and authority to execute and deliver this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by Purchaser in connection with the consummation of the transactions contemplated hereby and thereby (the "Purchaser Documents"), and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Purchaser of this Agreement and each Purchaser Document have been duly authorized by all necessary company action on behalf of Purchaser. This Agreement has been, and each Purchaser Document will be at or prior to the Closing, duly executed and delivered by Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each Purchaser Document when so executed and delivered will constitute, the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.3 Conflicts; Consents of Third Parties.

(a) Except as set forth on Schedule 6.3, none of the execution and delivery by any Purchaser of this Agreement or the Purchaser Documents, the consummation of the transactions contemplated hereby or thereby, or the compliance by any Purchaser with any of the provisions hereof or thereof will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under any provision of (i) the certificate of formation and limited liability agreement of each Purchaser, (ii) any Contract or Permit to which Purchaser is a party or by which Purchaser or its properties or assets are bound or (iii) any Order of any Governmental Body applicable to Purchaser or by which any of the properties or assets of any Purchaser are bound or (iv) any applicable Law.

(b) No consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of any Purchaser in connection with the execution and delivery of this Agreement or the Purchaser Documents, the compliance by any Purchaser with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or the taking by any Purchaser of any other action contemplated hereby, or for any Purchaser to conduct the Business, except for compliance with the applicable requirements of the HSR Act.

6.4 Litigation. There are no Legal Proceedings pending or, to the knowledge of Purchaser, threatened against Purchaser, or to which Purchaser is otherwise a party before any Governmental Body, which, if adversely determined, would reasonably be expected to have a material adverse effect on the ability of any Purchaser to perform its obligations under this Agreement or the Purchaser Documents or to consummate the transactions hereby or thereby. Purchaser is not subject to any Order of any Governmental Body except to the extent the same would not reasonably be expected to have a material adverse effect on the ability of any Purchaser to perform its obligations under this Agreement or the Purchaser Documents or to consummate the transactions contemplated hereby or thereby.

6.5 Financial Advisors. Except for Banc of America Securities (whose fees and expenses shall be the sole obligation of Purchaser or its Affiliates), no Person has acted, directly or indirectly, as a broker, finder or financial advisor for Purchaser in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment from any Seller in respect thereof.

6.6 Financial Capability. Foot Locker has, and will cause Purchaser at the Closing to have, sufficient internal funds (without giving effect to any unfunded financing regardless of whether any such financing is committed) available to pay the Purchase Price and any expenses incurred by each Purchaser in connection with the transactions contemplated by this Agreement. Foot Locker has, and will cause Purchaser at the Closing to have, the resources and capabilities (financial or otherwise) to perform its obligations hereunder. Foot Locker has not, and will cause Purchaser at the Closing not to have, incurred any obligation, commitment, restriction or Liability of any kind, which would impair or adversely affect such resources and capabilities.

6.7 Condition of the Business. Notwithstanding anything contained in this Agreement to the contrary, Purchaser acknowledges and agrees that Sellers are not making any representations or warranties whatsoever, express or implied, beyond those expressly given by Sellers in Article V hereof (as modified by the Schedules hereto as supplemented or amended), and Purchaser acknowledges and agrees that, except for the representations and warranties contained therein, the Purchased Assets and the Business are being transferred on a “where is” and, as to condition, “as is” basis.

6.8 Authorization of Guarantee. Foot Locker has full corporate power and authority to execute and deliver this Agreement and provide the Guarantee.

The execution, delivery and performance by Foot Locker of this Agreement and the Guarantee have been duly authorized by all necessary corporate action on behalf of Foot Locker. This Agreement has been duly executed and delivered by Foot Locker and (assuming the due authorization, execution and delivery by the other parties hereto) the Guarantee constitutes the legal, valid and binding obligation of Foot Locker, enforceable against Foot Locker in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.9 Conflicts; Consents of Third Parties.

(a) The Guarantee provided by Foot Locker will not conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under any provision of (i) the certificate of incorporation and by-laws of Foot Locker, (ii) any Contract or Permit to which Foot Locker is a party or by which Foot Locker or its properties or assets are bound or (iii) any Order of any Governmental Body applicable to Foot Locker or by which any of the properties or assets of Foot Locker are bound or (iv) any applicable Law.

(b) Assuming compliance of Purchaser with the HSR Act, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of Foot Locker in connection with the execution and delivery of this Agreement or the compliance by Foot Locker with the Guarantee.

ARTICLE VII

BANKRUPTCY COURT MATTERS

7.1 Approval of Break-Up Fee and Expense Reimbursement. In consideration for Purchaser having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, Sellers shall pay Purchaser a break-up fee in an amount equal to two and a half percent (2.5%) of the cash portion of the Purchase Price (the "Break-Up Fee") and an expense reimbursement up to half of a percent (0.5%) of the cash portion of the Purchase Price for Purchaser's documented reasonable out-of pocket expenses (the "Expense Reimbursement"). The Expense Reimbursement shall be payable to Purchaser on the first Business Day following the Bankruptcy Court's approval of a Competing Bid (as hereinafter defined) and the Break-Up Fee shall be payable to Purchaser on the first Business Day following the date of consummation of a Competing Bid if no material breach by Purchaser of this Agreement has occurred. Sellers shall file with and seek the approval of the Bankruptcy Court of the Sale Motion, and the Break-Up Fee and Expense Reimbursement (to the extent not previously approved by the Bankruptcy Court). Sellers

agree that the Break-Up Fee and Expense Reimbursement shall constitute administrative priority claims against Sellers' estate under Sections 503(b) and 507(a)(1) of the Bankruptcy Code.

7.2 Competing Transaction. This Agreement is subject to approval by the Bankruptcy Court and, if required by the Bankruptcy Court, the consideration by Sellers of higher or better competing bids (each a "Competing Bid"). Except as may be required by the Bankruptcy Court, from the date hereof and until the transaction contemplated by this Agreement is consummated, Sellers shall not, and shall cause their representatives and Affiliates not to, initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person (other than Purchaser and its Affiliates, agents and representatives) in connection with any sale or other disposition of the Purchased Assets. Sellers shall be permitted and have the responsibility and obligation to respond to any inquiries or offers to purchase all or any part of the Purchased Asset and perform any and all other acts related thereto which are required under the Bankruptcy Code or other applicable law, including, without limitation, supplying information relating to the Business and the assets of Sellers to prospective purchasers. Sellers shall promptly notify Purchaser of the existence of any Competing Bids received by Sellers after the date hereof and Sellers shall communicate to Purchaser the material terms of any such Competing Bid but not the identity of the party making such Competing Bid.

7.3 Bankruptcy Court Filings. As promptly as practicable following the execution of this Agreement, Sellers shall file with the Bankruptcy Court the Sale Motion seeking entry of the Sale Order. Purchaser agrees that it will promptly take such actions as are reasonably requested by Sellers to assist in obtaining entry of the Sale Order and a finding of adequate assurance of future performance by Purchaser, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for the purposes, among others, of providing necessary assurances of performance by Purchaser under this Agreement and demonstrating that Purchaser is a "good faith" purchaser under Section 363(m) of the Bankruptcy Code. Purchaser shall not, without the prior written consent of Sellers, file, join in, or otherwise support in any manner whatsoever any motion or other pleading relating to the sale of the Purchased Assets hereunder. In the event the entry of the Sale Order shall be appealed, Sellers and Purchaser shall use their respective reasonable efforts to defend such appeal.

ARTICLE VIII

COVENANTS

8.1 Access to Information. Sellers agree that, prior to the Closing Date, Purchaser shall be entitled, through its officers, employees and representatives (including, without limitation, its legal advisors and accountants), to make such investigation of the properties, businesses and operations of the Business and such examination of the books and records of the Business, the Purchased Assets and the Assumed Liabilities as it reasonably requests and to make extracts and copies of such books and records. Any such investigation and examination shall be conducted during regular business hours

upon reasonable advance notice and under reasonable circumstances and shall be subject to restrictions under applicable Law. Sellers shall cause the officers, employees, consultants, agents, accountants, attorneys and other representatives of Sellers to cooperate with Purchaser and Purchaser's representatives in connection with such investigation and examination, and Purchaser and its representatives shall cooperate with Sellers and its representatives and shall use their reasonable efforts to minimize any disruption to the Business. Notwithstanding anything herein to the contrary, no such investigation or examination shall be permitted to the extent that it would require Sellers to disclose information subject to attorney-client privilege or conflict with any confidentiality obligations to which any Seller is bound.

8.2 Conduct of the Business Pending the Closing.

(a) Prior to the Closing, except (1) as set forth on Schedule 8.2(a), (2) as required by applicable Law, (3) as otherwise expressly contemplated by this Agreement or (4) with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), Sellers shall conduct the Business in the Ordinary Course of Business, and:

(i) maintain the Purchased Assets in good operating condition and repair and continue normal maintenance, normal wear and tear excepted; and

(ii) use their commercially reasonable efforts to (A) preserve the present business operations, organization and goodwill of the Business, and (B) preserve the present relationships with customers and suppliers of the Business.

(b) Except (1) as set forth on Schedule 8.2(b), (2) as required by applicable Law, (3) as otherwise contemplated by this Agreement or (4) with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), Sellers shall not, solely as it relates to the Business:

(i) increase salaries or wages, declare bonuses, increase benefits, or institute any new benefit plan or program, except as required by law, as required by the terms of previously existing contracts, or in accordance with past practices;

(ii) sell, lease, transfer, mortgage, encumber, alienate or dispose of any Purchased Assets except for sales of Inventory, Permitted Exceptions, and normally scheduled store closings;

(iii) transfer any inventory into any of the stores that are subject to the Real Property Leases from any store that is not subject to the Real Property Leases; and

(iv) agree to do anything prohibited by this Section 8.2.

8.3 Consents. Sellers shall use their commercially reasonable efforts, and Purchaser shall cooperate with Sellers, to obtain at the earliest practicable date all consents and approvals required to consummate the transactions contemplated by this Agreement, including, without limitation, the consents and approvals referred to in Section 5.3(b) hereof; provided, however, that Sellers shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested or to initiate any Legal Proceedings to obtain any such consent or approval.

8.4 Regulatory Approvals.

(a) If necessary, Purchaser and Sellers shall (a) make or cause to be made all filings required of each of them or any of their respective Subsidiaries or Affiliates under the HSR Act or other Antitrust Laws with respect to the transactions contemplated hereby as promptly as practicable and, in any event, within five (5) Business Days after the date of this Agreement in the case of all filings required under the HSR Act and within five (5) Business Days in the case of all other filings required by other Antitrust Laws, (b) comply at the earliest practicable date with any request under the HSR Act or other Antitrust Laws for additional information, documents, or other materials received by each of them or any of their respective Subsidiaries from the Federal Trade Commission (the "FTC"), the Antitrust Division Antitrust Division of the United States Department of Justice (the "Antitrust Division Antitrust Division") or any other Governmental Body in respect of such filings or such transactions, and (c) cooperate with each other in connection with any such filing (including, to the extent permitted by applicable law, providing copies of all such documents to the non-filing Parties prior to filing and considering all reasonable additions, deletions or changes suggested in connection therewith) and in connection with resolving any investigation or other inquiry of any of the FTC, the Antitrust Division or other Governmental Body under any Antitrust Laws with respect to any such filing or any such transaction. Each such Party shall use reasonable best efforts to furnish to each other all information required for any application or other filing to be made pursuant to any applicable law in connection with the transactions contemplated by this Agreement. Each such Party shall promptly inform the other Parties of any oral communication with, and provide copies of written communications with, any Governmental Body regarding any such filings or any such transaction. No Party hereto shall independently participate in any formal meeting with any Governmental Body in respect of any such filings, investigation, or other inquiry without giving the other Parties prior notice of the meeting and, to the extent permitted by such Governmental Body, the opportunity to attend and/or participate. Subject to applicable law, the Parties will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party relating to proceedings under the HSR Act or other Antitrust Laws. Sellers and Purchaser may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 8.4 as "outside counsel only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees,

officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials (Sellers or Purchaser, as the case may be).

(b) Each of Purchaser and Sellers shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by any Governmental Body with respect to the transactions contemplated by this Agreement under the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other United States federal or state or foreign statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (collectively, the "Antitrust Laws"). In connection therewith, if any Legal Proceeding is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement is in violation of any Antitrust Law, each of Purchaser and Sellers shall cooperate and use its reasonable best efforts to contest and resist any such Legal Proceeding, and to have vacated, lifted, reversed, or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the transactions contemplated by this Agreement, including by pursuing all available avenues of administrative and judicial appeal and all available legislative action, unless, by mutual agreement, Purchaser and Sellers decide that litigation is not in their respective best interests. Each of Purchaser and Sellers shall use its reasonable best efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other Antitrust Laws with respect to such transactions as promptly as possible after the execution of this Agreement. In connection with and without limiting the foregoing, each of Purchaser and Sellers agrees to use its reasonable best efforts to take promptly any and all steps necessary to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any Federal, state and local and non-United States antitrust or competition authority, so as to enable the Parties to close the transactions contemplated by this Agreement as expeditiously as possible, provided that notwithstanding anything to the contrary provided herein, neither Purchaser nor any of their Affiliates shall be required (i) to hold separate (including by trust or otherwise) or divest any businesses, product lines or assets of any Purchaser or their Affiliates (the "Purchaser Business"), or any of the Purchased Assets or (ii) to agree to any limitation on the operation or conduct of the Business or the Purchaser Business.

8.5 Further Assurances. Each of Sellers and Purchaser shall use its commercially reasonable efforts to (i) take all actions necessary or appropriate to consummate the transactions contemplated by this Agreement (including conveyances of Purchased Intellectual Property and Real Property Leases) and (ii) cause the fulfillment at the earliest practicable date of all of the conditions to their respective obligations to consummate the transactions contemplated by this Agreement.

8.6 Confidentiality. Purchaser acknowledges that the Confidential Information provided to it in connection with this Agreement, including under Section 8.1, and the consummation of the transactions contemplated hereby, is subject to the

terms of the confidentiality agreement between Foot Locker and Parent dated May 6, 2002 (the "Confidentiality Agreement"), the terms of which are incorporated herein by reference. Effective upon, and only upon, the Closing Date, the Confidentiality Agreement shall terminate with respect to information relating solely to the Business or otherwise included in the Purchased Assets; provided, however, that Purchaser acknowledges that any and all other Confidential Information provided to it by any Seller or its representatives concerning any Seller and their Subsidiaries shall remain subject to the terms and conditions of the Confidentiality Agreement after the Closing Date. For purposes of this Section 8.6, "Confidential Information" shall mean any confidential information with respect to, including, methods of operation, customers, customer lists, Products, prices, fees, costs, Technology, inventions, trade secrets, know-how, Software, marketing methods, plans, personnel, suppliers, competitors, markets or other specialized information or proprietary matters.

8.7 Preservation of Records. Sellers and Purchaser agree that each of them shall preserve and keep the records held by it or their Affiliates relating to the Business for a period of seven (7) years from the Closing Date and shall make such records and personnel available to the other as may be reasonably required by such Party in connection with, among other things, any insurance claims by, Legal Proceedings or tax audits against or governmental investigations of any Seller or Purchaser or any of their Affiliates or in order to enable any Seller or Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby or thereby. In the event Sellers or Purchaser wishes to destroy such records before or after that time, such Party shall first give ninety (90) days prior written notice to the other and such other Party shall have the right at its option and expense, upon prior written notice given to such Party within that ninety (90) day period, to take possession of the records within one hundred and eighty (180) days after the date of such notice.

8.8 Publicity. Neither Sellers nor Purchaser shall issue any press release or public announcement concerning this Agreement or the transactions contemplated hereby without obtaining the prior written approval of the other Party hereto, which approval will not be unreasonably withheld or delayed, unless, in the sole judgment of Purchaser or Sellers, disclosure is otherwise required by applicable Law or by the Bankruptcy Court with respect to filings to be made with the Bankruptcy Court in connection with this Agreement or by the applicable rules of any stock exchange on which Foot Locker or Sellers list securities, provided that the Party intending to make such release shall use its reasonable best efforts consistent with such applicable Law or Bankruptcy Court requirement to consult with the other Party with respect to the text thereof.

8.9 Use of Name. From and after the Closing, neither Purchaser nor any of its Affiliates will (i) use the name "Footstar" or the name of any of Parent's Affiliates or any confusingly similar names, or the intellectual property of Parent or its Affiliates identified on Schedule 8.9, without the prior written consent of Parent or such Affiliate, which consent may be withheld in any such party's sole discretion, and (ii) not hold itself out as having any affiliation with any Seller or any of their Affiliates.

8.10 Supplementation and Amendment of Schedules. Sellers may, at their option, include in the Schedules items that are not material in order to avoid any misunderstanding, and such inclusion, or any references to dollar amounts, shall not be deemed to be an acknowledgement or representation that such items are material, to establish any standard of materiality or to define further the meaning of such terms for purposes of this Agreement. Information disclosed in the Schedules shall constitute a disclosure for all purposes under this Agreement notwithstanding any reference to a specific section, and all such information shall be deemed to qualify the entire Agreement and not just such section. From time to time prior to the Closing, Sellers shall have the right to supplement or amend the Schedules with respect to any matter hereafter arising or discovered after the delivery of the Schedules pursuant to this Agreement. No such supplement or amendment shall have any effect on the satisfaction of the condition to closing set forth in Section 10.1(a); provided, however, if the Closing shall occur, then Purchaser shall be deemed to have waived any right or claim pursuant to the terms of this Agreement or otherwise, including pursuant to Article XI hereof, with respect to any and all matters disclosed pursuant to any such supplement or amendment at or prior to the Closing.

8.11 Transition Services. Promptly following the date hereof, the Parties will negotiate in good faith to finalize a form of transition services agreement to be executed and delivered at the Closing by Purchaser, on the one hand, and one or more Sellers and/or one or more of their Affiliates, on the other hand.

ARTICLE IX

EMPLOYEES AND EMPLOYEE BENEFITS

9.1 Employment. Transferred Employees.

(a) Sellers shall terminate all Employees on the Closing Date and Purchaser shall offer full-time employment effective as of the Closing to the specific Employees designated by the Purchaser ("Transferred Employees"). To facilitate Purchaser's obligations under this Section 9.1, Sellers shall provide Purchaser within a reasonable period prior to the Closing (and again on the Closing Date) a true and correct list of all Employees, including with respect to any inactive Employee, the reason for such inactive status and, if applicable, the anticipated date of return to active employment. Except as otherwise specifically set forth herein, Sellers shall have no responsibility whatsoever for any liabilities or obligations which relate in any way to such Transferred Employee's employment service with Purchaser.

(b) Purchaser shall not during the 90-day period beginning on the Closing Date terminate the employment of full-time employees (as determined for purposes of the WARN Act) of the Business hired by Purchaser so as to cause any "plant closing" or "mass layoff" (as those terms are defined in the WARN Act) such that Sellers have any obligation under the WARN Act that Sellers otherwise would not have had

absent such terminations; provided, however, that in the event of any breach by Purchaser of the foregoing, Purchaser agrees to indemnify Sellers for any such obligations.

9.2 Employee Benefits.

(a) Effective as of the Closing Date, Purchaser shall cause each Transferred Employee who was covered under the Employee Plans immediately prior to the Closing Date to be covered under the comparable employee benefit plans, programs and arrangements maintained by Purchaser (the "Purchaser Plans"), in accordance with the terms and provisions of the Purchaser Plans. The Purchaser Plans shall recognize each Transferred Employee's prior service that is recognized under the Employee Plans (including prior service with predecessor employers to the extent such prior service is recognized under the Employee Plans) for eligibility and vesting purposes and, in the case of vacation or severance benefits, for purposes of determining the amount of benefits.

(b) Effective as of the Closing Date, Purchaser shall take all action necessary or appropriate to cause a defined contribution plan adopted or maintained by Purchaser (the "Purchaser 401(k) Plan") to recognize prior service with Parent or any of its Subsidiaries for purposes of vesting and participation. Parent shall cause the account balances of the Transferred Employees under the 401(k) Profit Sharing Plan of Parent and its Affiliates, as amended from time to time (the "Footstar 401(k) Plan"), to be fully vested as of the Closing Date. Parent shall permit Transferred Employees to make a "direct rollover" of such Transferred Employees' account balances (including loans to Transferred Employees) under the Footstar 401(k) Plan to Purchaser 401(k) Plan. Parent acknowledges that on and after the Closing Date, the account balances of Transferred Employees held in the Footstar 401(k) Plan will be distributable from the Footstar 401(k) Plan in accordance with the Code. Parent and the Footstar 401(k) Plan shall not place any Transferred Employee's plan loan in default or declare a default with respect to any outstanding plan loan during the ninety (90) day period following the Closing Date or such shorter period requested by Purchaser, so long as such Transferred Employee continues to make loan repayments when due and such Transferred Employee transfers his or her account balance under the Footstar Plan, together with the promissory note evidencing the plan loan, to the Purchaser 401(k) Plan through a "direct rollover" on or as soon as administratively practicable following the Closing.

ARTICLE X

CONDITIONS TO CLOSING

10.1 Conditions Precedent to Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Sellers set forth in this Agreement shall be true and correct at and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct on and as of such earlier date); provided, however, that in the event of a breach of a representation or warranty, the condition set forth in this Section 10.1(a) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together result in a Material Adverse Effect, and Purchaser shall have received a certificate signed by an authorized officer of Seller, dated the Closing Date, to the foregoing effect;

(b) Sellers shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by it prior to the Closing Date, and Purchaser shall have received a certificate signed by an authorized officer of Parent on behalf of Sellers, dated the Closing Date, to the forgoing effect; and

(c) Sellers shall have delivered, or caused to be delivered, to Purchaser all of the items set forth in Section 4.2.

10.2 Conditions Precedent to Obligations of Sellers. The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by Sellers in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Purchaser set forth in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, at and as of the Closing Date as though made on the Closing Date, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date), and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect;

(b) Purchaser shall have performed and complied in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date, and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect; and

(c) Purchaser shall have delivered, or caused to be delivered, to Sellers all of the items set forth in Section 4.3.

10.3 Conditions Precedent to Obligations of Purchaser and Sellers. The respective obligations of Purchaser and Sellers to consummate the transactions

contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser and Sellers in whole or in part to the extent permitted by applicable Law):

(a) there shall not be in effect any Order by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(b) the Bankruptcy Court shall have entered the Sale Order substantially in the form of the Sale Order submitted to the Bankruptcy Court pursuant to Section 7.3; and

(c) the waiting period applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or early termination shall have been granted.

10.4 Frustration of Closing Conditions. Neither Sellers nor Purchaser may rely on the failure of any condition set forth in Section 10.1, 10.2 or 10.3, as the case may be, if such failure was caused by such Party's failure to comply with any provision of this Agreement.

ARTICLE XI

NO SURVIVAL AND INDEMNIFICATION

11.1 No Survival of Representations and Warranties. The Parties hereto agree that the representations and warranties contained in this Agreement shall not survive the Closing hereunder, and none of the Parties shall have any liability to each other after the Closing for any breach thereof. The Parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive the Closing hereunder, and each Party hereto shall be liable to the other after the Closing for any breach thereof.

11.2 Indemnification by Sellers.

(a) Subject to Section 11.5 hereof, Sellers hereby agree to indemnify and hold Purchaser and its directors, officers, employees, Affiliates, agents, successors and permitted assigns harmless from and against:

(i) any and all losses, liabilities, obligations, damages, costs and expenses (individually, a "Loss" and, collectively, "Losses") based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of any Seller under this Agreement;

(ii) any and all Losses based upon or arising directly from any Excluded Asset or any Excluded Liability;

(iii) any Losses based upon or arising directly out of any Purchased Asset or Sellers' operation of the Business prior to the Closing Date other than any liabilities arising prior to the Closing Date that are Assumed Liabilities; and

(iv) any and all notices, actions, suits, proceedings, claims, demands, assessments, judgments, costs, penalties and expenses, including attorneys' and other professionals' fees and disbursements (collectively, "Expenses") incident to the foregoing.

(b) Purchaser shall take and shall cause its Affiliates to take all reasonable steps to mitigate any Loss upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach which gives rise to the Loss.

11.3 Indemnification by Purchaser.

(a) Subject to Section 11.5, Purchaser hereby agrees to indemnify and hold Sellers and their Affiliates, agents, successors and permitted assigns harmless from and against:

(i)any and all Losses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of Purchaser under this Agreement;

(ii)any and all Losses based upon or arising directly out of any Assumed Liability;

(iii)any and all Losses based upon or arising directly out of any Purchased Asset or Purchaser's operation of the Business after the Closing Date; and

(iv)any and all Expenses incident to the foregoing.

(b) Sellers shall take and cause their Affiliates to take all reasonable steps to mitigate any Loss upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach which gives rise to the Loss.

11.4 Indemnification Procedures.

(a) In the event that any Legal Proceedings shall be instituted or that any claim or demand shall be asserted by any Person in respect of which payment may be sought under Section 11.2 and 11.3 hereof (regardless of the limitations set forth in Section 11.5) (an "Indemnification Claim"), the indemnified party shall reasonably and promptly cause written notice of the assertion of any Indemnification Claim of which it has knowledge which is covered by this indemnity to be forwarded to the indemnifying

party. The indemnifying party shall have the right, at its sole option and expense, to be represented by counsel of its choice, which must be reasonably satisfactory to the indemnified party, and to defend against, negotiate, settle or otherwise deal with any Indemnification Claim which relates to any Losses indemnified against hereunder. If the indemnifying party elects to defend against, negotiate, settle or otherwise deal with any Indemnification Claim which relates to any Losses indemnified against hereunder, it shall within thirty (30) days (or sooner, if the nature of the Indemnification Claim so requires) notify the indemnified party of its intent to do so. If the indemnifying party elects not to defend against, negotiate, settle or otherwise deal with any Indemnification Claim which relates to any Losses indemnified against hereunder, the indemnified party may defend against, negotiate, settle or otherwise deal with such Indemnification Claim. If the indemnifying party shall assume the defense of any Indemnification Claim, the indemnified party may participate, at his or its own expense, in the defense of such Indemnification Claim; provided, however, that such indemnified party shall be entitled to participate in any such defense with separate counsel at the expense of the indemnifying party if (i) so requested by the indemnifying party to participate or (ii) in the reasonable opinion of counsel to the indemnified party a conflict or potential conflict exists between the indemnified party and the indemnifying party that would make such separate representation advisable; and provided, further, that the indemnifying party shall not be required to pay for more than one such counsel for all indemnified parties in connection with any Indemnification Claim. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such Indemnification Claim. Notwithstanding anything in this Section 11.4 to the contrary, neither the indemnifying party nor the indemnified party shall, without the written consent of the other party, settle or compromise any Indemnification Claim or permit a default or consent to entry of any judgment unless the claimant and such party provide to such other party an unqualified release from all liability in respect of the Indemnification Claim. Notwithstanding the foregoing, if a settlement offer solely for money damages is made by the applicable third party claimant, and the indemnifying party notifies the indemnified party in writing of the indemnifying party's willingness to accept the settlement offer and, subject to the applicable limitations of Sections 11.5 and 11.6, pay the amount called for by such offer, and the indemnified party declines to accept such offer, the indemnified party may continue to contest such Indemnification Claim, free of any participation by the indemnifying party, and the amount of any ultimate liability with respect to such Indemnification Claim that the indemnifying party has an obligation to pay hereunder shall be limited to the lesser of (A) the amount of the settlement offer that the indemnified party declined to accept plus the Losses of the indemnified party relating to such Indemnification Claim through the date of its rejection of the settlement offer or (B) the aggregate Losses of the indemnified party with respect to such Indemnification Claim. If the indemnifying party makes any payment on any Indemnification Claim, the indemnifying party shall be subrogated, to the extent of such payment, to all rights and remedies of the indemnified party to any insurance benefits or other claims of the indemnified party with respect to such Indemnification Claim.

(b) After any final decision, judgment or award shall have been rendered by a Governmental Body of competent jurisdiction and the expiration of

the time in which to appeal therefrom, or a settlement shall have been consummated, or the indemnified party and the indemnifying party shall have arrived at a mutually binding agreement with respect to an Indemnification Claim hereunder, the indemnified party shall forward to the indemnifying party notice of any sums due and owing by the indemnifying party pursuant to this Agreement with respect to such matter.

11.5 Certain Limitations on Indemnification. Purchaser shall not make any claim for indemnification under this Article XI in respect of any matter that is taken into account in the calculation of any adjustment to the Purchase Price pursuant to Section 3.5.

11.6 Calculation of Losses. The amount of any Losses for which indemnification is provided under this Article XI shall be net of any amounts actually recovered or recoverable by the indemnified party under insurance policies or otherwise with respect to such Losses.

11.7 Tax Treatment of Indemnity Payments. Sellers and Purchaser agree to treat any indemnity payment made pursuant to this Article XI as an adjustment to the Purchase Price for federal, state, local and foreign income tax purposes.

11.8 No Consequential Damages. Notwithstanding anything to the contrary elsewhere in this Agreement, no party shall, in any event, be liable to any other Person for any consequential, incidental, indirect, special or punitive damages of such other Person, including loss of future revenue, income or profits, diminution of value or loss of business reputation or opportunity relating to the breach or alleged breach hereof (provided that such limitation with respect to lost profits shall not limit Seller's right to recover contract damages in connection with Purchaser's failure to close in violation of this Agreement).

11.9 Exclusive Remedy. Subject to Section 4.6 and Section 13.2 hereof, the sole and exclusive remedy of Sellers and Purchaser for any breach or inaccuracy, or alleged breach or inaccuracy, of any representation, warranty, covenant or agreement made by Sellers or Purchaser shall be indemnification in accordance with this Article XI. In furtherance of the foregoing, the parties hereby waive, to the fullest extent permitted by applicable Law, any and all other rights, claims and causes of action (including rights of contributions, if any) known or unknown, foreseen or unforeseen, which exist or may arise in the future, that it may have against Sellers or any of their Affiliates, or Purchaser or any of its Affiliates, as the case may be, arising under or based upon any federal, state or local Law (including any such Law relating to environmental matters or arising under or based upon any securities Law, common Law or otherwise).

ARTICLE XII

TAXES

12.1 Transfer Taxes. Purchaser shall be responsible for (and shall indemnify and hold harmless Sellers and their directors, officers, employees, Affiliates, agents, successors and permitted assigns against) any sales, use, stamp, documentary stamp, filing, recording, transfer or similar fees or taxes or governmental charges (including any interest and penalty thereon) payable in connection with the transactions contemplated by this Agreement ("Transfer Taxes"). Sellers shall, however, seek to include in the Sales Order a provision that provides that the transfer of the Purchased Assets shall be free and clear of any stamp or similar taxes under Bankruptcy Code Section 1146(c). To the extent that any Transfer Taxes are required to be paid by Sellers (or such Transfer Taxes are assessed against Seller), Purchaser shall promptly reimburse Sellers, as applicable, for such Transfer Taxes. Sellers and Purchaser shall cooperate and consult with each other prior to filing any Tax Returns in respect of Transfer Taxes; provided, however, Sellers may initially pay any Transfer Taxes (for which Purchaser shall promptly reimburse Sellers) and, thereafter, in reliance on Section 1146(c) of the Bankruptcy Code (if applicable) apply for a refund (which refund shall be remitted to the Purchaser to the extent such Transfer Taxes were previously reimbursed by Purchaser). Sellers and Purchaser shall cooperate and otherwise take commercially reasonable efforts to obtain any available refunds for Transfer Taxes.

12.2 Prorations. All real and personal property Taxes or similar ad valorem obligations levied with respect to the Purchased Assets for any taxable period that includes the Effective Time and ends after the Effective Time, whether imposed or assessed before or after the Closing Date, shall be prorated between Sellers on the one hand and Purchaser on the other hand as of the Effective Time. If any Taxes subject to proration are paid by Purchaser, on the one hand, and Seller, on the other hand, the proportionate amount of such Taxes paid (or in the event of a refund of any portion of such Taxes previously paid is received, such refund) shall be paid promptly by (or to) the other after the payment of such Taxes (or promptly following the receipt of any such refund).

12.3 Purchase Price Allocation. Sellers and Purchaser shall agree to an allocation of the purchase price (including the Assumed Liabilities) among the Purchased Assets as specified in a schedule to be initially prepared and delivered by Purchaser to Parent within forty-five (45) days after the Closing Date and, in accordance with such allocation, Purchaser shall prepare and deliver to Sellers copies of Form 8594 and any required exhibits thereto (the "Asset Acquisition Statement"). Purchaser shall prepare and deliver to Sellers from time to time revised copies of the Asset Acquisition Statement (the "Revised Statements") so as to report any matters on the Asset Acquisition Statement that need updating (including purchase price adjustments, if any) consistent with the agreed upon allocation. The purchase price for the Purchased Assets shall be allocated in accordance with the Asset Acquisition Statement or, if applicable, the last Revised Statements, provided by Purchaser to Seller, and all income Tax Returns and reports filed by Purchaser and Sellers shall be prepared consistently with such allocation.

ARTICLE XIII

MISCELLANEOUS

13.1 Expenses. Except as otherwise provided in this Agreement, each of Sellers on one hand and Purchaser on the other hand shall bear its own expenses incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby; it being understood that Purchaser as acquiring Party, shall solely be responsible for paying the HSR Act filing fees.

13.2 Injunctive Relief. Damages at law may be an inadequate remedy for the breach of any of the covenants, promises and agreements contained in this Agreement, and, accordingly, any Party hereto shall be entitled to injunctive relief with respect to any such breach, including without limitation specific performance of such covenants, promises or agreements or an order enjoining a party from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement. The rights set forth in this Section 13.2 shall be in addition to any other rights which a Party may have at law or in equity pursuant to this Agreement.

13.3 Submission to Jurisdiction; Consent to Service of Process.

(a) Without limiting any Party's right to appeal any order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (ii) any and all proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the Parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 13.7 hereof; provided, however, that if the Bankruptcy Case has closed, the Parties agree to unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in New York County and any appellate court from any thereof, for the resolution of any such claim or dispute. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Parties hereby consents to process being served by any Party in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 13.7.

13.4 Waiver of Right to Trial by Jury. Each Party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

13.5 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) and the Confidentiality Agreement represent the entire understanding and agreement between the Parties with respect to the subject matter hereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the Party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

13.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State.

13.7 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (i) when delivered personally by hand (with written confirmation of receipt), (ii) when sent by facsimile (with written confirmation of transmission) or (iii) one (1) Business Day following the day sent by overnight courier (with written confirmation of receipt), in each case at the following addresses and facsimile numbers (or to such other address or facsimile number as a party may have specified by notice given to the other party pursuant to this provision):

If to any Seller, to:

Footstar, Inc.
One Crosfield Avenue
Wes Nyack, NY 10994
Facsimile: (845) 727-6606
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Facsimile: (212) 310-8007
Attention: Simeon Gold

If to Purchaser, to:

Foot Locker, Inc.
112 West 34th Street
New York, NY 10120
Facsimile: (212) 720-4116
Attention: Gary M. Bahler, General Counsel

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Facsimile: (917) 777-2526
Attention: Thomas H. Kennedy

13.8 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

13.9 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not a Party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by Sellers or Purchaser (by operation of law or otherwise) without the prior written consent of the other Parties hereto and any attempted assignment without the required consents shall be void. No assignment of any obligations hereunder shall relieve the Parties hereto of any such obligations. Upon any such permitted assignment, the references in this Agreement to Purchaser shall also apply to any such assignee unless the context otherwise requires.

13.10 Guarantee. Foot Locker, Inc. hereby irrevocably and unconditionally guarantees the due and punctual performance of all obligations of Purchaser under this Agreement (the "Guarantee"); provided, however, that the Guarantee shall terminate as of the consummation of the Closing, except to the extent and until such time as Purchaser pays the Post-Closing Adjustment Amount if required to pursuant to Section 3.5.

13.11 Non-Recourse.. No past, present or future director, officer, employee, incorporator, member, partner or equityholder (other than Parent) of any Seller shall have any liability for any obligations or liabilities of Sellers under this Agreement or the Seller Documents of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby.

13.12 Counterparts.. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

PURCHASERS:

FL SPECIALTY OPERATIONS LLC

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FL RETAIL OPERATIONS LLC

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER STORES, INC.
By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER RETAIL, INC.
By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER, INC. (solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10)

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

SELLERS:

FOOTSTAR, INC.

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Executive Vice President

FOOTSTAR CORPORATION

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Executive Vice President

1162 VALLA LINDA MALL FOOTACTION, INC.
125TH FOOTACTION, INC.
164 NORTH STAR MALL FOOTACTION, INC.
305 NORTHLINE MALL FOOTACTION, INC.
34TH STREET FOOTACTION, INC.
63RD & WESTERN FOOTACTION, INC.
83 CENTRAL MALL FOOTACTION, INC.
87TH AND COTTAGE GROVE FOOTACTION, INC.
ALA MOANA FOOTACTION, INC.
ALBANY MALL FOOTACTION, INC.
ALEXANDRIA MALL FOOTACTION, INC.
ALMEDA FOOTACTION, INC.
ANDERSON FOOTACTION, INC.
ANIMAS MALL FOOTACTION, INC.
ANNAPOLIS MALL FOOTACTION, INC.
APACHE-MINNESOTA THOM MCAN, INC.
ARSENAL FOOTACTION, INC.
ATHLETIC CENTER, INC.
AUGUSTA MALL FOOTACTION, INC.
AURORA FOOTACTION, INC.
AVENTURA FAN CLUB, INC.
BAKERSFIELD FOOTACTION, INC.
BALDWIN HILLS FOOTACTION, INC.
BATON ROUGE FOOTACTION, INC.
BAY PLAZA FOOTACTION, INC
BEL AIR MALL FOOTACTION, INC.
BEL-AIR CENTER FOOTACTION, INC.
BERGEN FOOTACTION, INC.
BERKLEY MALL FOOTACTION, INC.
BONITA FAN CLUB, INC.
BONITA LAKES FOOTACTION, INC.
BOSSIER MALL FOOTACTION, INC.
BOULEVARD MALL FAN CLUB, INC.
BOULEVARD MALL FOOTACTION, INC.
BOYNTON BEACH FOOTACTION, INC.
BRAINTREE FOOTACTION, INC.
BRAZOS MALL FOOTACTION, INC.
BRICKYARD MALL FOOTACTION, INC.
BROAD STREET FOOTACTION, INC.
BROWARD MALL FOOTACTION, INC.
BRUNSWICK SQUARE FOOTACTION, INC.
BURLINGTON CENTER (N.J.) FOOTACTION, INC.
CAMBRIDGE GALLERIA FAN CLUB, INC.
CANAL AND BOURBON ST. FOOTACTION, INC.
CANTERBURY SQUARE FOOTACTION, INC.

CAPITAL CENTRE FOOTACTION, INC.
CARLSBAD FAN CLUB, INC.
CAROLINA EAST FOOTACTION, INC.
CAROUSAL CENTER FOOTACTION, INC.
CARSON MALL FAN CLUB, INC.
CARY FOOTACTION, INC.
CENTURY FOOTACTION, INC.
CHARLESTON FOOTACTION, INC.
CHARLOTTESVILLE FASHION SQ. FOOTACTION, INC.
CHATHAM RIDGE FOOTACTION, INC.
CHERRY HILL FOOTACTION, INC.
CHRISTIANA FOOTACTION, INC.
CHULA VISTA FAN CLUB, INC.
CIELO VISTA MALL FOOTACTION, INC.
CITADEL MALL FOOTACTION, INC.
CITY PLACE LONG BEACH FOOTACTION, INC.
CITY PLACE SILVER SPRINGS FOOTACTION, INC.
CODDINGTOWN FOOTACTION, INC.
COLISEUM-HAMPTON FOOTACTION, INC.
COLONIAL HEIGHTS FOOTACTION, INC.
COLUMBIA CENTER FOOTACTION, INC.
COLUMBIA FOOTACTION, INC.
COLUMBIA MALL FOOTACTION, INC.
COLUMBUS FAN CLUB, INC.
CORAL SQUARE FOOTACTION, INC.
CORTANA FOOTACTION, INC.
COVINA (CAL.) FOOTACTION, INC.
CRABTREE VALLEY FOOTACTION, INC.
CROSS COUNTY (N.Y.) FAN CLUB, INC.
CROSS CREEK MALL FOOTACTION, INC.
CROSSROADS CENTER FOOTACTION, INC.
CROSSROADS FOOTACTION, INC.
CT POST FAN CLUB, INC.
CUMBERLAND FOOTACTION, INC.
CUMBERLAND MALL FOOTACTION, INC.
CUTLER RIDGE MALL FOOTACTION, INC.
DARTMOUTH FAN CLUB, INC.
DEDHAM MALL FAN CLUB, INC.
DEERBROOK MALL FOOTACTION, INC.
DEL AMO FAN CLUB, INC.
DEPTFORD FOOTACTION, INC.
DEPTFORD OPEN COUNTRY, INC.
DESOTO SQUARE MALL FOOTACTION, INC.
DOLPHIN MALL FOOTACTION, INC.
DOVER MALL FOOTACTION, INC.

EAGLE ROCK PLAZA FOOTACTION, INC.
EAST TOWNE MALL FOOTACTION, INC.
EASTFIELD OPEN COUNTRY, INC.
EASTLAND MALL FOOTACTION, INC.
EASTLAND-COLUMBUS FOOTACTION, INC.
EASTPOINT MALL FOOTACTION, INC.
EASTRIDGE FAN CLUB, INC.
EASTRIDGE MALL FOOTACTION, INC.
EATONTOWN OPEN COUNTRY, INC.
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FLORIN CENTER FOOTACTION, INC.
FOOTACTION CENTER, INC
FOOTACTION GULFGATE MALL, INC.
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FOREST VILLAGE PARK FOOTACTION, INC.

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GURNEE MILLS FAN CLUB, INC.

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MALL OF ABILENE FOOTACTION, INC.
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MALL OF AMERICAS FOOTACTION, INC.
MALL ST. VINCENT FOOTACTION, INC.
MANASSAS FOOTACTION
MARKET CENTER FOOTACTION, INC.
MARKETPLACE AT HOLLYWOOD FOOTACTION, INC.
MCCREELESS MALL FOOTACTION, INC.
MD., WHEATON FOOTACTION, INC.
MEDIA CITY FAN CLUB, INC.
MELBOURNE SQUARE FAN CLUB, INC.
MENLO PARK FAN CLUB, INC.
MENLO PARK THOM MCAN, INC.
MERCED MALL FOOTACTION, INC.
MERRITT ISLAND FOOTACTION. INC.
MESILLA VALLEY MALL FOOTACTION, INC.
METRO NORTH FOOTACTION, INC.
METROCENTER MALL FOOTACTION, INC.
MIAMI FLAGLER FOOTACTION, INC.
MIAMI INTERNATIONAL FAN CLUB, INC.
MIDLAND PARK FOOTACTION, INC.
MILITARY CIRCLE FOOTACTION, INC.
MONDAWMIN FOOTACTION, INC.
MONTEBELLO FAN CLUB, INC.
MONTGOMERY MALL FOOTACTION, INC.
MT. BERRY SQUARE FOOTACTION, INC,
NEWBURGH MALL FOOTACTION, INC.
NEWPORT CENTER FAN CLUB, INC.
NEWPORT CITY THOM MCAN, INC
NORTH EAST FOOTACTION, INC.
NORTH MILWAUKEE AVENUE FOOTACTION, INC.
NORTH RIVERSIDE FAN CLUB, INC.
NORTH SHORE FOOTACTION, INC.
NORTHGATE - DURHAM FOOTACTION, INC.
NORTHGATE - SEATTLE OPEN COUNTRY, INC.
NORTHGATE FOOTACTION, INC.
NORTHLAND CENTER FOOTACTION, INC.
NORTHWEST FOOTACTION, INC.
NORTHWEST MALL FOOTACTION, INC.
NORTHWOODS MALL FOOTACTION, INC.

OAK HOLLOW FOOTACTION, INC.
OAK PARK FOOTACTION, INC.
OAKWOOD FOOTACTION, INC.
OCALA FOOTACTION, INC.
OCEAN COUNTY MALL FOOTACTION, INC.
OGLETHORPE FOOTACTION, INC.
OLD HICKORY MALL FOOTACTION, INC.
ORANGE PARK (FLA.) FOOTACTION, INC.
OXFORD VALLEY MALL FOOTACTION, INC.
PADRE FOOTACTION, INC.
PALM BEACH FOOTACTION, INC.
PARKCHESTER FOOTACTION, INC.
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PASADENA TOWNE SQUARE FOOTACTION, INC.
PATERSON MAIN FOOTACTION, INC.
PEARLRIDGE FOOTACTION, INC.
PECANLAND MALL FOOTACTION, INC.
PEMBROKE LAKES FOOTACTION, INC.
PERMIAN MALL FOOTACTION, INC.
PICO RIVERA FOOTACTION, INC.
PINE BLUFF FOOTACTION, INC.
PLAZA DEL CARIBE FOOTACTION, INC.
POST OAK MALL FOOTACTION, INC.
PRIEN LAKE FOOTACTION, INC.
PRINCE GEORGE'S FOOTACTION, INC.
PROVIDENCE COUNTY FAN CLUB, INC.
PUENTE HILLS FOOTACTION, INC.
QUAKER BRIDGE OPEN COUNTRY, INC.
RACEWAY FAN CLUB, INC.
RANDALL PARK FOOTACTION, INC.
REDONDO BEACH FOOTACTION, INC.
REGENCY SQUARE FOOTACTION, INC.
RICHLAND MALL FOOTACTION, INC.
RIO-WEST MALL FOOTACTION, INC.
RIVER CENTER FOOTACTION, INC.
RIVER RIDGE MALL FOOTACTION, INC.
RIVERCHASE FOOTACTION, INC.
RIVERGATE MALL FOOTACTION, INC.
ROCK HILL MALL FOOTACTION, INC.
ROLLING ACRES OPEN COUNTRY, INC.
ROOSEVELT FIELD OPEN COUNTRY, INC.
ROOSEVELT MALL (PA) FOOTACTION, INC.
SAN CADOS FOOTACTION, INC.
SAN JACINTO FOOTACTION, INC.
SAN LEANDRO FOOTACTION, INC.

SANTA ANITA FAN CLUB, INC.
SAWGRASS FAN CLUB, INC.
SECURITY SQUARE MALL FOOTACTION, INC.
SEMINARY SOUTH FOOTACTION, INC.
SERRAMONTE FOOTACTION, INC.
SHANNON FOOTACTION, INC.
SHARPSTOWN CENTER FOOTACTION, INC.
SIGNAL HILL MALL FOOTACTION, INC.
SOLANO FOOTACTION, INC.
SOUTH PARK MALL FOOTACTION, INC.
SOUTH PLAINS FOOTACTION, INC.
SOUTH SHORE FOOTACTION, INC.
SOUTHERN PARK FOOTACTION, INC.
SOUTHLAKE MALL FOOTACTION, INC.
SOUTHLAND TERRACE FOOTACTION, INC.
SOUTHLAND-HAYWARD FOOTACTION, INC.
SOUTHRIDGE FOOTACTION, INC.
SOUTHWEST CENTER FOOTACTION, INC.
SPRINGFIELD MALL FOOTACTION, INC.
SQUARE ONE FOOTACTION, INC.
ST. CLAIR FOOTACTION, INC.
ST. LOUIS CENTER FOOTACTION, INC.
STATEN ISLAND FAN CLUB, INC.
STEAMTOWN FOOTACTION, INC.
STONY BROOK FOOTACTION, INC.
SUMMIT PLACE FAN CLUB, INC.
SUNRISE FOOTACTION, INC.
TACOMA MALL FOOTACTION, INC.
TANGLEWOOD MALL R#14 FOOTACTION, INC.
TAYLOR TOWNSHIP FOOTACTION, INC
TEMPLE FOOTACTION, INC.
THE LANDINGS FOOTACTION, INC.
THE MEADOWS FAN CLUB, INC.
THE PARKS FOOTACTION, INC.
THE PLAZA FOOTACTION, INC.
THE VILLAGE FOOTACTION, INC.
TOWER CENTER FOOTACTION, INC.
TOWN EAST FOOTACTION, INC.
TREASURE COAST MALL FOOTACTION, INC.
TRI-COUNTY FOOTACTION, INC.
TROY FOOTACTION, INC.
TRUMBULL PARK FAN CLUB, INC.
TUCSON MALL FOOTACTION, INC.
TUKWILA OPEN COUNTRY, INC.
TULSA PROMENADE FOOTACTION, INC.

TWIN RIVERS MALL FOOTACTION, INC.
TYLER MALL FAN CLUB, INC.
TYRONE SQUARE FOOTACTION, INC.
UNIVERSITY FOOTACTION, INC.
UPPER DARBY FOOTACTION, INC.
VALLEY HILLS FOOTACTION, INC.
VALLEY VIEW SHOPPING CTR. FOOTACTION, INC.
VILLAGE MALL FOOTACTION, INC.
VINTAGE FAIRE FOOTACTION, INC.
VIRGINIA CENTER COMMONS FOOTACTION, INC.
W. MIFFLIN FOOTACTION, INC.
WARNER ROBINS GALLERIA FOOTACTION, INC.
WASHINGTON SQUARE FOOTACTION, INC.
WASHINGTON STREET FAN CLUB, INC.
WEST END MALL FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST TOWNE FOOTACTION, INC.
WESTERN HILLS FOOTACTION, INC.
WESTFARMS OPEN COUNTRY, INC.
WESTGATE FAN CLUB, INC.
WESTGATE FOOTACTION, INC.
WESTGATE MALL FOOTACTION, INC.
WESTLAND-HAILEAH FAN CLUB, INC.
WHITE MARSH OPEN COUNTRY, INC.
WHITE PLAINS GALLERIA FOOTACTION, INC.
WILLOWBROOK MALL FOOTACTION, INC.
WIREGRASS COMMONS FOOTACTION, INC.
WOODLAND HILLS FOOTACTION, INC.
WRIGLEY MARKETPLACE FOOTACTION, INC.

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Authorized Signatory

EXHIBIT 10.6
Execution Copy

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This FIRST AMENDMENT (this "Amendment"), dated as of April 28, 2004 to that certain ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of Apri1 13, 2004, by and among Footstar, Inc., a Delaware corporation ("Parent"), its Subsidiaries set forth on the signature page hereto (each an "Athletic Company," collectively, " Athletic Companies" and Athletic Companies together with Parent, "Sellers"), FL Specialty Operations LLC, a New York limited liability company, FL Retail Operations LLC, a New York limited liability company, Foot Locker Stores, Inc., a Delaware corporation, and Foot Locker Retail, Inc., a New York corporation (collectively, "Purchaser"), and Foot Locker, Inc., a New York corporation ("Foot Locker"), solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10 of the Agreement.

WITNESSETH:

WHEREAS, the parties hereto wish to amend the terms of the Agreement as set forth herein;

WHEREAS, at a hearing before the Bankruptcy Court on April 21, 2004, the Bankruptcy Court approved the Agreement, including certain of the modifications contained herein;

WHEREAS, on April 26, 2004, the Bankruptcy Court entered (i) an order (the "Sale Order") authorizing and approving, among other things, Sellers' entry into the Agreement and the sale of the Purchased Assets free and clear of Adverse Interests (as defined in the Sale Order), and (ii) an order (the "Assumption and Assignment Order") authorizing and approving, among other things, the assumptions by Sellers and the assignment to Purchaser of the Assumed Contracts and Lease (as defined in the Assumption and Assignment Order); and

WHEREAS, all capitalized terms not otherwise defined herein shall have such meaning as ascribed to them in the Agreement;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto hereby agree as follows:

1. Amendment to Schedule 3.1. Schedule 3.1 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"The aggregate consideration for the Purchased Assets shall be (a) an amount in cash equal to Two Hundred Twenty Five Million Dollars ($225,000,000) (the "Purchase Price"), subject to adjustment as provided in Sections 3.4, 3.5 and 3.6 and (b) the assumption of the Assumed Liabilities."

2. Amendment to Section 3.3. Section 3.3 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in pace thereof:

"3.3 Payment of Purchase Price. On the Closing Date, Purchaser shall pay to Sellers, by wire transfer of immediately available funds into an account designated by Parent, the Purchase Price (less the Escrowed Funds), as adjusted in accordance with Sections 3.4 and 3.6."

3. Amendment to Schedule 3.4(c). Schedule 3.4(c) to the Agreement is hereby amended by adding the following new sentence immediately prior to the first sentence of Section 3.4(c):

Pursuant to the Assumption and Assignment Order, the Radius Restrictions with respect to certain of the Real Property Leases set forth on Schedule 3.4(c) have been waived, and provided such waiver remains in full force and effect, no Radius Adjustment Amount with respect to such Real Property Leases will be due or placed into the Real Property Escrow at Closing.

4. New Section 3.6. Article III of the Agreement is hereby amended by adding the following new Section 3.6 after 3.5:

"3.6 Real Property Prorations.

(a) Sellers agree to pay all rent (including additional rent) due on the Real Property Leases on a timely basis to the lessors thereunder. All such rent paid by any Seller for the month that the Closing occurs with respect to the Real Property Leases shall be apportioned between Sellers and Purchaser as of the Effective Time, and Purchaser shall pay to Sellers its portion of such rent at the Closing in addition to the Purchase Price.

(b) At the Closing, the Purchase Price shall be reduced by $575,000, which amount shall be Sellers' entire Liability with respect to any and all year-end reconciliations in connection with the Real Property Leases for the calendar year 2004 (and, with respect to percentage rent, the applicable fiscal year for the period in which the Closing occurs), including, without limitation, amounts attributable to common area maintenance, trash removal, real estate Taxes and fiscal year percentage rent payments ("Year-End Adjustments"), and Sellers shall have no further Liability with respect thereto. To the extent there is any overlap between the Taxes covered under this Section 3.6(b) and Section 12.2, this Section 3.6(b) shall control and Sellers shall have no further Liability with respect to such Taxes for the calendar year 2004 which are Year- End Adjustments."

5. Amendment to Section 4.4(a). Section 4.4(a) of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"(a) by Purchaser or Sellers, if the Closing shall not have occurred by the close of business on July 3, 2004 (the "Termination Date"); provided, however, that, if the Closing shall not have occurred due to the failure of the Bankruptcy Court to enter the Sale Order and if all other conditions to the respective obligations of the Parties to close hereunder that are capable of being fulfilled by the Termination Date shall have been so fulfilled or waived, then no Party may terminate this Agreement prior to July 15,

2004; provided, further, that if the Closing shall not have occurred on or before the Termination Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by Purchaser or Sellers, then the breaching party may not terminate this Agreement pursuant to this Section 4.4(a);"

6. Amendment to Section 7.2. Section 7.2 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"This Agreement is subject to approval by the Bankruptcy Court and, if required by the Bankruptcy Court, the consideration by the Sellers of higher or better competing bids (each a "Competing Bid"); provided, however, that any Seller may enter into any agreement for the sale, lease, transfer or disposition of any of the Purchased Assets or any portion of the Business whose consummation is contingent upon the termination of this Agreement and any such transaction shall not be deemed a Competing Bid (a "Contingent Transaction"), but in no event will acceptance by Sellers of any Contingent Transaction relieve Sellers of their obligation to consummate the transactions contemplated hereunder. Except as may be required by the Bankruptcy Court or with respect to a Contingent Transaction, from the date hereof and until the transaction contemplated by the Agreement is consummated, Sellers shall not, and shall cause their representatives and Affiliates not to, initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person (other than Purchaser and its Affiliates, agents and representatives) in connection with any sale or other disposition of the Purchased Assets. Sellers shall be permitted and have the responsibility and obligation to respond to any inquiries or offers to purchase all or any part of the Purchased Assets and perform any and all other acts related thereto which are required under the Bankruptcy Code or other applicable law, including, without limitation, supplying information relating to the Business and the assets of Sellers to prospective purchasers. Sellers shall promptly notify Purchaser of the existence of any Competing Bid or Contingent Transaction received by Sellers after the date hereof and Sellers shall communicate to Purchaser the material terms of any such Competing Bid or Contingent Transaction but not the identity of the party making such Competing Bid or Contingent Transaction."

7. Miscellaneous. The provisions of Article XIII ("Miscellaneous") of the Agreement shall apply to this Amendment as if such provisions were set out herein in full and as if each reference therein to "this Agreement" included a reference to this Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this First Amendment to the Agreement as of the date first written above.

PURCHASERS:

FL SPECIALTY OPERATIONS LLC

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FL RETAIL OPERATIONS LLC

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER STORES, INC.

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER RETAIL, INC.

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

FOOT LOCKER, INC. (solely for purposes of Sections 6.6, 6 8, 6.9, and 13.10 of the Agreement)

By: /s/ BRUCE L. HARTMAN

Name: Bruce L. Hartman
Title: Executive Vice President

SELLERS:

FOOTSTAR, INC.

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Executive Vice President

FOOTSTAR CORPORATION

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Executive Vice President

Signature Page to First Amendment

1162 VALLA LINDA MALL FOOTACTION, INC.
125TH FOOTACTION, INC.
164 NORTH STAR MALL FOOTACTION, INC.
305 NORTHLINE MALL FOOTACTION, INC.
34TH STREET FOOTACTION, INC.
63RD & WESTERN FOOTACTION, INC.
83 CENTRAL MALL FOOTACTION, INC.
87TH AND COTTAGE GROVE FOOTACTION, INC.
ALA MOANA FOOTACTION, INC.
ALBANY MALL FOOTACTION, INC.
ALEXANDRIA MALL FOOTACTION, INC.
ALMEDA FOOTACTION, INC.
ANDERSON FOOTACTION, INC.
ANIMAS MALL FOOTACTION, INC.
ANNAPOLIS MALL FOOTACTION, INC.
APACHE-MINNESOTA THOM MCAN, INC.
ARSENAL FOOTACTION, INC.
ATHLETIC CENTER, INC.
AUGUSTA MALL FOOTACTION, INC.
AURORA FOOTACTION, INC.
AVENTURA FAN CLUB, INC.
BAKERSFIELD FOOTACTION, INC.
BALDWIN HILLS FOOTACTION, INC.
BATON ROUGE FOOTACTION, INC.
BAY PLAZA FOOTACTION, INC
BEL AIR MALL FOOTACTION, INC.
BEL-AIR CENTER FOOTACTION, INC.
BERGEN FOOTACTION, INC.
BERKLEY MALL FOOTACTION, INC.
BONITA FAN CLUB, INC.
BONITA LAKES FOOTACTION, INC.
BOSSIER MALL FOOTACTION, INC.
BOULEVARD MALL FAN CLUB, INC.
BOULEVARD MALL FOOTACTION, INC.
BOYNTON BEACH FOOTACTION, INC.
BRAINTREE FOOTACTION, INC.
BRAZOS MALL FOOTACTION, INC.
BRICKY ARD MALL FOOTACTION, INC.
BROAD STREET FOOTACTION, INC.
BROWARD MALL FOOTACTION, INC.
BRUNSWICK SQUARE FOOTACTION, INC.
BURLINGTON CENTER (NJ) FOOTACTION, INC.
CAMBRIDGE GALLERIA FAN CLUB, INC.
CANAL AND BOURBON ST. FOOTACTION, INC.
CANTERBURY SQUAREFOOTACTION, INC.
CAPITAL CENTRE FOOTACTION, INC.

CARLSBAD FAN CLUB, INC.
CAROLINA EAST FOOTACTION, INC.
CAROUSAL CENTER FOOTACTION, INC.
CARSON MALL FAN CLUB, INC.
CARY FOOTACTION, INC.
CENTURY FOOTACTION, INC.
CHARLESTON FOOTACTION, INC.
CHARLOTESVILLE FASHION SQ. FOOTACTION, INC.
CHATHAM RIDGE FOOTACTION, INC.
CHERRY HILL FOOTACTION, INC.
CHRISTIANA FOOTACTION, INC.
CHULA VISTA FAN CLUB, INC.
CIELO VISTA MALL FOOTACTION, INC.
CITADEL MALL FOOTACTION, INC.
CITY PLACE LONG BEACH FOOTACTION, INC.
CITY PLACE SILVER SPRINGS FOOTACTION, INC.
CODDINGTOWN FOOTACTION, INC.
COLISEUM-HAMPTON FOOTACTION, INC.
COLONIAL HEIGHTS FOOTACTION, INC.
COLUMBIA CENTER FOOTACTION, INC.
COLUMBIA FOOTACTION, INC.
COLUMBIA MALL FOOTACTION, INC.
COLUMBUS FAN CLUB, INC.
CORAL SQUARE FOOT ACTION, INC.
CORTANA FOOTACTION, INC.
COVINA (CAL.) FOOTACTION, INC.
CRABTREE VALLEY FOOTACTION, INC.
CROSS COUNTY (N.Y.) FAN CLUB, INC.
CROSS CREEK MALL FOOTACTION, INC.
CROSSROADS CENTER FOOTACTION, INC.
CROSSROADS FOOTACTION, INC.
CT POST FAN CLUB, INC.
CUMBERLAND FOOTACTION, INC.
CUMBERLAND MALL FOOTACTION, INC.
CUTLER RIDGE MALL FOOTACTION, INC.
DARTMOUTH FAN CLUB, INC.
DEDHAM MALL FAN CLUB, INC.
DEERBROOK MALL FOOTACTION, INC.
DEL AMO FAN CLUB, INC.
DEPTFORD FOOTACTION, INC.
DEPTFORD OPEN COUNTRY, INC.
DESOTO SQUARE MALL FOOTACTION, INC.
DOLPHIN MALL FOOTACTION, INC.
DOVER MALL FOOTACTION, INC.
EAGLE ROCK PLAZA FOOTACTION, INC.
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MALL ST. VINCENT FOOTACTION, INC.
MANASSAS FOOTACTION
MARKET CENTER FOOTACTION, INC.
MARKETPLACE AT HOLLYWOOD FOOTACTION, INC.
MCCREELESS MALL FOOTACTION, INC.
MD., WHEATON FOOTACTION, INC.
MEDIA CITY FAN CLUB, INC.
MELBOURNE SQUARE FAN CLUB, INC.
MENLO PARK FAN CLUB, INC.
MENLO PARK THOM MCAN, INC.
MERCED MALL FOOTACTION, INC.
MERRIT ISLAND FOOTACTION. INC.
MESILLA VALLEY MALL FOOTACTION, INC.
METRO NORTH FOOT ACTION, INC.
METROCENTER MALL FOOTACTION, INC.
MIAMI FLAGLER FOOTACTION, INC.
MIAMI INTERNATIONAL FAN CLUB, INC.
MIDLAND PARK FOOTACTION, INC.
MILITARY CIRCLE FOOTACTION, INC.
MONDA WMIN FOOTACTION, INC.
MONTEBELLO FAN CLUB, INC.
MONTGOMERY MALL FOOTACTION, INC.
MT. BERRY SQUAREFOOTACTION, INC,
NEWBURGH MALL FOOTACTION, INC.
NEWPORT CENTER FAN CLUB, INC.
NEWPORT CITY THOM MCAN, INC
NORTH EAST FOOTACTION, INC.
NORTH MILWAUKEE AVENUE FOOTACTION, INC.
NORTH RIVERSIDE FAN CLUB, INC.
NORTH SHORE FOOTACTION, INC.
NORTHGATE -DURHAM FOOTACTION, INC.
NORTHGATE -SEATTLE OPEN COUNTRY, INC.
NORTHGATE FOOTACTION, INC.
NORTHLAND CENTER FOOTACTION, INC.
NORTHWEST FOOTACTION, INC.
NORTHWEST MALL FOOTACTION, INC.
NORTHWOODS MALL FOOTACTION, INC.
OAK HOLLOW FOOTACTION, INC.
OAK PARK FOOTACTION, INC.
OAKWOOD FOOTACTION, INC.
OCALA FOOTACTION, INC.
OCEAN COUNTY MALL FOOTACTION, INC.

OGLETHORPE FOOTACTION, INC.
OLD HICKORY MALL FOOTACTION, INC.
ORANGE PARK (FLA.) FOOTACTION, INC.
OXFORD VALLEY MALL FOOTACTION, INC.
PADRE FOOTACTION, INC.
PALM BEACH FOOTACTION, INC.
PARKCHESTER FOOTACTION, INC.
PARKDALE MALL FOOTACTION, INC.
PASADENA TOWNE SQUARE FOOTACTION, INC.
PATERSON MAIN FOOTACTION, INC.
PEARLRIDGE FOOTACTION, INC.
PECANLAND MALL FOOTACTION, INC.
PEMBROKE LAKES FOOTACTION, INC.
PERMIAN MALL FOOTACTION, INC.
PICO RIVERA FOOTACTION. INC.
PINE BLUFF FOOTACTION, INC.
PLAZA DEL CARIBE FOOTACTION, INC.
POST OAK MALL FOOTACTION, INC.
PRIEN LAKE FOOTACTION, INC.
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REDONDO BEACH FOOTACTION, INC.
REGENCY SQUARE FOOTACTION, INC.
RICHLAND MALL FOOTACTION, INC.
RIO-WEST MALL FOOTACTION, INC.
RIVER CENTER FOOTACTION, INC.
RIVER RIDGE MALL FOOTACTION, INC.
RIVERCHASE FOOTACTION, INC.
RIVERGATE MALL FOOTACTION, INC.
ROCK HILL MALL FOOTACTION, INC.
ROLLING ACRES OPEN COUNTRY, INC.
ROOSEVELT FIELD OPEN COUNTRY INC.
ROOSEVELT MALL (PA) FOOTACTION, INC.
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SOUTHERN PARK FOOTACTION, INC.
SOUTHLAKE MALL FOOTACTION, INC.
SOUTHLAND TERRACE FOOTACTION, INC.
SOUTHLAND-HAYWARD FOOTACTION, INC.
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STONY BROOK FOOTACTION, INC.
SUMMIT PLACE FAN CLUB, INC.
SUNRISE FOOTACTION, INC.
TACOMA MALL FOOTACTION, INC.
TANGLEWOOD MALL R#14 FOOTACTION, INC.
TAYLOR TOWNSHIP FOOTACTION, INC
TEMPLE FOOTACTION, INC.
THE LANDINGS FOOTACTION, INC.
THE MEADOWS FAN CLUB, INC.
THE PARKS FOOTACTION, INC.
THE PLAZA FOOTACTION, INC.
THE VILLAGE FOOTACTION, INC.
TOWER CENTER FOOTACTION, INC.
TOWN EAST FOOTACTION, INC.
TREASURE COAST MALL FOOTACTION, INC.
TRI-COUNTY FOOTACTION, INC.
TROY FOOTACTION, INC.
TRUMBULL PARK FAN CLUB, INC.
TUCSON MALL FOOTACTION, INC.
TUKWILA OPEN COUNTRY, INC.
TULSA PROMENADE FOOTACTION, INC.
TWIN RIVERS MALL FOOTACTION, INC.
TYLER MALL FAN CLUB, INC.
TYRONE SQUARE FOOTACTION, INC.
UNIVERSITY FOOTACTION, INC.
UPPER DARBY FOOTACTION, INC.
VALLEY HILLS FOOTACTION, INC.
VALLEY VIEW SHOPPING CTR. FOOTACTION, INC.

VILLAGE MALL FOOTACTION, INC.
VINTAGE FAIRE FOOTACTION, INC.
VIRGINIA CENTER COMMONS FOOTACTION, INC.
W. MIFFLIN FOOTACTION, INC.
WARNER ROBINS GALLERIA FOOTACTION, INC.
WASHINGTON SQUARE FOOTACTION, INC.
WASHINGTON STREET FAN CLUB, INC.
WEST END MALL FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST TOWNE FOOTACTION, INC.
WESTERN HILLS FOOTACTION, INC.
WESTFARMS OPEN COUNTRY, INC.
WESTGATE FAN CLUB, INC.
WESTGATE FOOTACTION, INC.
WESTGATE MALL FOOTACTION, INC.
WESTLAND-HAILEAH FAN CLUB, INC.
WHITE MARSH OPEN COUNTRY, INC.
WHITE PLAINS GALLERIA FOOTACTION, INC.
WILLOWBROOK MALL FOOTACTION, INC.
WIREGRASS COMMONS FOOTACTION, INC.
WOODLAND HILLS FOOT ACTION, INC.
WRIGLEY MARKETPLACE FOOTACTION, INC.

By: /s/ STEVE WILSON

Name: Steve Wilson
Title: Authorized Signatory

EXHIBIT 10.7
Execution Copy

SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT

This SECOND AMENDMENT (this "Amendment"), dated as of May 7, 2004 to that certain ASSET PURCHASE AGREEMENT (as amended, the "Agreement"), dated as of Apri113, 2004, by and among Footstar, Inc., a Delaware corporation ("Parent"), its Subsidiaries set forth on the signature page hereto (each an "Athletic Company," collectively, " Athletic Companies" and Athletic Companies together with Parent, "Sellers"), FL Specialty Operations LLC, a New York limited liability company, FL Retail Operations LLC, a New York limited liability company, Foot Locker Stores, Inc., a Delaware corporation, and Foot Locker Retail, Inc., a New York corporation (collectively, "Purchaser"), and Foot Locker, Inc., a New York corporation ("Foot Locker"), solely for purposes of Sections 6.6, 6.8, 6.9, and 13.10 of the Agreement.

WITNESSETH:

WHEREAS, the parties hereto wish to amend the terms of the Agreement and certain of the Schedules thereto, as set forth herein; and

WHEREAS, all capitalized terms not otherwise defined herein shall have such meaning as ascribed to them in the Agreement;"

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto hereby agree as follows:

1. Amendment to Schedule 1.1 (b). Schedule 1.1 (b) to the Agreement is hereby amended to remove the Private Label Credit Card Program Agreement from such Schedule of Purchased Contracts.

2. Amendment to Section 2.5. The second sentence of Section 2.5 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"The undisputed cure amounts, if any, necessary to cure all defaults, if any, and to pay all actual or pecuniary losses that have resulted from such defaults under the Purchased Contracts and Real Property Leases, shall be paid by Sellers, within five (5) Business Days after the Closing Date and the disputed cure amounts shall be deposited in the Cure Reserve (as defined in the Assumption and Assignment Order) at or prior to the Closing."

3. Amendment to Schedule 3.4(b). Schedule 3.4(b) to the Agreement is hereby amended in its entirety to read as set forth on attached Schedule 3.4(b).

4. Amendment to Schedule 3.4(c). The formula set forth on Schedule 3.4(c) to the Agreement is hereby amended to reflect that the average of the EBITDA for 2002 and for 2003 for such locations set forth on Schedule 3.4(c) (as set forth in the due diligence material provided by Seller to Purchaser) shall be multiplied by 3.5.

5. Amendment to Schedule 3.5(a). Schedule 3.5(a) to the Agreement is hereby amended to reflect that (i) the inventory in Seller' distribution center located in Gaffney, South Carolina will be included in the Inventory Count, provided that any such athletic Business inventory not used specifically in the Footaction.com business shall be valued at 50% of cost and (ii) the Inventory from the Excluded Stores (as defined below) shall be included as part of the Inventory Count valued at 75% of cost. Such count with respect to the Excluded Stores shall be determined with the results of the Inventory Count. If an Inventory Count with respect to the Excluded Stores was not conducted prior to the Closing Date, then such amounts will be determined by using Sellers' April month-end inventory for the Excluded Stores reduced by the average percentage of shrinkage determined by the Inventory Service for all other stores subject to the Real Property Leases other than the Excluded Stores.

6. New Sections 3.6(c) and (d). Section 3.6 of the Agreement is hereby amended by adding the following new Sections 3.6(c) and (d) after Section 3.6(b):

"(c) As of the Closing, the Purchase Price shall be reduced by the difference of (i) the aggregate amount of gross sales in the stores subject to the Real Property Leases (other than the Excluded Stores (as defined below)) for the period of the Effective Time through the close of business on the day immediately prior to the Closing Date (the "Pre-Closing Date Period") and (ii) the payroll Employees and utilities for the stores subject to the Real Property Leases (other than the Excluded Stores) during the Pre-Closing Date Period (such reduction, the "Store Proceeds Adjustment"). The Store Proceeds Adjustment shall be made as of the Closing based on the best available data for such stores. The Store Proceeds Adjustment shall be verified as soon as practicable after the Closing and payment shall be made promptly from Sellers to Purchaser or Purchaser to Sellers, as the case may be, to reflect the difference between the actual amount of the Store Proceeds Adjustment and the estimate of the Store Proceeds Adjustment used as of the Closing.

(d) At Closing, Purchaser shall pay Sellers $69,800 in consideration of Sellers' leaving $200 in the petty cash of each of the stores subject to the Real Property Leases other than the Excluded Stores."

7 .Amendment to Section 4.1. The last sentence of Section 4.1 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"The Closing shall be deemed to have occurred at 12:01 a.m. on the Sunday prior to the Closing Date (the "Effective Time")."

8. Amendment to Section 8.2(b)(ii). Section 8.2(b)(ii) of the Agreement is hereby deleted in its entirety and the following is hereby substituted in place thereof:

"(ii) sell, lease, transfer, mortgage, encumber, alienate or dispose of any Purchased Assets except for sales of Inventory, Permitted Exceptions, and normally scheduled store closings, provided that Sellers shall be permitted to close, at any time, and transfer the Inventory located at the following stores to any of the other stores subject

to the Real Property Leases: (A) Footaction store # 279 located at 1001 Rainbow Drive, Space 7, Gadsden, Alabama 35901; (B) Footaction store # 454 located at 777 Merritt East Island Causeway #225, Merritt Island, Florida 32952; (C) Footaction store # 660 located at 711 South Center, Space C-1, Tukwila, Washington 98188; and (D) Footaction store # 856 located at 1500 Harvey Road, College Station, Texas 77840 (collectively, the "Excluded Stores"), and the Purchase Price shall be reduced at Closing by the relevant Adjustment Amounts set forth on Schedule 3.4(b) with respect to such stores;"

9. Miscellaneous. The provisions of Article XIII ("Miscellaneous") of the Agreement shall apply to this Amendment as if such provisions were set out herein in full and as if each reference therein to "this Agreement" included a reference to this Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Second Amendment to the Agreement as of the date first written above.

PURCHASERS:

FL SPECIALTY OPERATIONS LLC

By: /s/ ROBERT W. MCHUGH

Name: Robert W. McHugh
Title: Vice President

FL RETAIL OPERATIONS LLC

By: /s/ ROBERT W. MCHUGH

Name: Robert W. McHugh
Title: Vice President

FOOT LOCKER STORES, INC.

By: /s/ ROBERT W. MCHUGH

Name: Robert W. McHugh
Title: Vice President

FOOT LOCKER RETAIL, INC.

By: /s/ ROBERT W. MCHUGH

Name: Robert W. McHugh
Title: Vice President

FOOT LOCKER, INC. (solely for purposes of Sections 6.6, 6 8, 6.9, and 13.10 of the Agreement)

By: /s/ ROBERT W. MCHUGH

Name: Robert W. McHugh
Title: Vice President

SELLERS:

FOOTSTAR, INC.

By: /s/ MAUREEN RICHARDS

Name: Maureen Richards
Title: Title: Senior Vice President, General Counsel and Corporate Secretary

FOOTSTAR CORPORATION

By: /s/ MAUREEN RICHARDS

Name: Maureen Richards
Title: Senior Vice President, General Counsel and Corporate Secretary

1162 VALLA LINDA MALL FOOTACTION, INC.
125TH FOOTACTION, INC. .
164 NORTH STAR MALL FOOTACTION, INC.
305 NORTHLINE MALL FOOTACTION, INC.
34TH STREET FOOTACTION, INC.
63RD & WESTERN FOOTACTION, INC.
83 CENTRAL MALL FOOTACTION, INC.
87TH AND COTTAGE GROVE FOOTACTION, INC.
ALA MOANA FOOTACTION, INC.
ALBANY MALL FOOTACTION, INC.
ALEXANDRIA MALL FOOTACTION, INC.
ALMEDA FOOTACTION, INC.
ANDERSON FOOTACTION, INC.
ANIMAS MALL FOOTACTION, INC.
ANNAPOLIS MALL FOOTACTION, INC.
APACHE-MINNESOTA THOM MCAN, INC.
ARSENAL FOOTACTION, INC.
ATHLETIC CENTER, INC.
AUGUSTA MALL FOOTACTION, INC.
AURORA FOOTACTION, INC.
AVENTURA FAN CLUB, INC.
BAKERSFIELD FOOTACTION, INC.
BALDWIN HILLS FOOTACTION, INC.
BATON ROUGE FOOTACTION, INC.
BAY PLAZA FOOTACTION, INC
BEL AIR MALL FOOTACTION, INC.
BEL-AIR CENTER FOOTACTION, INC.
BERGEN FOOTACTION, INC.
BERKLEY MALL FOOTACTION, INC.
BONITA FAN CLUB, INC.
BONITA LAKES FOOTACTION, INC.
BOSSIER MALL FOOTACTION, INC.
BOULEVARD MALL FAN CLUB, INC.
BOULEVARD MALL FOOTACTION, INC.
BOYNTON BEACH FOOTACTION, INC.
BRAINTREE FOOTACTION, INC.
BRAZOS MALL FOOTACTION, INC.
BRICKY ARD MALL FOOTACTION, INC.
BROAD STREET FOOTACTION, INC.
BROWARD MALL FOOTACTION, INC.
BRUNSWICK SQUARE FOOTACTION, INC.
BURLINGTON CENTER (NJ) FOOTACTION, INC.
CAMBRIDGE GALLERIA FAN CLUB, INC.
CANAL AND BOURBON ST. FOOTACTION, INC.
CANTERBURY SQUAREFOOTACTION, INC.
CAPITAL CENTRE FOOTACTION, INC.

CARLSBAD FAN CLUB, INC.
CAROLINA EAST FOOTACTION, INC.
CAROUSAL CENTER FOOTACTION, INC.
CARSON MALL FAN CLUB, INC.
CARY FOOTACTION, INC.
CENTURY FOOTACTION, INC.
CHARLESTON FOOTACTION, INC.
CHARLOTESVILLE FASHION SQ. FOOTACTION, INC.
CHATHAM RIDGE FOOTACTION, INC.
CHERRY HILL FOOTACTION, INC.
CHRISTIANA FOOTACTION, INC.
CHULA VISTA FAN CLUB, INC.
CIELO VISTA MALL FOOTACTION, INC.
CITADEL MALL FOOTACTION, INC.
CITY PLACE LONG BEACH FOOTACTION, INC.
CITY PLACE SILVER SPRINGS FOOTACTION, INC.
CODDINGTOWN FOOTACTION, INC.
COLISEUM-HAMPTON FOOTACTION, INC.
COLONIAL HEIGHTS FOOTACTION, INC.
COLUMBIA CENTER FOOTACTION, INC.
COLUMBIA FOOTACTION, INC.
COLUMBIA MALL FOOTACTION, INC.
COLUMBUS FAN CLUB, INC.
CORAL SQUARE FOOTACTION, INC.
CORTANA FOOTACTION, INC.
COVINA (CAL.) FOOTACTION, INC.
CRABTREE VALLEY FOOTACTION, INC.
CROSS COUNTY (N.Y.) FAN CLUB, INC.
CROSS CREEK MALL FOOTACTION, INC.
CROSSROADS CENTER FOOTACTION, INC.
CROSSROADS FOOTACTION, INC.
CT POST FAN CLUB, INC.
CUMBERLAND FOOTACTION, INC.
CUMBERLAND MALL FOOTACTION, INC.
CUTLER RIDGE MALL FOOTACTION, INC.
DARTMOUTH FAN CLUB, INC.
DEDHAM MALL FAN CLUB, INC.
DEERBROOK MALL FOOTACTION, INC.
DEL AMO FAN CLUB, INC.
DEPTFORD FOOTACTION, INC.
DEPTFORD OPEN COUNTRY, INC.
DESOTO SQUARE MALL FOOTACTION, INC.
DOLPHIN MALL FOOTACTION, INC.
DOVER MALL FOOTACTION, INC.
EAGLE ROCK PLAZA FOOTACTION, INC.
EAST TOWNE MALL FOOTACTION, INC.

EASTFIELD OPEN COUNTRY, INC.
EASTLAND MALL FOOTACTION, INC.
EASTLAND-COLUMBUS FOOTACTION, INC.
EASTPOINT MALL FOOTACTION, INC.
EASTRIDGE FAN CLUB, INC.
EASTRIDGE MALL FOOTACTION, INC.
EATONTOWN OPEN COUNTRY, INC.
ELIZABETH FOOTACTION, INC.
EMERALD SQUARE FOOTACTION, INC.
FA HQ, INC.
FAIR OAKS FOOTACTION, INC.
FAIRFIELD COMMONS FAN CLUB, INC.
FAIRGROUNDS SQ. FOOTACTION, INC.
FAIRLANE FOOTACTION, INC.
FAIRLANE MEADOWS FOOTACTION, INC.
FIESTA FOOTACTION, INC.
FIRST COLONY FOOTACTION, INC
FLORIDA MALL FOOTACTION, INC.
FLORIN CENTER FOOTACTION, INC.
FOOTACTION CENTER, INC
FOOTACTION GULFGATE MALL, INC
FORD CITY FOOTACTION, INC.
FOREST HILLS FOOTACTION, INC.
FOREST VILLAGE PARK FOOTACTION, INC.
FOUR SEASONS FOOTACTION, INC.
FOX HILLS (CAL.) FAN CLUB, INC.
FREEDOM MALL FOOTACTION, INC.
FRESNO FAN CLUB, INC.
FULTON FOOTATION, INC.
GADSDEN MALL FOOTACTION, INC.
GENTILLY WOODS FOOTACTION, INC.
GETTY SQUARE FOOTACTION, INC.
GLENDALE CENTER FOOTACTION, INC.
GLENDALE GALLERIA FOOTACTION, INC.
GOLDEN EAST CROSSING FOOTATION, INC.
GRAND AVENUE FOOTACTION, INC.
GRANGER FOOTACTION, INC.
GRANITE RUN FAN CLUB, INC.
GREECE TOWN MALL FAN CLUB, INC.
GREEN ACRES OPEN COUNTRY, INC.
GREENBRIAR MALL FOOTACTION, INC.
GREENSPOINT FOOTACTION, INC.
GURNEE MILLS FAN CLUB, INC.
HALLWOOD FOOTACTION, INC.
HAMILTON FAN CLUB, INC.
HAMILTON PLACE FOOTACTION, INC.

HAMTRAMCK FOOTACTION, INC.
HANES MALL FOOTACTION, INC.
HANFORD FAN CLUB, INC.
HARLEM-IRVING FOOTACTION, INC.
HARPER WOODS FOOTACTION, INC.
HARRISBURG EAST FOOTACTION, INC.
HATTISBURG FOOTACTION, INC.
HAYWOOD FOOTACTION, INC.
HICKORY HOLLOW MALL FOOTACTION, INC.
HICKORY RIDGE MALL FOOTACTION, INC.
HIGHLAND MALL FOOTACTION, INC.
HIGHLAND PARK FOOTACTION, INC.
HILLTOP FOOTACTION, INC.
HOMIGUERO FOOTACTION, INC
HUDSON MALL FOOTACTION, INC.
HULEN FOOTACTION, INC.
INDEPENDENCE CENTER FOOTACTION, INC.
INDEPENDENCE MALL FOOTACTION, INC.
INGRAM PARK FOOTACTION, INC.
IRVING FOOTACTION, INC.
IVERSON MALL FOOTACTION, INC.
JACKSONVILLE MALL FOOTACTION, INC.
JEFFERSON FOOTACTION, INC.

JESSAMINE FOOTACTION, INC.
KENNER FOOTACTION, INC.
KENWOOD FOOTACTION, INC.
KILLEEN MALL FOOTACTION, INC.
KINGS PLAZA FAN CLUB, INC.
LA PLAZA MALL FOOTACTION, INC.
LADERA CENTER FOOTACTION, INC.
LAKEFOREST FAN CLUB, INC.
LAKELAND SQUARE FOOTACTION, INC.
LAKEWOOD FAN CLUB, INC.
LAUREL CENTRE FOOTACTION, INC.
LAWNDALE PLAZA FOOTACTION, INC.
LINCOLN PARK FOOTACTION, INC.
LLOYD CENTER FAN CLUB, INC.
LONGVIEW FOOTACTION, INC.
LUFKIN FOOTACTION INC.
MACOMB MALL FOOTACTION, INC.
MACON MALL FOOTACTION, INC.
MADISON SQUARE MALL FOOTACTION, INC.
MAGNOLIA MALL FOOTACTION, INC.
MAINLAND MALL FOOTACTION, INC.
MALL @ BARNES CROSSING FOOTACTION, INC.
MALL AT 163RD ST. FOOTACTION, INC.

MALL DE AGUIlAS FOOTACTION, INC.
MALL OF ABILENE FOOTACTION, INC.
MALL OF AMERICA FAN CLUB, INC.
MALL OF AMERICAS FOOTACTION, INC.
MALL ST. VINCENT FOOTACTION, INC.
MANASSAS FOOTACTION
MARKET CENTER FOOTACTION, INC.
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TAYLOR TOWNSHIP FOOTACTION, INC
TEMPLE FOOTACTION, INC.
THE LANDINGS FOOTACTION, INC.
THE MEADOWS FAN CLUB, INC.
THE PARKS FOOTACTION, INC.
THE PLAZA FOOTACTION, INC.
THE VILLAGE FOOTACTION, INC.
TOWER CENTER FOOTACTION, INC.
TOWN EAST FOOTACTION, INC.
TREASURE COAST MALL FOOTACTION, INC.
TRI-COUNTY FOOTACTION, INC.
TROY FOOTACTION, INC.
TRUMBULL PARK FAN CLUB, INC.
TUCSON MALL FOOTACTION, INC.
TUKWILA OPEN COUNTRY, INC.
TULSA PROMENADE FOOTACTION, INC.
TWIN RIVERS MALL FOOTACTION, INC.
TYLER MALL FAN CLUB, INC.
TYRONE SQUARE FOOTACTION, INC.
UNIVERSITY FOOTACTION, INC.
UPPER DARBY FOOTACTION, INC.
VALLEY HILLS FOOTACTION, INC.
VALLEY VIEW SHOPPING CTR. FOOTACTION, INC.

VILLAGE MALL FOOTACTION, INC.
VINTAGE FAIRE FOOTACTION, INC.
VIRGINIA CENTER COMMONS FOOTACTION, INC.
W. MIFFLIN FOOTACTION, INC.
WARNER ROBINS GALLERIA FOOTACTION, INC.
WASHINGTON SQUARE FOOTACTION, INC.
WASHINGTON STREET FAN CLUB, INC.
WEST END MALL FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST OAKS FOOTACTION, INC.
WEST TOWNE FOOTACTION, INC.
WESTERN HILLS FOOTACTION, INC.
WESTFARMS OPEN COUNTRY, INC.
WESTGATE FAN CLUB, INC.
WESTGATE FOOTACTION, INC.
WESTGATE MALL FOOTACTION, INC.
WESTLAND-HAILEAH FAN CLUB, INC.
WHITE MARSH OPEN COUNTRY, INC.
WHITE PLAINS GALLERIA FOOTACTION, INC.
WILLOWBROOK MALL FOOTACTION, INC.
WIREGRASS COMMONS FOOTACTION, INC.
WOODLAND HILLS FOOT ACTION, INC.
WRIGLEY MARKETPLACE FOOTACTION, INC.

By: /s/ MAUREEN RICHARDS

Name: Maureen Richards
Title: Senior Vice President, General Counsel and Corporate Secretary

Signature Page to Second Amendment

FOOT LOCKER, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)
($ in millions)

	Twenty-six weeks ended		Fiscal Year Ended				
	July 31, 2004	Aug. 2, 2003	Jan. 31, 2004	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan. 29, 2000
NET EARNINGS							
Income from continuing operations	$ 92	$ 76	$ 209	$ 162	$ 111	$ 107	$ 59
Income tax expense	39	41	115	84	64	69	38
Interest expense, excluding capitalized interest	12	13	26	33	35	41	65
Portion of rents deemed representative of the interest factor (1/3)	90	83	179	165	158	155	170
	$ 233	$ 213	$ 529	$ 444	$ 368	$ 372	$ 332
FIXED CHARGES							
Gross interest expense	$ 12	$ 13	$ 26	$ 33	$ 35	$ 42	$ 67
Portion of rents deemed representative of the interest factor (1/3)	90	83	179	165	158	155	170
	$ 102	$ 96	$ 205	$ 198	$ 193	$ 197	$ 237
RATIO OF EARNINGS TO FIXED CHARGES	2.3	2.2	2.6	2.2	1.9	1.9	1.4

EXHIBIT 15

Accountants' Acknowledgment

Foot Locker, Inc.
New York, New York

Board of Directors:

Re: Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832, 333-07215, 333-21131, 333-62425, 333-33120, 333-41056, 333-41058, 333-74688, 333-99829 and 333-111222 on Form S-8 and Numbers 33-43334, 33-86300 and 333-64930 on Form S-3.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated August 19, 2004 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

New York, New York
September 8, 2004

EXHIBIT 31.1

CERTIFICATIONS

I, Matthew D. Serra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

September 8, 2004

/s/ MATTHEW D. SERRA

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Bruce L. Hartman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

September 8, 2004

/s/ BRUCE L. HARTMAN

Chief Financial Officer

FOOT LOCKER, INC.

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Foot Locker, Inc. (the "Registrant") for the quarterly period ended July 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew D. Serra, as Chief Executive Officer of the Registrant and Bruce L. Hartman as Chief Financial Officer of the Registrant, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: September 8, 2004

/s/ MATTHEW D. SERRA

Matthew D. Serra
Chief Executive Officer

/s/ BRUCE L. HARTMAN

Bruce L. Hartman
Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except to the extent that the Registrant specifically incorporates it by reference. A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Foot Locker, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Foot Locker, Inc. and subsidiaries as of July 31, 2004 and August 2, 2003, and the related condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income for the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003, and the condensed consolidated statements of cash flows for the twenty-six weeks ended July 31, 2004 and August 2, 2003. These condensed consolidated financial statements are the responsibility of Foot Locker, Inc.'s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the auditing standards generally accepted in the United States of America, the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of January 31, 2004, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York
August 19, 2004, except as to Note 16,
which is as of August 20, 2004.