

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

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

For the quarterly period ended: August 1, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-10299

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**FOOT LOCKER, INC.**

(Exact name of registrant as specified in its charter)

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**New York**

(State or other jurisdiction of incorporation or organization)

**13-3513936**

(I.R.S. Employer Identification No.)

**112 West 34<sup>th</sup> Street, New York, New York 10120**

(Address of principal executive offices, Zip Code)

**(212-720-3700)**

(Registrant's telephone number, including area code)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Common Stock outstanding as of August 28, 2015: 139,381,505

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

**FOOT LOCKER, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(\$ in millions, except shares)

	August 1, 2015	August 2, 2014	January 31, 2015
	(Unaudited)	(Unaudited)	*
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 970	\$ 957	\$ 967
Merchandise inventories	1,317	1,335	1,250
Other current assets	268	260	239
	<u>2,555</u>	<u>2,552</u>	<u>2,456</u>
<b>Property and equipment, net</b>	<b>644</b>	<b>604</b>	<b>620</b>
<b>Deferred taxes</b>	<b>222</b>	<b>247</b>	<b>221</b>
<b>Goodwill</b>	<b>156</b>	<b>162</b>	<b>157</b>
<b>Other intangible assets, net</b>	<b>46</b>	<b>61</b>	<b>49</b>
<b>Other assets</b>	<b>81</b>	<b>72</b>	<b>74</b>
	<u>\$ 3,704</u>	<u>\$ 3,698</u>	<u>\$ 3,577</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 359	\$ 392	\$ 301
Accrued and other liabilities	380	356	393
Current portion of capital lease obligations	2	3	2
	<u>741</u>	<u>751</u>	<u>696</u>
<b>Long-term debt and obligations under capital leases</b>	<b>130</b>	<b>134</b>	<b>132</b>
<b>Other liabilities</b>	<b>254</b>	<b>231</b>	<b>253</b>
<b>Total liabilities</b>	<b>1,125</b>	<b>1,116</b>	<b>1,081</b>
<b>Shareholders' equity</b>			
Common stock and paid-in capital: 172,536,861; 170,311,573 and 170,529,401 shares, respectively	1,060	961	979
Retained earnings	3,013	2,577	2,780
Accumulated other comprehensive loss	(338)	(182)	(319)
Less: Treasury stock at cost: 33,207,045; 26,640,176 and 29,665,213 shares, respectively	(1,156)	(774)	(944)
<b>Total shareholders' equity</b>	<b>2,579</b>	<b>2,582</b>	<b>2,496</b>
	<u>\$ 3,704</u>	<u>\$ 3,698</u>	<u>\$ 3,577</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

\* The balance sheet at January 31, 2015 has been derived from the previously reported audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Foot Locker, Inc.'s Annual Report on Form 10-K for the year ended January 31, 2015.

**FOOT LOCKER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(\$ in millions, except per share amounts)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
<b>Sales</b>	\$ 1,695	\$ 1,641	\$ 3,611	\$ 3,509
Cost of sales	1,142	1,116	2,388	2,338
Selling, general and administrative expenses	331	343	676	698
Depreciation and amortization	36	36	71	72
Impairment charge	—	2	—	3
Interest expense, net	1	1	2	2
Other income, net	—	(1)	(1)	(2)
	<u>1,510</u>	<u>1,497</u>	<u>3,136</u>	<u>3,111</u>
Income before income taxes	185	144	475	398
Income tax expense	66	52	172	144
<b>Net income</b>	<u>\$ 119</u>	<u>\$ 92</u>	<u>\$ 303</u>	<u>\$ 254</u>
Basic earnings per share:				
Net income	\$ 0.85	\$ 0.63	\$ 2.17	1.75
Weighted-average common shares outstanding	139.6	144.5	139.8	145.0
Diluted earnings per share:				
Net income	\$ 0.84	\$ 0.63	\$ 2.14	\$ 1.73
Weighted-average common shares assuming dilution	141.3	146.4	141.7	147.0

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	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
<b>Net income</b>	<b>\$ 119</b>	<b>\$ 92</b>	<b>\$ 303</b>	<b>\$ 254</b>
Other comprehensive income (loss), net of income tax				
<i>Foreign currency translation adjustment:</i>				
Translation adjustment arising during the period, net of income tax	(23)	(19)	(22)	—
<i>Cash flow hedges:</i>				
Change in fair value of derivatives, net of income tax	—	(1)	(1)	—
<i>Pension and postretirement adjustments:</i>				
Amortization of net actuarial gain/loss included in net periodic benefit costs, net of income tax expense of \$1, \$1, \$2, and \$2 million, respectively	3	2	4	4
<b>Comprehensive income</b>	<b>\$ 99</b>	<b>\$ 74</b>	<b>\$ 284</b>	<b>\$ 258</b>

See Accompanying Notes to Condensed Consolidated Financial Statements.

**FOOT LOCKER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(\$ in millions)

	Twenty-six weeks ended	
	August 1, 2015	August 2, 2014
<b>From Operating Activities:</b>		
Net income	\$ 303	\$ 254
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash impairment charge	—	3
Depreciation and amortization	71	72
Share-based compensation expense	11	12
Qualified pension plan contributions	—	(2)
Excess tax benefits on share-based compensation	(24)	(9)
Change in assets and liabilities:		
Merchandise inventories	(75)	(115)
Accounts payable	61	130
Accrued and other liabilities	(16)	4
Other, net	3	13
Net cash provided by operating activities	<u>334</u>	<u>362</u>
<b>From Investing Activities:</b>		
Capital expenditures	(116)	(93)
Sales and maturities of short-term investments	—	9
Net cash used in investing activities	<u>(116)</u>	<u>(84)</u>
<b>From Financing Activities:</b>		
Purchase of treasury shares	(205)	(136)
Dividends paid on common stock	(70)	(64)
Issuance of common stock	38	13
Treasury stock issued under employee stock purchase plan	5	5
Excess tax benefits on share-based compensation	24	9
Repayments of obligations under capital leases	(1)	(2)
Net cash used in financing activities	<u>(209)</u>	<u>(175)</u>
<b>Effect of exchange rate fluctuations on Cash and Cash Equivalents</b>	<u>(6)</u>	<u>(4)</u>
<b>Net change in Cash and Cash Equivalents</b>	<u>3</u>	<u>99</u>
<b>Cash and Cash Equivalents at beginning of year</b>	<u>967</u>	<u>858</u>
<b>Cash and Cash Equivalents at end of interim period</b>	<u>\$ 970</u>	<u>\$ 957</u>
<b>Cash paid during the period:</b>		
Interest	\$ 5	\$ 5
Income taxes	\$ 178	\$ 155

See Accompanying Notes to Condensed Consolidated Financial Statements.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, the condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 30, 2016 and of the fiscal year ended January 31, 2015. Certain items included in these statements are based on management's estimates. Actual results may differ from those estimates. The results of operations for any interim period are not necessarily indicative of the results expected for the year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in Foot Locker, Inc.'s (the "Company") Form 10-K for the year ended January 31, 2015, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 30, 2015.

*Recent Accounting Pronouncements*

Recently issued accounting pronouncements did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

**2. Segment Information**

The Company has determined that its reportable segments are those that are based on its method of internal reporting. The Company has two reportable segments, Athletic Stores and Direct-to-Customers. The Company evaluates performance based on several factors, of which the primary financial measure is division results. Division profit reflects income before income taxes, corporate expense, non-operating income, and net interest expense.

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
<b>Sales</b>				
Athletic Stores	\$ 1,503	\$ 1,468	\$ 3,184	\$ 3,125
Direct-to-Customers	192	173	427	384
Total sales	<u>\$ 1,695</u>	<u>\$ 1,641</u>	<u>\$ 3,611</u>	<u>\$ 3,509</u>
<b>Operating Results</b>				
Athletic Stores <sup>(1)</sup>	\$ 176	\$ 149	\$ 443	\$ 396
Direct-to-Customers <sup>(2)</sup>	27	14	67	42
Division profit	203	163	510	438
Less: Corporate expense, net	17	19	34	40
Operating profit	186	144	476	398
Other income <sup>(3)</sup>	—	1	1	2
Interest expense, net	1	1	2	2
Income before income taxes	<u>\$ 185</u>	<u>\$ 144</u>	<u>\$ 475</u>	<u>\$ 398</u>

(1) Included in the twenty-six weeks ended August 2, 2014 is a non-cash impairment charge of \$1 million to fully write down the remaining value of the tradename related to the Company's stores in the Republic of Ireland.

(2) Included in both the thirteen and twenty-six weeks ended August 2, 2014 is a \$2 million impairment charge related to the CCS tradename.

(3) Other income includes non-operating items, such as lease termination gains, royalty income, and the changes in fair value, premiums paid, and realized gains associated with foreign currency option contracts.

**3. Goodwill**

Annually during the first quarter, or more frequently if impairment indicators arise, the Company reviews goodwill and intangible assets with indefinite lives for impairment. The annual review of goodwill and intangible assets with indefinite lives performed during the first quarter of 2015 did not result in the recognition of impairment.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**3. Goodwill – (continued)**

The following table provides a summary of goodwill by reportable segment. The change in the balance represents foreign currency exchange fluctuations.

	August 1, 2015	August 2, 2014	January 31, 2015
	(\$ in millions)		
Athletic Stores	\$ 17	\$ 20	\$ 17
Direct-to-Customers	139	142	140
	<u>\$ 156</u>	<u>\$ 162</u>	<u>\$ 157</u>

**4. Other Intangible Assets, net**

The components of finite-lived intangible assets and intangible assets not subject to amortization are as follows:

(\$ in millions)	August 1, 2015			August 2, 2014			January 31, 2015		
	Gross value	Accum. amort.	Net Value	Gross value	Accum. amort.	Net Value	Gross value	Accum. amort.	Net Value
Amortized intangible assets: <sup>(1)</sup> , <sup>(2)</sup>									
Lease acquisition costs	\$ 121	\$ (111)	\$ 10	\$ 152	\$ (136)	\$ 16	\$ 128	\$ (116)	\$ 12
Trademarks	21	(12)	9	21	(11)	10	21	(12)	9
Favorable leases	7	(4)	3	8	(4)	4	7	(4)	3
	<u>\$ 149</u>	<u>\$ (127)</u>	<u>\$ 22</u>	<u>\$ 181</u>	<u>\$ (151)</u>	<u>\$ 30</u>	<u>\$ 156</u>	<u>\$ (132)</u>	<u>\$ 24</u>
Indefinite life intangible assets: <sup>(1)</sup>									
Runners Point Group trademarks			24			30			25
Other trademarks			—			1			—
			<u>\$ 24</u>			<u>\$ 31</u>			<u>\$ 25</u>
Other intangible assets, net			<u>\$ 46</u>			<u>\$ 61</u>			<u>\$ 49</u>

(1) The change in the ending balances reflects the effect of foreign currency fluctuations due primarily to the movements of the euro in relation to the U.S. dollar.

(2) During 2014, the Company exited the CCS e-commerce business; as such, the fully amortized customer relationship intangible of \$21 million was removed from the amounts presented above for all periods presented.

For the twenty-six week period ended August 1, 2015, activity included amortization of \$2 million and a \$1 million decrease related to foreign currency exchange fluctuations.

(\$ in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Amortization expense	\$ 1	\$ 1	\$ 2	\$ 3

Estimated future amortization expense for finite life intangible assets is as follows:

	(\$ in millions)
Remainder of 2015	\$ 2
2016	4
2017	3
2018	3
2019	3
2020	2



**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**5. Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss ("AOCL"), net of tax, is comprised the following:

	August 1, 2015	August 2, 2014	January 31, 2015
	(\$ in millions)		
Foreign currency translation adjustments	\$ (97)	\$ 57	\$ (75)
Cash flow hedges	(4)	(2)	(3)
Unrecognized pension cost and postretirement benefit	(236)	(236)	(240)
Unrealized loss on available-for-sale security	(1)	(1)	(1)
	<u>\$ (338)</u>	<u>\$ (182)</u>	<u>\$ (319)</u>

The changes in AOCL for the twenty-six weeks ended August 1, 2015 were as follows:

(\$ in millions)	Foreign currency translation adjustments	Cash flow hedges	Items related to pension and postretirement benefits	Unrealized loss on available-for- sale security	Total
Balance as of January 31, 2015	\$ (75)	(3)	(240)	(1)	\$ (319)
OCI before reclassification	(22)	(1)	—	—	(23)
Reclassified from AOCL	—	—	4	—	4
Other comprehensive income/(loss)	(22)	(1)	4	—	(19)
<b>Balance as of August 1, 2015</b>	<u>\$ (97)</u>	<u>(4)</u>	<u>(236)</u>	<u>(1)</u>	<u>\$ (338)</u>

Reclassifications from AOCL for the twenty-six weeks ended August 1, 2015 were as follows:

	(\$ in millions)
Amortization of actuarial (gain) loss:	
Pension benefits - amortization of actuarial loss	\$ 7
Postretirement benefits - amortization of actuarial gain	(1)
Net periodic benefit cost (see Note 9)	6
Income tax benefit	(2)
Net of tax	<u>\$ 4</u>

**6. 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 forecasted transactions. As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a practice of entering into contracts only with major financial institutions selected based upon their credit ratings and other financial factors. The Company monitors the creditworthiness of counterparties throughout the duration of the derivative instrument. Additional information is contained within Note 7, *Fair Value Measurements*.

*Derivative Holdings Designated as Hedges*

For a derivative to qualify as a hedge at inception and throughout the hedged period, the Company formally documents the nature of the hedged items and the relationships between the hedging instruments and the hedged items, as well as its risk-management objectives, strategies for undertaking the various hedge transactions, and the methods of assessing hedge effectiveness and ineffectiveness. In addition, 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 on the derivative instrument would be recognized in earnings immediately.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6. Financial Instruments – (continued)**

No such gains or losses were recognized in earnings for any of the periods presented. Derivative financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item 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, British pound, Canadian dollar, and Australian dollar. For the most part, merchandise inventories are purchased by each geographic area in their respective local currency. The exception to this is the United Kingdom, whose merchandise inventory purchases are denominated in euros. For option and foreign exchange forward contracts designated as cash flow hedges of the purchase of inventory, the effective portion of gains and losses is deferred as a component of AOCL and is recognized as a component of cost of sales when the related inventory is sold. The amount reclassified to cost of sales related to such contracts was not significant for any of the periods presented. The effective portion of gains or losses associated with other forward contracts is deferred as a component of AOCL until the underlying transaction is reported in earnings. The ineffective portion of gains and losses related to cash flow hedges recorded to earnings was also not significant for any of the periods presented. When using a forward contract as a hedging instrument, the Company excludes the time value of the contract from the assessment of effectiveness. At each quarter-end, all of the Company's hedged forecasted transactions are less than twelve months, and the Company expects all derivative-related amounts reported in AOCL to be reclassified to earnings within twelve months.

The net change in the fair value of the foreign exchange derivative financial instruments designated as cash flow hedges of the purchase of inventory was not significant for the thirteen weeks ended August 1, 2015 and was a \$1 million loss for the twenty-six weeks ended August 1, 2015, and therefore increased AOCL. At August 1, 2015, there was a \$4 million loss included in AOCL. The notional value of the contracts outstanding at August 1, 2015 was \$82 million, and these contracts extend through July 2016.

*Derivative Holdings Not Designated as Hedges*

The Company enters into foreign exchange forward contracts that are not designated as hedges in order to manage the costs of foreign-currency denominated merchandise purchases and intercompany transactions. Changes in the fair value of these foreign exchange forward contracts are recorded in earnings immediately within selling, general and administrative expenses. The net change in fair value resulted in income of \$1 million and \$2 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively. For the thirteen weeks ended August 2, 2014, the net change in fair value resulted in \$1 million of income and was not significant for the twenty-six weeks ended August 2, 2014. The notional value of the contracts outstanding at August 1, 2015 was \$105 million and these contracts extend through November 2015.

The Company mitigates the effect of fluctuating foreign exchange rates on the reporting of foreign-currency denominated earnings by entering into currency option contracts. Changes in the fair value of these foreign currency option contracts, which are not designated as hedges, are recorded in earnings immediately within other income. The realized gains, premiums paid, and changes in the fair market value recorded were not significant for any of the periods presented. No such contracts were outstanding at August 1, 2015.

Additionally, the Company enters into diesel fuel forward and option contracts to mitigate a portion of the Company's freight expense due to the variability caused by fuel surcharges imposed by our third-party freight carriers. Changes in the fair value of these contracts are recorded in earnings immediately. The effect was not significant for any of the periods presented. The notional value of the contracts outstanding at August 1, 2015 was \$2 million and these contracts extend through May 2016.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6. Financial Instruments – (continued)**

*Fair Value of Derivative Contracts*

The following represents the fair value of the Company's derivative contracts. Many of the Company's agreements allow for a netting arrangement. The following is presented on a gross basis, by type of contract:

(\$ in millions)	Balance Sheet Caption	August 1, 2015	August 2, 2014	January 31, 2015
<b>Hedging Instruments:</b>				
Foreign exchange forward contracts	Current liabilities	\$ 5	\$ 3	\$ 4
<b>Non-Hedging Instruments:</b>				
Foreign exchange forward contracts	Current assets	\$ 1	\$ —	\$ —
Foreign exchange forward contracts	Current liabilities	\$ —	\$ —	\$ 1

**7. Fair Value Measurements**

The Company's financial assets recorded at fair value are categorized as follows:

- Level 1** – Quoted prices for identical instruments in active markets.
- Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

The following tables provide a summary of the Company's recognized assets and liabilities that are measured at fair value on a recurring basis:

	At August 1, 2015			At August 2, 2014			At January 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(\$ in millions)									
<b>Assets</b>									
Auction rate security	—	6	—	—	6	—	—	6	—
Foreign exchange forward contracts	—	1	—	—	—	—	—	—	—
Total Assets	\$ —	\$ 7	\$ —	\$ —	\$ 6	\$ —	\$ —	\$ 6	\$ —
<b>Liabilities</b>									
Foreign exchange forward contracts	—	5	—	—	3	—	—	5	—
Total Liabilities	\$ —	\$ 5	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 5	\$ —

Securities classified as available-for-sale are recorded at fair value with unrealized gains and losses reported, net of tax, in other comprehensive income, unless unrealized losses are determined to be other than temporary. The fair value of the auction rate security is determined by using quoted prices for similar instruments in active markets and accordingly is classified as a Level 2 instrument.

The Company's derivative financial instruments are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility and, therefore, are classified as Level 2 instruments.

There were no transfers into or out of Level 1, Level 2, or Level 3 assets and liabilities for any of the periods presented.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**7. Fair Value Measurements- (continued)**

The carrying value and estimated fair value of long-term debt and obligations under capital leases were as follows:

	August 1, 2015		August 2, 2014		January 31, 2015
	(\$ in millions)				
Carrying value	\$ 132	\$	137	\$	134
Fair value	\$ 157	\$	163	\$	163

The fair value of long-term debt is determined by using model-derived valuations in which all significant inputs or significant value drivers are observable in active markets and, therefore, are classified as Level 2. The carrying values of cash and cash equivalents and other current receivables and payables approximate their fair value.

**8. Earnings Per Share**

The Company accounts for and discloses earnings per share using the treasury stock method. Basic earnings per share is computed by dividing reported net income for the period by the weighted-average number of common shares outstanding at the end of the period. Restricted stock awards, which contain non-forfeitable rights to dividends, are considered participating securities and are included in the calculation of basic earnings per share. Diluted earnings per share reflects the weighted-average number of common shares outstanding during the period used in the basic earnings per share computation plus dilutive common stock equivalents.

The computation of basic and diluted earnings per share is as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Weighted-average common shares outstanding	139.6	144.5	139.8	145.0
<i>Effect of Dilution:</i>				
Stock options and awards	1.7	1.9	1.9	2.0
Weighted-average common shares assuming dilution	<u>141.3</u>	<u>146.4</u>	<u>141.7</u>	<u>147.0</u>

Options to purchase 0.7 million and 0.8 million shares of common stock were not included in the computation for the thirteen weeks ended August 1, 2015 and August 2, 2014, respectively. Options to purchase 0.6 million and 0.5 million shares of common stock were not included in the computation for the twenty-six weeks ended August 1, 2015 and August 2, 2014, respectively. These options were not included because the effect would have been antidilutive. Contingently issuable shares of 0.4 million have not been included as the vesting conditions have not been satisfied as of both August 1, 2015 and August 2, 2014.

**9. Pension and Postretirement Plans**

The Company has defined benefit pension plans covering certain of its North American employees, which are funded in accordance with the provisions of the laws where the plans are in effect. In addition, the Company has a defined benefit pension plan covering certain individuals of the Runners Point Group.

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 medical and life insurance plans are contributory and are not funded.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**9. Pension and Postretirement Plans- (continued)**

The following are the components of net periodic pension benefit cost and net periodic postretirement benefit income, which is recognized as part of SG&A expense:

(\$ in millions)	Pension Benefits				Postretirement Benefits			
	Thirteen weeks ended		Twenty-six weeks ended		Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Service cost	\$ 4	\$ 4	\$ 8	\$ 8	\$ —	\$ —	\$ —	\$ —
Interest cost	6	7	12	14	1	—	1	—
Expected return on plan assets	(10)	(9)	(19)	(19)	—	—	—	—
Amortization of net loss (gain)	4	3	7	7	(1)	—	(1)	(1)
Net benefit expense (income)	\$ 4	\$ 5	\$ 8	\$ 10	\$ —	\$ —	\$ —	\$ (1)

No contributions were made to the plans during the thirteen and twenty-six weeks ended August 1, 2015. The Company continually evaluates the amount and timing of any future contributions. During the third quarter of 2015, the Company contributed \$4 million to the U.S. qualified plan. The Company currently does not expect any further pension plan contributions during the current year.

**10. Share-Based Compensation**

Total compensation expense included in SG&A, and the associated tax benefits recognized related to the Company's share-based compensation plans were as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Options and shares purchased under the employee stock purchase plan	\$ 3	\$ 3	\$ 6	\$ 6
Restricted stock and restricted stock units	2	3	5	6
Total share-based compensation expense	\$ 5	\$ 6	\$ 11	\$ 12
Tax benefit recognized	\$ 1	\$ 2	\$ 3	\$ 4
Excess income tax benefit from settled equity-classified share-based awards reported as a cash flow from financing activities			\$ 24	\$ 9

*Valuation Model and Assumptions*

The Company uses a Black-Scholes option-pricing model to estimate the fair value of share-based awards. The Black-Scholes option-pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. The following table shows the Company's assumptions used to compute the share-based compensation expense:

	Stock Option Plans		Stock Purchase Plan	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Weighted-average risk free rate of interest	1.51%	2.11%	0.19%	0.15%
Expected volatility	30%	39%	24%	24%
Weighted-average expected award life	6.0 years	6.1 years	1.0 year	1.0 year
Dividend yield	1.6%	2.0%	1.7%	2.2%
Weighted-average fair value	\$ 16.01	\$ 14.88	\$ 9.53	\$ 6.60

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10. Share-Based Compensation – (continued)**

The information in the following table covers options granted under the Company's stock option plans for the twenty-six weeks ended August 1, 2015:

	Shares	Weighted-Average Term	Weighted-Average Exercise Price
	(in thousands, except price per share and weighted-average term)		
Options outstanding at the beginning of the year	5,569		\$ 25.89
Granted	682		62.11
Exercised	(1,672)		22.49
Expired or cancelled	(51)		48.20
Options outstanding at August 1, 2015	4,528	6.6	\$ 32.35
Options exercisable at August 1, 2015	3,305	5.7	\$ 24.54
Options vested and expected to vest at August 1, 2015	4,479	6.6	\$ 32.09
Options available for future grant at August 1, 2015	13,104		

The total intrinsic value of options exercised (the difference between the market price of the Company's common stock on the exercise date and the price paid by the optionee to exercise the option) is presented below:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Exercised	\$ 29	\$ 4	\$ 65	\$ 15

The aggregate intrinsic value for stock options outstanding and for stock options exercisable (the difference between the Company's closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options) is presented below:

	Twenty-six weeks ended	
	August 1, 2015	August 2, 2014
	(\$ in millions)	
Outstanding	\$ 173	\$ 130
Outstanding and exercisable	\$ 152	\$ 112
Vested and expected to vest	\$ 172	\$ 130

As of August 1, 2015, there was \$11 million of total unrecognized compensation cost, related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.6 years.

The cash received from option exercises for the thirteen and twenty-six weeks ended August 1, 2015 was \$15 million and \$38 million, respectively. The cash received from option exercises for the thirteen and twenty-six weeks ended August 2, 2014 was \$3 million and \$13 million, respectively. The total tax benefit realized from option exercises was \$11 million and \$25 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively, and was \$1 million and \$5 million for the corresponding prior-year periods.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10. Share-Based Compensation – (continued)**

The following table summarizes information about stock options outstanding and exercisable at August 1, 2015:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
(in thousands, except prices per share and contractual life)					
\$ 9.85 to \$18.80	872	4.1	\$ 13.28	872	\$ 13.28
\$ 18.84 to \$24.75	1,054	5.1	\$ 19.68	1,054	\$ 19.68
\$ 30.92 to \$36.59	1,249	7.0	\$ 32.79	1,075	\$ 32.56
\$ 45.08 to \$62.11	1,353	9.1	\$ 54.10	304	\$ 45.38
	<u>4,528</u>	<u>6.6</u>	<u>\$ 32.35</u>	<u>3,305</u>	<u>\$ 24.54</u>

*Restricted Stock and Restricted Stock Units*

Restricted shares of the Company's common stock and restricted stock units ("RSU") may be awarded to certain officers and key employees of the Company. RSU awards are made to executives outside of the United States and to nonemployee directors. Additionally, RSU awards are made in connection with the Company's long-term incentive program. Each RSU represents the right to receive one share of the Company's common stock provided that the vesting conditions are satisfied. There were 581,713 and 742,514 RSU awards outstanding as of August 1, 2015 and August 2, 2014, respectively.

Generally, awards fully vest after the passage of time, typically three years. However, RSU awards made in connection with the Company's long-term incentive program vest after the attainment of both certain performance metrics and the passage of time. Restricted stock is considered outstanding at the time of grant and the holders have voting rights. Dividends are paid to holders of restricted stock that vest with the passage of time; for performance-based restricted stock, dividends will be accumulated and paid after the performance criteria are met. No dividends are paid on RSU awards.

Compensation expense is recognized using the fair market value at the date of grant and is amortized over the vesting period, provided the recipient continues to be employed by the Company.

Restricted share and RSU activity for the twenty-six weeks ended August 1, 2015 is summarized as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
	(in thousands, except price per share)	
Nonvested at the beginning of the year	1,038	\$ 37.96
Granted	126	61.61
Vested	(312)	32.33
Expired or cancelled	(63)	38.10
Nonvested at August 1, 2015	<u>789</u>	<u>\$ 43.95</u>
Aggregate value (\$ in millions)	\$ 35	
Weighted-average remaining contractual life (in years)	1.3 years	

The weighted grant-date fair value per share was \$61.61 and \$45.24 for the twenty-six weeks ended August 1, 2015 and August 2, 2014, respectively. The total value of awards for which restrictions lapsed for both the twenty-six weeks ended August 1, 2015 and August 2, 2014 was \$10 million and \$14 million, respectively. As of August 1, 2015, there was \$13 million of total unrecognized compensation cost net of forfeitures related to nonvested restricted awards.

**FOOT LOCKER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**11. Legal Proceedings**

Legal proceedings pending against the Company or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incidental to the business of the Company or businesses that have been sold or disposed of by the Company in past years. These legal proceedings include commercial, intellectual property, customer, environmental, and employment-related claims.

Certain of the Company's subsidiaries are defendants in a number of lawsuits filed in state and federal courts containing various class action allegations under federal or state wage and hour laws, including allegations concerning unpaid overtime, meal and rest breaks, and uniforms. In *Pereira v. Foot Locker*, filed in the U.S. District Court for the Eastern District of Pennsylvania, the plaintiff alleged that the Company permitted unpaid off-the-clock hours in violation of the Fair Labor Standards Act and state labor laws and sought compensatory and punitive damages, injunctive relief, and attorneys' fees and costs. Additional purported wage and hour class actions were filed against the Company that assert claims similar to those asserted in *Pereira* and seek similar remedies. With the exception of *Hill v. Foot Locker* filed in state court in Illinois, *Kissinger v. Foot Locker* filed in state court in California, and *Cortes v. Foot Locker* filed in federal court in New York, all of these actions were consolidated by the United States Judicial Panel on Multidistrict Litigation with *Pereira* under the caption *In re Foot Locker, Inc. Fair Labor Standards Act and Wage and Hour Litigation*. The Company and plaintiffs entered into a settlement agreement resolving *Hill* and the consolidated cases, which was approved by the court during the second quarter of 2015.

The Company and the Company's U.S. retirement plan are defendants in a class action (*Osberg v. Foot Locker*, filed in the U.S. District Court for the Southern District of New York) in which the plaintiff alleges that, in connection with the 1996 conversion of the retirement plan to a defined benefit plan with a cash balance formula, the Company and the retirement plan failed to properly advise plan participants of the "wear-away" effect of the conversion. Plaintiff's current claims are for breach of fiduciary duty under the Employee Retirement Income Security Act of 1974, as amended, and violation of the statutory provisions governing the content of the Summary Plan Description. The trial was held in July 2015, and the court has not yet delivered a decision.

Management does not believe that the outcome of any such legal proceedings pending against the Company or its consolidated subsidiaries, including *Cortes*, *Kissinger*, and *Osberg*, as described above, would have a material adverse effect on the Company's consolidated financial position, liquidity, or results of operations, taken as a whole. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered into that could adversely affect the Company's operating results or cash flows in a particular period.



## ***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, with formats that include Foot Locker, Lady Foot Locker, SIX:02, Kids Foot Locker, Champs Sports, Footaction, Runners Point, and Sidestep.

The Direct-to-Customers segment is multi-branded and multi-channeled. This segment sells, through its affiliates, directly to customers through its Internet and mobile sites and catalogs. Eastbay, one of the affiliates, is among the largest direct marketers in the United States. The Direct-to-Customers segment operates the websites for eastbay.com, final-score.com, eastbayteamsales.com, as well as websites aligned with the brand names of its store banners (footlocker.com, footlocker.ca, footlocker.eu, ladyfootlocker.com, six02.com, kidsfootlocker.com, champssports.com, footaction.com, runnerspoint.com, and sidestep-shoes.com). Additionally, this segment includes sp24.com, a clearance website for our European e-commerce business.

### Store Count

At August 1, 2015, the Company operated 3,419 stores as compared with 3,423 and 3,460 stores at January 31, 2015 and August 2, 2014, respectively. During the twenty-six weeks ended August 1, 2015, the Company opened 58 stores, remodeled or relocated 120 stores, and closed 62 stores.

A total of 75 franchised stores were operating at August 1, 2015, as compared with 78 and 74 stores at January 31, 2015 and August 2, 2014, respectively. Revenue from the franchised stores was not significant for any of the periods presented. These stores are not included in the Company's operating store count above.

### Sales

All references to comparable-store sales for a given period relate to sales of stores that were open at the period-end and had been open for more than one year. The computation of comparable-store sales also includes the sales of the Direct-to-Customers segment. Stores opened or closed during the period are not included in the comparable-store base; however, stores closed temporarily for relocation or remodeling are included. Computations exclude the effect of foreign currency fluctuations.

Sales increased by \$54 million, or 3.3 percent, to \$1,695 million for the thirteen weeks ended August 1, 2015, from \$1,641 million for the thirteen weeks ended August 2, 2014. For the twenty-six weeks ended August 1, 2015, sales of \$3,611 million increased 2.9 percent from sales of \$3,509 million for the twenty-six week period ended August 2, 2014.

Excluding the effect of foreign currency fluctuations, total sales for the thirteen and twenty-six week periods increased 9.9 percent and 8.9 percent, respectively, as compared with the corresponding prior-year periods. Comparable-store sales increased by 9.6 percent and 8.7 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively.

## Gross Margin

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Gross margin rate	32.6%	32.0%	33.9%	33.4%
Basis point increase in the gross margin rate	60		50	
Components of the increase-				
Lower occupancy and buyers' compensation expense rate	40		40	
Merchandise margin rate improvement	20		10	

The gross margin rate improved by 60 and 50 basis points for the thirteen and twenty six weeks ended August 1, 2015, respectively. The improvement in the gross margin rate was primarily the result of leveraging the fixed rent and salary elements within our cost of sales. A higher merchandise margin rate also contributed to the gross margin rate improvement, and reflected an overall lower markdown rate partially offset by a lower initial markup rate driven by vendor and category mix.

## Selling, General and Administrative Expenses (SG&A)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
SG&A	\$ 331	\$ 343	\$ 676	\$ 698
\$ Change	\$ (12)		\$ (22)	
% Change	(3.5)%		(3.2)%	
SG&A as a percentage of sales	19.5%	20.9%	18.7%	19.9%

SG&A decreased by \$12 million and \$22 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year periods. Excluding the effect of foreign currency fluctuations, SG&A expense increased by \$9 million and \$25 million and represented an improvement of 140 and 100 basis points, as a rate of sales, for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year periods. The SG&A rate improvements reflected continued disciplined expense management.

## Depreciation and Amortization

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Depreciation and Amortization	\$ 36	\$ 36	\$ 71	\$ 72
% change	—%		(1.4)%	

Depreciation and amortization remained unchanged for the thirteen weeks ended August 1, 2015, as compared with the corresponding prior-year period. For the twenty-six weeks ended August 1, 2015, depreciation and amortization decreased \$1 million as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, depreciation and amortization increased by \$3 million and \$4 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year periods. On a constant currency basis, the increase in depreciation and amortization reflected increased capital spending.

### Interest Expense, Net

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Interest expense	\$ 2	\$ 2	\$ 5	\$ 5
Interest income	(1)	(1)	(3)	(3)
Interest expense, net	\$ 1	\$ 1	\$ 2	\$ 2

Interest expense and interest income were unchanged as compared with the prior year.

### Income Taxes

The Company recorded income tax provisions of \$66 million and \$172 million, which represented effective tax rates of 35.8 percent and 36.2 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively. For the thirteen and twenty-six weeks ended August 2, 2014, the Company recorded income tax provisions of \$52 million and \$144 million, which represented effective tax rates of 36.3 percent and 36.2 percent, respectively. The Company's interim provision for income taxes is measured using an annual effective tax rate, adjusted for discrete items that occur within the periods presented.

The Company regularly assesses the adequacy of its provisions for income tax contingencies in accordance with the applicable authoritative guidance on accounting for income taxes. As a result, the Company may adjust the reserves for unrecognized tax benefits considering new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities, and lapses of statutes of limitation. Included in both the twenty-six weeks ended August 1, 2015 and August 2, 2014 are tax benefits of \$1 million from reserve releases due to settlements of tax examinations.

For the thirteen weeks ended August 1, 2015, the Company recorded discrete items of approximately \$1 million representing tax benefits related to an adjustment to deductible compensation costs due to executive changes and a Canadian provincial tax rate change.

The effective tax rate, excluding the reserve releases and other discrete items, for the thirteen and twenty-six weeks ended August 1, 2015 increased as compared with the corresponding prior-year periods primarily due to a higher proportion of income earned in higher-tax jurisdictions.

The Company currently expects its third quarter and full year tax rate to approximate 36.5 percent, excluding the effect of any additional nonrecurring items that may occur. The actual tax rates will primarily depend on the level and mix of income earned in the United States as compared with its international operations.

### Net Income

For the thirteen weeks ended August 1, 2015, net income increased by \$27 million, or 29.3 percent, to \$119 million as compared with the corresponding prior-year period. For the twenty-six weeks ended August 1, 2015, net income increased by \$49 million, or 19.3 percent, to \$303 million as compared with the corresponding prior-year period. The improved performance, on a constant currency basis, represents a 33.7 percent and 32.5 percent flow-through of increased sales to pre-tax income, for the thirteen and twenty-six week periods ended August 1, 2015, reflecting leveraging of fixed costs and controlling operating expenses.

### **Reconciliation of Non-GAAP Measures**

No adjustments have been made to the 2015 results. During the first quarter of 2014, the Company recorded charges totaling \$2 million, after tax, or \$0.01 per diluted share, for costs associated with the integration of Runners Point Group and an impairment charge to fully write down the remaining value of the tradename related to the Company's stores in the Republic of Ireland. Additionally, during the second quarter of 2014, the Company recorded an after-tax charge of \$1 million, or \$0.01 per diluted share, related to the impairment of the CCS tradename, resulting from the transition of its skate business from CCS to its Eastbay brand.

Accordingly, the Company excluded these costs to arrive at its non-GAAP results. The non-GAAP financial measure is provided in addition to, and not as an alternative to, the Company's reported results prepared in accordance with GAAP. The Company believes this non-GAAP information is a useful measure to investors because it provides for a more direct comparison of the results. Presented below are GAAP and non-GAAP results for the thirteen and twenty-six weeks ended August 1, 2015 and August 2, 2014, respectively.

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Net income, as reported	\$ 119	\$ 92	\$ 303	\$ 254
After-tax adjustments to arrive at non-GAAP:				
Runners Point Group integration costs	—	—	—	1
Impairment of intangibles	—	1	—	2
Net income, non-GAAP	\$ 119	\$ 93	\$ 303	\$ 257
Diluted EPS, as reported	\$ 0.84	\$ 0.63	\$ 2.14	\$ 1.73
After-tax adjustments to arrive at non-GAAP:				
Runners Point Group integration costs	—	—	—	—
Impairment of intangibles	—	0.01	—	0.02
Diluted EPS, non-GAAP	\$ 0.84	\$ 0.64	\$ 2.14	\$ 1.75

### Segment Information

The Company has determined that its reportable segments are those that are based on its method of internal reporting. The Company has two reportable segments, Athletic Stores and Direct-to-Customers. The Company evaluates performance based on several factors, of which the primary financial measure is division results. Division profit reflects income before income taxes, corporate expense, non-operating income, and net interest expense. The following table summarizes results by segment:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
<b>Sales</b>				
Athletic Stores	\$ 1,503	\$ 1,468	\$ 3,184	\$ 3,125
Direct-to-Customers	192	173	427	384
	\$ 1,695	\$ 1,641	\$ 3,611	\$ 3,509
<b>Operating Results</b>				
Athletic Stores <sup>(1)</sup>	\$ 176	\$ 149	\$ 443	\$ 396
Direct-to-Customers <sup>(2)</sup>	27	14	67	42
Division profit	203	163	510	438
Less: Corporate expense	17	19	34	40
Operating profit	186	144	476	398
Other income <sup>(3)</sup>	—	1	1	2
Earnings before interest expense and income taxes	186	145	477	400
Interest expense, net	1	1	2	2
Income before income taxes	\$ 185	\$ 144	\$ 475	\$ 398

(1) Included in the twenty-six weeks ended August 2, 2014 is a non-cash impairment charge of \$1 million to fully write down the remaining value of the tradename related to the Company's stores in the Republic of Ireland.

(2) Included in both the thirteen and twenty-six weeks ended August 2, 2014 is a \$2 million impairment charge related to the CCS tradename.

(3) Other income includes non-operating items, such as lease termination gains, royalty income, and the changes in fair value, premiums paid, and realized gains associated with foreign currency option contracts.

Athletic Stores

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Sales	\$ 1,503	\$ 1,468	\$ 3,184	\$ 3,125
\$ Change	\$ 35		\$ 59	
% Change	2.4%		1.9%	
Division profit	\$ 176	\$ 149	\$ 443	\$ 396
Division profit margin	11.7%	10.1%	13.9%	12.7%

Excluding the effect of foreign currency fluctuations, Athletic Stores segment sales increased by 9.6 percent and 8.4 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year periods. Comparable-store sales increased by 8.6 percent and 7.5 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively.

Our international divisions, particularly Foot Locker Europe, led the increase in comparable-store sales for both the quarter and year-to-date periods. All major countries for Foot Locker Europe experienced comparable-sales gains for both the quarter and year-to-date periods. These increases were primarily related to sales of men's basketball and lifestyle running shoes.

While the overall results of Runners Point continue to be accretive to our results, their comparable-store sales are running below the average pace of our other banners operating in Europe, due in part to the segmentation process that is underway. The segmentation process includes defining product offerings for each of these banners and executing upon our multi-banner strategy in this market. The Runners Point stores are being shifted towards performance and lifestyle running footwear, while Sidestep is shifting to lifestyle and casual footwear. While sales at Runners Point and Sidestep have been negatively affected in the short term, we believe that as customers become familiar with our product offerings, these actions will position each of the banners operating in Germany for future growth.

Domestically, comparable-store sales for both the quarter and year-to-date periods also increased. The increase was led by Foot Locker, Footaction, and Kids Foot Locker. Running and basketball were the strongest drivers of footwear sales. The key marquee players shoes and Jordan styles continue to drive the increases in basketball footwear. Sales also benefited from the continued expansion of various shop-in-shop partnerships with our key vendors. Lady Foot Locker/SIX:02 generated a comparable-store sales gain for its fifth consecutive quarter, with a positive gain for both quarter and year-to-date periods. Lady Foot Locker/SIX:02's overall sales for the quarter were essentially flat, while the year-to-date period reflected a sales decline due to net store closures, as compared with the corresponding prior-year periods. The focus on serving the female customer's fitness-driven lifestyle has resonated with customers, as both footwear and apparel increased on a comparable-store basis. Champs Sports generated a gain in comparable-store sales for the quarter with increased footwear sales partially offset by declines in apparel and accessories. For the year-to-date period, Champs Sports experienced a modest comparable-store sales decline, primarily attributable to the decrease in apparel sales due to a fashion shift away from licensed products.

Athletic Stores division profit increased by 18.1 percent and 11.9 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year periods. Division profit, as a percentage of sales, was 11.7 percent for the thirteen weeks ended August 1, 2015, representing a 160 basis point improvement as compared with the corresponding prior-year period. For the twenty-six weeks ended August 1, 2015, the improvement was 120 basis points as compared with the corresponding prior-year period. These increases primarily reflect improved sales, an improved gross margin rate driven by improved leverage of fixed occupancy expenses, and diligent expense management. Included in the results of the Athletic Stores segment for the twenty-six weeks ended August 2, 2014 is a \$1 million impairment charge to fully write down the remaining value of the tradename related to the Company's stores in the Republic of Ireland.

Direct-to-Customers

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Sales	\$ 192	\$ 173	\$ 427	\$ 384
\$ Change	\$ 19		\$ 43	
% Change	11.0%		11.2%	
Division profit	\$ 27	\$ 14	\$ 67	\$ 42
Division profit margin	14.1%	8.1%	15.7%	10.9%

Excluding the effect of foreign currency fluctuations, Direct-to-Customers segment sales increased by 12.5 percent and 12.9 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with the corresponding prior-year period. Comparable sales increased by 18.8 percent and 18.6 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively. These increases were primarily the result of continued strong sales performance of the Company's domestic store-banner websites, coupled with growth from the international e-commerce businesses, particularly in Europe. Sales at each of the U.S. store-banner websites increased significantly for both the quarter and year-to-date periods, increasing collectively over 40 percent, reflecting the continued success and expansion of the connectivity of store banners to the e-commerce sites. Footwear and apparel categories were led by basketball, casual, and training styles, which all posted strong comparable sales gains during the period. These increases were partially offset by the 2014 closure of the CCS direct business.

Direct-to-Customers division profit for the thirteen and twenty-six weeks ended August 1, 2015 increased by \$13 million to \$27 million and increased by \$25 million to \$67 million, respectively, as compared with the corresponding prior-year period. Division profit, as a percentage of sales, was 14.1 percent and 15.7 percent for the thirteen and twenty-six weeks ended August 1, 2015, respectively, as compared with 8.1 percent and 10.9 percent for the corresponding prior-year period. The increase primarily reflected strong flow-through of sales to profit, resulting from improved gross margins due to more full-price selling and diligent expense management. Included in the prior-year results was a \$2 million tradename impairment charge related to the CCS e-commerce business, which was triggered by the Company's decision to transition the skate business to the Eastbay banner. Division profit in the prior period was also negatively affected by the CCS business results.

**Corporate Expense**

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	(\$ in millions)			
Corporate expense	\$ 17	\$ 19	\$ 34	\$ 40
\$ Change	\$ (2)		\$ (6)	

Corporate expense consists of unallocated SG&A, as well as depreciation and amortization 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. Depreciation and amortization included in corporate expense was \$3 million and \$6 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively, which was unchanged from the prior-year amounts.

The allocation of corporate expense to the operating divisions is adjusted annually based upon an internal study; accordingly, the allocation increased by \$1 million and \$2 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively, thus reducing corporate expense. Excluding this change, as compared with the corresponding prior-year periods, corporate expense decreased by \$1 million and \$4 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively. The \$4 million decrease in corporate expense for the twenty-six weeks ended August 1, 2015 was primarily related to a \$2 million charge to increase legal reserves recorded in the first quarter of 2014, and prior-year costs related to the integration of Runners Point Group of \$1 million.

## Liquidity and Capital Resources

### Liquidity

The Company's primary source of liquidity has been cash flow from earnings, while the principal uses of cash have been to: fund inventory and other working capital requirements; finance capital expenditures related to store openings, store remodelings, Internet and mobile sites, information systems, and other support facilities; make retirement plan contributions, quarterly dividend payments, and interest payments; and fund other cash requirements to support the development of its short-term and long-term operating strategies. The Company generally finances real estate with operating leases. Management believes its cash, cash equivalents, and future cash flow from operations will be adequate to fund these requirements.

The Company may also from time to time repurchase its common stock or seek to retire or purchase outstanding debt through open market purchases, privately negotiated transactions, or otherwise. Share repurchases and retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material. As of August 1, 2015, approximately \$851 million remained available under the Company's current \$1 billion share repurchase program.

Any material adverse change in customer demand, fashion trends, competitive market forces, or customer acceptance of the Company's merchandise mix and retail locations, uncertainties related to the effect of competitive products and pricing, the Company's reliance on a few key vendors for a significant portion of its merchandise purchases and risks associated with global product sourcing, economic conditions worldwide, the effects of currency fluctuations, as well as other factors listed under the heading "Disclosure Regarding Forward-Looking Statements," could affect the ability of the Company to continue to fund its needs from business operations.

### Operating Activities

	Twenty-six weeks ended	
	August 2, 2015	August 2, 2014
	(\$ in millions)	
Net cash provided by operating activities	\$ 334	\$ 362
\$ Change	\$ (28)	

The amount provided by operating activities reflects net income adjusted for non-cash items and working capital changes. Adjustments to net income for non-cash items include non-cash impairment charges, depreciation and amortization, share-based compensation expense, and share-based related tax benefits. The decrease from the prior year reflects working capital changes and an increase in cash paid for income taxes during the twenty-six weeks ended August 1, 2015. The increase of cash paid for taxes of \$23 million reflected higher amounts paid due to the Company's earnings growth.

### Investing Activities

	Twenty-six weeks ended	
	August 1, 2015	August 2, 2014
	(\$ in millions)	
Net cash used in investing activities	\$ 116	\$ 84
\$ Change	\$ 32	

Capital expenditures represented a \$23 million increase from the prior year, which reflected a higher number of store projects in the current year, as well as increased spending on corporate technology projects. The Company's full year forecast for capital expenditures is \$233 million, which includes \$172 million related to the remodeling or relocation of existing stores and approximately 100 new store openings, as well as \$61 million for the development of information systems, websites, infrastructure, and our headquarters relocation. The increased full-year forecast from the amount previously disclosed primarily reflects the upcoming relocation of the corporate headquarters within New York City. The prior year included \$9 million from the sales and maturities of short-term investments.

## Financing Activities

	Twenty-six weeks ended	
	August 1, 2015	August 2, 2014
	(\$ in millions)	
Net cash used in financing activities	\$ 209	\$ 175
\$ Change	\$ 34	

During the twenty-six weeks ended August 1, 2015, the Company repurchased 3,490,000 shares of its common stock for \$205 million, as compared with 2,864,533 shares repurchased for \$136 million in the corresponding prior-year period. The Company declared and paid dividends during the first two quarters of 2015 and 2014 of \$70 million and \$64 million, respectively. This represents quarterly rates of \$0.25 and \$0.22 per share for 2015 and 2014, respectively. Additionally, the Company received proceeds from the issuance of common stock in connection with employee stock programs of \$43 million and \$18 million for the twenty-six weeks ended August 1, 2015 and August 2, 2014, respectively. In connection with stock option exercises and share-based compensation programs, the Company recorded excess tax benefits of \$24 million and \$9 million as a financing activity for the twenty-six weeks ended August 1, 2015 and August 2, 2014, respectively. The increased excess tax benefit primarily reflected a higher number of stock option exercises during the first half of 2015. The activity for the twenty-six weeks ended August 1, 2015 and August 2, 2014 also reflects payments made on capital lease obligations of \$1 million and \$2 million, respectively.

### **Critical Accounting Policies and Estimates**

There have been no significant changes to the Company's critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

### **Recent Accounting Pronouncements**

Recently issued accounting pronouncements did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

### **Disclosure Regarding Forward-Looking Statements**

This report contains forward-looking statements within the meaning of the federal securities laws. Other than statements of historical facts, all statements which address activities, events, or developments that the Company anticipates will or may occur in the future, including, but not limited to, such things as future capital expenditures, expansion, strategic plans, financial objectives, 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 which are detailed in the Company's filings with the Securities and Exchange Commission, including 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 suppliers for a majority of its merchandise purchases (including a significant portion from one key supplier), pandemics and similar major health concerns, unseasonable weather, deterioration of global financial markets, economic conditions worldwide, deterioration of business and economic conditions, 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, the ability of the Company to execute its business and strategic plans effectively with regard to each of its business units, and risks associated with global product sourcing, including political instability, changes in import regulations, and disruptions to transportation services and distribution.



For additional discussion on risks and uncertainties that may affect forward-looking statements, see “Risk Factors” disclosed in the 2014 Annual Report on Form 10-K. 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 4. Controls and Procedures**

The Company’s management performed an evaluation under the supervision and with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), and completed an evaluation as of August 1, 2015 of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures were effective to ensure that information relating to the Company that is required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended August 1, 2015, there were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) of the Exchange Act) that materially affected or are reasonably likely to affect the Company’s internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information regarding the Company’s legal proceedings is contained in the *Legal Proceedings* note under “Item 1. Financial Statements.”

### **Item 1A. Risk Factors**

There were no material changes to the risk factors disclosed in the 2014 Annual Report on Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information with respect to shares of the Company’s common stock that the Company repurchased during the thirteen weeks ended August 1, 2015:

<b>Date Purchased</b>	<b>Total Number of Shares Purchased<sup>(1)</sup></b>	<b>Average Price Paid per Share<sup>(1)</sup></b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program<sup>(2)</sup></b>	<b>Approximate Dollar Value of Shares that may yet be Purchased Under the Program<sup>(2)</sup></b>
May 3, 2015 through May 30, 2015	445,105	\$ 61.89	445,105	\$ 899,835,824
May 31, 2015 through July 4, 2015	480,230	\$ 63.55	475,895	\$ 869,588,500
July 5, 2015 through August 1, 2015	274,964	\$ 69.38	269,000	\$ 850,922,919
	<u>1,200,299</u>	<u>\$ 64.27</u>	<u>1,190,000</u>	

(1) These columns reflect shares acquired in satisfaction of the tax withholding obligation of holders of restricted stock awards which vested during the quarter, shares repurchased pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 and open market purchases. The calculation of the average price paid per share includes all fees, commissions, and other costs associated with the repurchase of such shares.

(2) On February 17, 2015, the Board of Directors approved a new 3-year, \$1 billion share repurchase program extending through January 2018.

### **Item 6. Exhibits**

- (a) Exhibits  
The exhibits that are in this report immediately follow the index.

**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.

Date: September 9, 2015

FOOT LOCKER, INC.

/s/ Lauren B. Peters

LAUREN B. PETERS

Executive Vice President and Chief Financial Officer

**FOOT LOCKER, INC.**  
**INDEX OF EXHIBITS**

<b>Number</b>	<b>Description</b>
10.1†*	Senior Executive Employment Agreement, dated August 10, 2015, by and between Pawan Verma and the Company.
10.2†*	Restricted Stock Award Agreement, dated August 10, 2015, by and between Pawan Verma and the Company.
10.3†*	Nonstatutory Stock Option Award Agreement, dated August 10, 2015, by and between Pawan Verma and the Company.
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**	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.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.
†	Management contract or compensatory plan or arrangement.
*	Filed herewith.
**	Furnished herewith.

## SENIOR EXECUTIVE EMPLOYMENT AGREEMENT

AGREEMENT made as of the 10th day of August, 2015 between Foot Locker, Inc. (the "Company"), a New York corporation with its principal office located at 112 West 34<sup>th</sup> Street, New York, New York, and Pawan Verma ("Executive").

WITNESSETH:

WHEREAS, the Company believes that the establishment and maintenance of a sound and vital management of the Company is essential to the protection and enhancement of the interests of the Company and its shareholders;

WHEREAS, the Company wishes to provide for the employment of the Executive with the Control Group, and the Executive is willing to commit himself to serve the Company, on the terms and conditions herein provided; and

WHEREAS, this Agreement supersedes any employment agreement, severance plan, policy and/or practice of the Company in effect on the date hereof for the Executive.

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

1. Definitions. The following terms shall have the meanings set forth in this section as follows:

(a) "Affiliate" shall mean the Company and any entity affiliated with the Company within the meaning of Code Section 414(b) with respect to a controlled group of corporations, Code Section 414(c) with respect to trades or businesses under common control with the Company, Code Section 414(m) with respect to affiliated service groups and any other entity required to be aggregated with the Company under Section 414(o) of the Code. No entity shall be treated as an Affiliate for any period during which it is not part of the controlled group, under common control or otherwise required to be aggregated under Code Section 414.

(b) "Beneficiary" shall mean the individual designated by the Executive, on a form acceptable by the Committee, to receive benefits payable under this Agreement in the event of the Executive's death. If no Beneficiary is designated, the Executive's Beneficiary shall be his spouse, or if the Executive is not survived by a spouse, the Executive's estate.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Cause" shall mean (with regard to the Executive's Termination of Employment with the Control Group): (i) the refusal or willful failure by the Executive to substantially perform his duties, (ii) with regard to the Control Group or any of their assets or businesses, the Executive's dishonesty, willful misconduct, misappropriation, breach of fiduciary duty or fraud, (iii) the willful breach by the Executive of any material provision of this Agreement, which breach is not cured within ten (10) business days from the date of the Company's notice of the occurrence of such breach to the Executive, or (iv) the Executive's conviction of a felony (other than a traffic violation) or any other crime involving, in the sole discretion of the Committee, moral turpitude.

(e) "Change in Control" shall have the meaning set forth in Appendix A attached hereto.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended and as hereafter amended from time to time.

(g) "Committee" shall mean the Compensation and Management Resources Committee of the Board or an administrative committee appointed by the Compensation and Management Resources Committee.

(h) "Competition" shall mean 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 the Executive's 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 Company or any of its subsidiaries or affiliates; 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.

(i) "Control Group" shall mean the Company and its Affiliates.

(j) "Good Reason" shall mean (with respect to an Executive's Termination of Employment with the Control Group):

(i) Prior to a Change in Control, (A) a reduction in the Executive's rate of base salary as payable from time to time, other than a reduction that occurs in connection with, and in the same percentage as, an across-the-board reduction over any three-year period in the base salaries of all executives of the Company of a similar level and where the reduction is less than 20 percent of the Executive's base salary measured from the beginning of such three-year period; or (B) a material and adverse change in the nature and status of the Executive's authority or responsibilities, except temporarily as a result of the Executive's disability, illness or other absence.

(ii) On or after a Change in Control, (A) any reduction in the Executive's rate of base salary as payable from time to time; (B) a failure of the Company to continue in effect the benefits applicable to, or the Company's reduction of the benefits applicable to, the Executive under any benefit plan or arrangement (including without limitation, any pension, life insurance, health or disability plan) in which the Executive participates as of the date of the Change in Control without implementation of a substitute plan(s) providing materially similar benefits in the aggregate to those discontinued or reduced, except for a discontinuance of, or reduction under, any such plan or arrangement that is legally required, and provided that in either such event the Company provides similar benefits (or the economic effect thereof) to the Executive in any manner determined by the Company; or (C) any material demotion of the Executive or any material reduction in the Executive's authority or responsibility, except temporarily as a result of the Executive's disability, illness or other absence.

(iii) At any time, (A) a reduction in the Executive's annual bonus classification level other than in connection with a redesign of the applicable bonus plan that affects all employees at the Executive's bonus level; (B) the failure of any successor to the Company to assume in writing the obligations hereunder; or (C) the Company's failure to renew this Agreement.

(k) "Non-Competition Period" shall mean (i) the period the Executive is employed by the Control Group and (ii) at any time prior to a Change in Control, the two (2) year period commencing on the Termination Date.

(l) "Retirement" shall mean separation from service with the Control Group in accordance with Section 409A on or after the date the Executive attains age fifty-five (55) and completes ten (10) Years of Service.

(m) "Salary" shall mean an Executive's base cash compensation rate for services paid to the Executive by the Company or an Affiliate at the time of his Termination of Employment from the Control Group. Salary shall not include commissions, bonuses, overtime pay, incentive compensation, benefits paid under any qualified plan, any group medical, dental or other welfare benefit plan, noncash compensation or any other additional compensation but shall include amounts reduced pursuant to an Executive's salary reduction agreement under Sections 125, 132(f) or 401(k) of the Code (if any) or a nonqualified elective deferred compensation arrangement to the extent that in each such case the reduction is to base salary.

(n) "Section 409A" shall mean Section 409A of the Code including the regulations issued thereunder by the Department of the Treasury.

(o) "Severance Benefit" shall mean (i) in the case of the Executive's Termination of Employment with the Control Group that does not occur within the 24- month period following a Change in Control and such termination is a Termination of Employment by the Company without Cause or by the Executive for Good Reason, 1.5 times the Executive's annual Salary; or (ii) in the case of the Executive's Termination of Employment with the Control Group that occurs within the 24-month period following a Change in Control and such termination is a Termination of Employment by the Company without Cause or by the Executive for Good Reason, 2.0 times the Executive's annual Salary plus annual bonus at target under the Annual Incentive Compensation Plan or other annual incentive plan applicable to the Executive.

(p) "Sign-On Equity Awards" shall mean the nonstatutory stock option grant and time-based restricted stock award to be granted to the Executive by the Committee under the 2007 Stock Incentive Plan in connection with the Executive's commencement of employment with the Company on August 10, 2015 pursuant to Section 5(e) (individually, "Sign-On Stock Option Grant" and "Sign-On Restricted Stock Award."

(q) "Substantially All of the Assets of the Company" shall mean at least 66 percent of the total gross fair market value of the assets of the Company immediately prior to the acquisition by a non-related third party, determined without regard to any liabilities associated with such assets.

(r) "Termination Date" shall mean in the case of the Executive's death, the date of death, or in all other cases, the date specified in the Notice of Termination of Employment; provided, however, that if the Executive's Termination of Employment is due to disability as provided in Section 7(b), the date specified in the Notice of Termination of Employment shall be at least thirty (30) days from the date the Notice of Termination of Employment is given to the Executive.

(s) "Termination of Employment" shall mean separation from service with the Control Group in accordance with Section 409A for any reason, including, but not limited to retirement, death, disability, resignation or dismissal with or without Cause; provided, however, that if an Employer is no longer a member of the Control Group and the Participant is transferred in connection with the sale of the assets of an Employer and the successor assumes the obligations hereunder in accordance with Section 13 hereof, a Termination of Employment shall not occur until termination of employment with the new control group.

(t) "Year of Service" shall mean each 12 consecutive month period commencing on the Executive's date of hire by the Company or an Affiliate and each anniversary thereof in which the Executive is paid by the Company or an Affiliate for the performance of full-time services as an Executive. For purposes of this section, full-time services shall mean that the Executive is employed for at least 30 hours per week. A Year of Service shall include any period during which the Executive is not working due to disability, leave of absence or layoff so long as he is being paid by the Company or an Affiliate (other than through any employee benefit plan). A Year of Service also shall include service in any branch of the armed forces of the United States by any person who is an Executive on the date such service commenced, but only to the extent required by applicable law.

2. Term. The initial term of this Agreement shall commence on August 10, 2015 and shall end on January 31, 2018, unless further extended or sooner terminated as hereinafter provided. The term shall be automatically renewed for additional one-year periods unless the Company notifies the Executive three months prior to the end of the term that the term shall not be renewed. In no event, however, shall the term of the Executive's employment extend beyond the date of the Executive's actual retirement under a retirement plan of the Company.

3. Position and Duties. The Executive shall serve as Senior Vice President and Chief Information Officer of the Company and shall have such responsibilities, duties and authority as he may have as of the effective date of this Agreement (or any comparable position to which he may be assigned after the effective date of this Agreement) and as may from time to time be assigned to the Executive by the Executive Vice President – Operations Support or the Chief Executive Officer of the Company that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company and its Affiliates.

4. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall be based in the New York metropolitan area or such other place in the United States to which the Company may hereafter relocate its principal executive offices, except for required travel on Company business.

5. Compensation and Related Matters

(a) Salary. During the period of the Executive's employment hereunder, the Company or an Affiliate shall pay to the Executive a salary at a rate not less than the rate in effect as of the effective date of this Agreement or such higher rate as may from time to time be determined by the Company, such salary to be paid in accordance with the Company's normal payroll practices.

(b) Expenses. During the term of the Executive's employment hereunder, subject to Section 19 hereof, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company or an Affiliate, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company.



(c) Other Benefits. The Company shall maintain in full force and effect, and the Executive shall be entitled to continue to participate in, all of the employee benefit plans and arrangements in effect on the date hereof in which the Executive participates or plans or arrangements providing the Executive with at least equivalent benefits thereunder (including without limitation each retirement plan, supplemental and excess retirement plans, annual and long-term incentive compensation plans, stock option and purchase plans, group life insurance and accident plan, medical and dental insurance plans, and disability plan), and the Company shall not make any changes in such plans or arrangements that would adversely affect the Executive's rights or benefits thereunder; provided, however, that such a change may be made, including termination of such plans or arrangements, to the extent permitted by the respective plan or arrangement, if it occurs pursuant to a program applicable to all comparably situated executives of the Company and does not result in a proportionately greater reduction in the rights of or benefits to the Executive as compared with any other comparably situated executive of the Company. The Executive shall be entitled to participate in or receive benefits under any employee benefit plan or arrangement made available by the Company in the future to its comparably situated executives and key management employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Executive pursuant to Section 5(a). Any payments or benefits payable to the Executive hereunder in respect of any calendar year during which the Executive is employed by the Company for less than the entire year shall, unless otherwise provided in the applicable plan or arrangement, be pro rated in accordance with the number of days in such calendar year during which he is so employed. Notwithstanding anything to the contrary herein, solely with respect to the 2015 fiscal year, the Company shall pay to the Executive within two and one-half months following January 30, 2016 the difference between the prorated annual bonus payable to him under the Annual Incentive Compensation Plan (the "AICP") and the annual bonus that would have been paid to him under the AICP if he were a participant in the AICP for the entire 2015 fiscal year.

(d) Vacations. The Executive shall be entitled to no less than the number of vacation days in each calendar year that is determined in accordance with the Company's vacation policy as in effect on the date hereof. The Executive shall also be entitled to all paid holidays and personal days given by the Company to its executives.

(e) Sign-On Equity Awards. Subject to the approval of the Committee, within ninety (90) days of his commencement of employment, Executive shall be granted (i) a restricted stock award having a value of \$1.5 million on the date of grant, pursuant to, and subject to the provisions of, the Foot Locker 2007 Stock Incentive Plan and the terms of a restricted stock agreement, such shares to vest over a three-year period in annual installments beginning one year following the date of grant, subject to the Executive's continued employment by the Company; and (ii) a nonstatutory stock option having a Black-Scholes value on the date of grant of \$225,000, pursuant to, and subject to the provisions of, the Foot Locker 2007 Stock Incentive Plan and the terms of a nonstatutory stock option award agreement, such option to vest over a three-year period in annual installments beginning one year following the date of grant, subject to the Executive's continued employment by the Company.

6. Offices. Subject to Sections 3 and 4, the Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of the Company and any of its Affiliates and in one or more executive offices of any of the Company's Affiliates.

7. Termination of Employment. The Executive's employment hereunder may be terminated without any breach of this Agreement only upon the following circumstances:

(a) Death. The Executive's employment hereunder shall automatically terminate upon his death.

(b) Disability. If, as a result of the Executive's incapacity due to physical or mental illness as determined by the Company in its sole discretion, the Executive shall have been absent from his duties hereunder on a full-time basis for a period of six consecutive months, and within 30 days after written Notice of Termination of Employment is given (which may occur before or after the end of such six month period) shall not have returned to the performance of his duties hereunder on a full-time basis, the Company may immediately terminate the Executive's employment hereunder.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause by, at any time at its election within six months after the Company shall obtain knowledge of the grounds for termination, giving the Executive notice of its intention to terminate the Executive for Cause and stating the date of Termination of Employment and the grounds for termination.

(d) Good Reason. The Executive may terminate his employment hereunder for Good Reason upon 30 days' prior written notice to the Company; provided, however, that prior to a Change in Control, if the Company corrects the matter that has given rise to the Good Reason event, and makes the Executive whole for any loss to the Executive resulting from such Good Reason event, the Executive may not so terminate his employment.

(e) Without Cause. The Company may terminate the Executive's employment hereunder without Cause upon 30 days' prior written notice to the Executive.

(f) Without Good Reason. The Executive may terminate his employment hereunder without Good Reason upon 30 days' prior written notice to the Company.

Any Termination of Employment by the Company or by the Executive (other than termination pursuant to Section 7(a)) shall be communicated by written Notice of Termination of Employment to the other party hereto in accordance with Section 18. For purposes of this Agreement, a "Notice of Termination of Employment" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination of Employment under the provision so indicated. Notwithstanding anything in this Agreement to the contrary, if the Company becomes obligated to make any payment to the Executive pursuant to the terms hereof, then this Agreement shall remain in effect until all of the Company's obligations hereunder are fulfilled.

8. Benefits Upon Termination of Employment.

(a) Death. In the event of the Executive's Termination of Employment with the Control Group due to his death, the Company shall pay any amounts due to the Executive under Section 5 through the date of his death in accordance with the payment provisions of Section 5 and Section 13.

(b) Disability. In the event of the Executive's Termination of Employment with the Control Group under Section 7(b), the Company shall pay any amounts due to the Executive under Section 5 through the Termination Date in accordance with the payment provisions of Section 5 and shall have no other obligation to the Executive or his dependents other than amounts due, if any, under the Company's long-term disability plan, and any benefits offered by the Company under its then policy to employees who become disabled while employed by the Company.

(c) Cause. In the event the Executive's employment with the Control Group is terminated for Cause, the Company shall pay any amounts due to the Executive under Section 5 through the Termination Date in accordance with the payment provisions of Section 5 and shall have no other obligation to the Executive or his dependents other than any amounts, if any, due to Executive under its then existing policies to employees whose employment is terminated for Cause or under the specific terms of any welfare, pension, fringe benefit or incentive plan. Other than as provided in the preceding sentence, in the event the Executive's employment is terminated for Cause, he shall not be entitled to the benefits and payments provided under Section 8(g) below.

(d) Without Cause or For Good Reason. (i) In the event the Executive's employment with the Control Group is terminated by the Company without Cause, or the Executive terminates employment with the Control Group within 60 days after the occurrence of a Good Reason event with regard to the Executive, the Company shall pay any amounts due to the Executive under Section 5 through the Termination Date in accordance with the payment provisions of Section 5 and shall pay the Executive a Severance Benefit as provided in Section 8(f) below.

(e) Following a Change in Control. Notwithstanding anything to the contrary contained herein, if, within 24 months following a Change in Control, the Executive's employment with the Control Group is terminated without Cause or if the Executive terminates employment with the Control Group within sixty (60) days after the occurrence of a Good Reason event with regard to the Executive, (i) the Executive shall receive his Severance Benefit as provided in Section 8(f) below and (ii) the restrictions on Competition and no-hire contained in Sections 9(a)(i) and 9(b), respectively, shall not apply.

(f) Timing and Form of Payment. The Executive shall receive payment of his Severance Benefit in a lump sum payment within 10 days following the six-month anniversary of the Termination Date, provided that the Executive has signed and returned to the Company the release provided for in Section 12 in a form acceptable to the Company (the "Release"). The Release shall be provided to the Executive within seven (7) days following the Termination Date. In order to receive his Severance Benefit, the Executive will be required to sign the Release within twenty-one (21) or forty-five (45) days after the date it is provided to him, whichever is applicable under applicable law, and not revoke the Release within the seven (7) day period following the date the Executive signs the Release. If the Company has not received from the Executive an effective Release as of the six-month anniversary of the Termination Date, no Severance Benefit shall be paid to the Executive.

(g) (i) Other than in cases where the Executive's employment with the Control Group is terminated pursuant to Sections 7(a), 7(b), 7(c) or 7(f), the Company shall provide the Executive with post-termination medical and dental benefits in a manner intended to satisfy the requirements of Code Sections 105(h) and 409A as follows: (i) immediately following the Termination Date, the Executive will be entitled to elect such continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), subject to the terms and conditions of the Company's medical and dental benefit plans and the provisions of COBRA; (ii) if the Executive elects COBRA continuation coverage, he will pay the applicable COBRA premiums during the period that his medical and dental benefits are continued pursuant to COBRA; and (iii) for each month that his medical and dental benefits are continued pursuant to COBRA, but not exceeding 18 months, the Company will pay to the Executive, on a monthly basis, the difference in the amount of COBRA premiums he pays and the amount the Executive would have paid for such medical and dental coverage as an active employee for such month.

(ii) Notwithstanding anything else herein, the Executive shall not be entitled to any benefits following his Termination Date other than the benefits provided in Section 8 and, without limiting the generality of the foregoing, the Executive specifically shall not be entitled to continue to participate in any group disability or voluntary accidental death or dismemberment insurance plan he participated in prior to his Termination Date. Without limiting the generality of the foregoing, the Executive shall not accrue additional benefits under any pension plan of the Company or an Affiliate (whether or not qualified under Section 401(a) of the Code) following his Termination Date, provided, however, that to the extent provided for under any applicable plan, the amount of any Severance Benefit may be included in the Executive's earnings for purposes of calculating the Executive's benefit under the Foot Locker Retirement Plan, the Foot Locker Excess Cash Balance Plan, and the Foot Locker 401(k) Plan.

(h) In the event of the Executive's death after becoming eligible for the Severance Benefit described in Section 8(f) and prior to payment of such amount, such Severance Benefit shall be paid to the Executive's Beneficiary.

(i) Notwithstanding anything else herein, to the extent the Executive would be subject to the excise tax under Section 4999 of the Code on the amounts in Section 8(f) and such other amounts or benefits he received from the Company and its Affiliates required to be included in the calculation of parachute payments for purposes of Sections 280G and 4999 of the Code, the amounts provided under this Agreement shall be automatically reduced to an amount one dollar less than that which, when combined with such other amounts and benefits required to be so included, would subject the Executive to the excise tax under Section 4999 of the Code if, and only if, the reduced amount received by the Executive on a net after-tax basis after taking into account federal, state and local income and social security taxes at the maximum marginal rates would be greater than the unreduced amount to be received by the Executive on a net after-tax basis after taking into account federal, state and local income and social security taxes at the maximum marginal rates minus the excise tax payable under Section 4999 of the Code on such amount and the other amounts and benefits received by the Executive and required to be included in the calculation of a parachute payment for purposes of Sections 280G and 4999 of the Code.

(j) (i) In the event the Executive's employment with the Control Group is terminated by the Company without Cause prior to the second anniversary of the Executive's commencement of employment with the Company, the first two tranches of the Sign-On Equity Awards shall, to the extent not already vested, vest on the Executive's Termination Date, and the balance of the Sign-On Equity Awards shall be cancelled as of the Termination Date in accordance with the terms of the 2007 Stock Incentive Plan.

(ii) In the event that Executive terminates his employment without Good Reason or the Company terminates Executive's employment with Cause prior to the second anniversary of the Executive's commencement of employment with the Company, Executive shall pay to the Company (a) the intrinsic value (closing price of the Company's common stock on the exercise date less the option exercise price) of the vested portion of Executive's Sign-On Stock Option Grant, to the extent exercised either pre- or post-termination, net of taxes withheld by the Company upon the exercise of such Sign-On Stock Option Grant and (b) the value of the vested portion of his Sign-On Restricted Stock Award at vesting, net of taxes that had been withheld by the Company upon the vesting of such award. The Executive shall have no such payment obligation to the Company under this paragraph (ii) in the event his termination of employment is due to his death or disability.

9. Non-Competition and Confidentiality.

(a) (i) The Executive agrees that he shall not engage in Competition during the Non-Competition Period, subject to the Company's option to waive all or any portion of the Non-Competition Period, as more specifically provided for in the following paragraph.

(ii) As additional consideration for the covenant not to compete during the Non-Competition Period described above, the Company shall pay the Executive, on a monthly basis, the sum of 25 percent of the Executive's monthly Salary, less the amount of the Executive's "Monthly Severance Benefit," if any. This additional consideration shall be payable for the two (2) year period commencing on the Termination Date and shall be payable on the first day of each month. For purposes of this provision, the "Monthly Severance Benefit" shall be equal to the Severance Benefit divided by 12. The Company has the option, for any reason, to elect to waive all or any portion of the two (2) year period of Non-Competition commencing on the Termination Date, by giving the Executive written notice of such election not later than thirty (30) days following the Termination Date. In that event, the Company shall not be obligated to pay the Executive under this paragraph for any months as to which the covenant not to compete has been waived. The Company may discontinue payments being made pursuant to this paragraph at any time during the Non-Competition Period that (i) Executive is engaged in full-time employment that, in the Company's opinion, does not violate the provisions of Section 9(a)(i) hereof, or (ii) Executive violates the provisions of Section 9(a)(i) hereof.

(b) The Executive acknowledges that, during the course of his employment with the Company, due to the nature of the position he occupies he will have access to confidential information of the Company concerning its executives and employees, including, but not limited to, their background, experience, education, training, capabilities, and potential. He agrees, therefore, that if his employment is terminated at any time prior to a Change in Control (a) by the Company for any reason or (b) by the Executive for any reason, he shall not, for a two-year period beginning on the Termination Date, intentionally recruit, solicit or induce 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.

(c) The Executive shall not at any time during the term of this Agreement, or thereafter, communicate or disclose to any unauthorized person, or use for the Executive's own account, without the prior written consent of the Chief Executive Officer of the Company, nonpublic information of any kind concerning the Company or any of its subsidiaries or affiliates, including, but not limited to, nonpublic information concerning finances, financial plans, accounting methods, strategic plans, operations, personnel, organizational structure, methods of distribution, suppliers, customers, client relationships, marketing strategies, real estate strategies or the like. In the event of the termination of Executive's employment, Executive shall, on or before the Termination Date, return all Confidential Information in his possession, in whatever form, to the Company. It is understood, however, that the obligations set forth in this paragraph shall not apply to the extent that the aforesaid matters (a) are disclosed in circumstances in which the Executive is legally required to do so or (b) become generally known to and available for use by the public other than by the Executive's wrongful act or omission.

(d) The Executive agrees that any breach by him of the terms of Section 9 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore agrees that in the event of a breach or threatened breach by the Executive of the provisions of Section 9, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach or continued breach by the Executive, including any and all persons and entities acting for or with the Executive, without having to prove damages, in addition to 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 hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenant not to compete are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenant herein. If any provision of the covenants set forth in Section 9 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.

(e) The provisions of Section 9 shall survive any termination of this Agreement and the existence of any claim or cause of action by the Executive against the Control Group, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of Section 9.

10. No Duty to Mitigate/Set-off. The Company agrees that if the Executive's employment with the Control Group is terminated during the term of this Agreement, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Agreement. Further, the amount of the Severance Benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive or benefit provided to the Executive as the result of employment by another employer or otherwise. Except as otherwise provided herein, the Company's obligations to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive. The Executive shall retain any and all rights under all pension plans, welfare plans, equity plans and other plans, including other severance plans, under which the Executive would otherwise be entitled to benefits.

11. Withholding. The Company shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state, or local income or other taxes incurred by reason of payments pursuant to this Agreement. In lieu thereof, the Company shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Company or an Affiliate to the Executive upon such terms and conditions as the Committee may prescribe.

12. Release. In consideration of the Executive's entitlement hereunder to a Severance Benefit which exceeds the severance benefit provided for under the Company's standard severance program and as a condition of receiving any Severance Benefit hereunder with regard to a Termination of Employment occurring prior to a Change in Control, the Executive shall be required to provide the Company with a release of all claims of the Executive (except with regard to claims for payment of benefits specifically payable or providable hereunder which have not been paid as of the effective date of the release, claims for vested accrued benefits or claims under COBRA) of any kind whatsoever against the Control Group, its past or present officers, directors and employees, known or unknown, as of the date of the release. The release shall be in such form as may reasonably be specified by the Company.

13. Successors; Binding Agreement. In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's Beneficiary, or the executors, personal representatives or administrators of the Executive's estate.

14. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. All references to sections of the Code or any other law shall be deemed also to refer to any successor provisions to such sections and laws.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Severability. If any provisions of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

17. Arbitration. Any dispute or controversy arising under or in connection with this Agreement or the breach thereof, other than injunctive relief pursuant to Section 9, shall be settled by arbitration, conducted before a panel of three arbitrators in New York, New York, or in such other city in which the Executive is then located, in accordance with the rules of the American Arbitration Association then in effect. The determination of the arbitrators, which shall be based upon a de novo interpretation of this Agreement, shall be final and binding and judgment may be entered on the arbitrators' award in any court having jurisdiction. The costs assessed by the American Arbitration Association for arbitration shall be borne by the Company.



18. Notice. Any notice to either party hereunder shall be in writing, and shall be deemed to be sufficiently given to or served on such party, for all purposes, if the same shall be given personally delivered to such party, or sent to such party by registered mail, postage prepaid, in the case of the Executive, at his principal residence address as shown in the records of the Company, and in the case of the Company, to the General Counsel, Foot Locker, Inc., 112 West 34<sup>th</sup> Street, New York, New York 10120.

Either party may change the address to which notices are to be sent to such party hereunder by written notice of such new address given to the other party hereto. Notices shall be deemed given when received if delivered personally or three days after mailing if mailed as aforesaid.

19. Section 409A. This Agreement is intended to comply with, or be exempt from, Section 409A and all provisions hereof shall be construed in a manner to so comply. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred. The parties further agree that there is no guarantee as to the tax consequences of payments provided for hereunder.

20. Compensation Recoupment. Notwithstanding anything herein to the contrary, the Executive agrees that incentive compensation, as defined under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and such regulations as are promulgated thereunder from time to time ("Dodd-Frank"), payable to him under the Company's bonus plans, this Agreement or any other plan, arrangement or program established or maintained by the Company shall be subject to any clawback policy adopted or implemented by the Company in respect of Dodd-Frank, or in respect of any other applicable law or regulation.

21. Executive's Representation. The Executive represents and warrants to the Company that there is no legal impediment to his performing his obligations under this Agreement, and neither entering into this Agreement nor performing his contemplated service hereunder will violate any agreement to which he is a party or any other legal restriction.

22. Governing Law. The validity, interpretation, construction, enforcement and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of laws principles. For purposes of Section 9, the Executive consents to the jurisdiction of state and federal courts in New York County.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive's hand has hereunto been set as of the date first set forth above.

FOOT LOCKER, INC.

By: /s/ Paulette Alviti  
Senior Vice President and  
Chief Human Resources Officer

/s/ Pawan Verma  
Pawan Verma

APPENDIX A

Change in Control

A Change in Control shall mean any of the following:

(A) 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 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 (the "Exchange Act")) (a "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 Exchange Act), of securities representing more than the amounts set forth in (B) below;

(B) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), in the aggregate, of securities of the Company representing thirty-five percent (35%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person (other than the Company or any of its subsidiaries, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company) acting in concert; or

(C) during any period of not more than twelve (12) months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

This definition is intended to constitute a change in ownership or effective control of a corporation or change in the ownership of a substantial portion of the assets of a corporation, in each case, as defined under Section 409A, and shall be construed in a manner consistent with such intent.

**RESTRICTED STOCK AWARD AGREEMENT  
UNDER THE FOOT LOCKER  
2007 STOCK INCENTIVE PLAN**

This Restricted Stock Award Agreement (the "Agreement") made as of August 10, 2015 by and between Foot Locker, Inc., a New York corporation with its principal office located at 112 West 34th Street, New York, New York 10120 (the "Company") and Pawan Verma (the "Executive").

Effective August 10, 2015 (the "Date of Grant"), the Compensation and Management Resources Committee (the "Compensation Committee") of the Board of Directors of the Company granted the Executive an award of 20,490 shares of Restricted Stock under the 2007 Stock Incentive Plan (the "Plan"), subject to the terms of the Plan and the restrictions set forth in this Agreement.

1. Grant of Shares

The Company is transferring to the Executive 20,490 shares of validly issued Common Stock of the Company, par value \$.01 per share (the "Restricted Stock"). Such shares are fully paid and nonassessable and upon transfer shall be validly issued and outstanding. The shares are subject to certain restrictions pursuant to Section 3 hereof, which restrictions shall expire as provided in Section 3.3 hereof.

2. Restrictions on Transfer

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

3. Restricted Stock

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

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

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

<i>Vesting Date</i>	<i>Number of Shares</i>
August 10, 2016	6,830
August 10, 2017	6,830
August 10, 2018	6,830

(b) Other than as may be provided for under this Agreement, there shall be no proportionate or partial vesting in the periods prior to the appropriate vesting date and all vesting shall occur only on the appropriate vesting date.

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

(d) If the Company terminates Executive's employment without Cause prior to August 10, 2017, the first two tranches of the Restricted Stock shall, to the extent not already vested, vest on the Executive's termination date, and the balance of the Restricted Stock shall be cancelled and forfeited in its entirety as of the termination date in accordance with the terms and conditions of the Plan.

(e) If the Company terminates the Executive's employment without Cause or the Executive terminates his employment for Good Reason upon, or within twenty-four (24) months following, a Change in Control as defined in Appendix A hereto, all shares of Restricted Stock shall become immediately vested and cease to be Restricted Stock.

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

(g) If the Executive terminates his employment without Good Reason or the Company terminates Executive's employment for Cause prior to August 10, 2017, (in each case, a "Non-Qualifying Termination"), Executive shall pay to the Company and the Company shall be entitled to recover, within ten (10) business days from the Executive's termination date, a lump sum payment in cash equal to the aggregate value of the vested portion of the Restricted Stock at vesting (based on the per-share closing price of the Company's Common Stock on the vesting date), net of any taxes that had been withheld by the Company upon the vesting of such Restricted Stock. Notwithstanding the foregoing, upon a Non-Qualifying Termination, in the event that any portion of the Restricted Stock has not vested, such portion of the Restricted Stock shall be cancelled and forfeited in its entirety in accordance with the terms and conditions of the Plan.

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

3.5 Withholding. The Executive agrees that, subject to subsection 3.7 below,

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

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

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

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

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

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

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Foot Locker (the "Company") 2007 Stock Incentive Plan, and an Agreement entered into between the registered owner and the Company dated as of August 10, 2015. Copies of such Plan and Agreement are on file at the principal office of the Company."

5. Non-Competition.

5.1 Competition. By accepting this award of Restricted Stock, as provided below, the Executive agrees that during the "Non-Competition Period" he will not engage in "Competition" with the Company or any of its subsidiaries, divisions, or affiliates (the "Control Group"). As used herein, "Competition" means:

(a) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, joint venturer, investor, lender, consultant, or in any capacity whatsoever (within the United States of America, or in any country where the Company or any of its subsidiaries or affiliates 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 Company or any of its subsidiaries or affiliates (the "Athletic Business") or (B) a business that in the prior fiscal year supplied product to the Company or any of its subsidiaries or affiliates for the Athletic Business having a value of \$20 million or more at cost to the Company or any of its subsidiaries or affiliates; 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 traded 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

(b) the intentional recruiting, soliciting or inducing of any employee or employees of the Company or any of its subsidiaries or affiliates to terminate their employment with, or otherwise cease their relationship with, the Company or any of its subsidiaries or affiliates where such employee or employees do in fact so terminate their employment.

5.2 "Non-Competition Period." As used herein, "Non-Competition" Period means: the period commencing August 10, 2015 and ending on August 10, 2018, or any part thereof, during which the Executive is employed by the Control Group and (ii) if the Executive's employment with the Control Group terminates for any reason during such period, the two-year period commencing on the date his employment with the Control Group terminates. Notwithstanding the foregoing, the Non-Competition Period shall not extend beyond the date the Executive's employment with the Control Group terminates if such termination of employment occurs following a "Change in Control" as defined in Attachment A hereto.



5.3 Breach of Non-Competition Provision. The Executive agrees that the breach by him of the provisions included herein under Section 5 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. The Executive therefore agrees 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 him, 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 the Executive's breach of the Non-Competition Provision, the shares of Restricted Stock covered by this Agreement that are then unvested shall be immediately forfeited. The Executive and the Company further agree that the Non-Competition Provision is reasonable and that the Company would not have granted the award of Restricted Stock provided for in this 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, the Executive and the Company consent to the jurisdiction of state and federal courts in New York County.

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

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

8. Miscellaneous.

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

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

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

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

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

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

8.7 This Agreement shall be subject to any compensation recoupment policy that the Company may adopt.

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

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

8.10 To indicate your acceptance of the terms of this Restricted Stock Award Agreement, you must sign and deliver or mail not later than 60 days from the date hereof, a copy of this Agreement to the General Counsel of the Company at the address provided in the heading of this Agreement.

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

FOOT LOCKER, INC.

By: /s/ Paulette Alviti  
Paulette Alviti  
Senior Vice President and  
Chief Human Resources Officer

/s/ Pawan Verma  
Pawan Verma

**APPENDIX A**

**Change in Control**

A Change in Control shall mean any of the following:

(A) the merger or consolidation of Foot Locker with, or the sale or disposition of all or substantially all of the assets of Foot Locker to, any Person other than (a) a merger or consolidation which would result in the voting securities of Foot Locker 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 Foot Locker 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 Foot Locker (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 Exchange Act), of securities representing more than the amounts set forth in (B) below;

(B) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), in the aggregate, of securities of Foot Locker representing thirty-five percent (35%) or more of the total combined voting power of Foot Locker's then issued and outstanding voting securities by any Person (other than Foot Locker or any of its subsidiaries, any trustee or other fiduciary holding securities under any employee benefit plan of Foot Locker, or any company owned, directly or indirectly, by the shareholders of Foot Locker in substantially the same proportions as their ownership of Stock) acting in concert; or

(C) during any period of not more than twelve (12) months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by Foot Locker's shareholders was approved by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

**FOOT LOCKER 2007 STOCK INCENTIVE PLAN**  
**NONSTATUTORY STOCK OPTION AWARD AGREEMENT**

**Stock Option Grant**

The Compensation and Management Resources Committee of the Board of Directors of Foot Locker, Inc. (the "Company"), a New York corporation, granted you a Nonstatutory Stock Option (the "Option") on August 10, 2015 under the Foot Locker 2007 Stock Incentive Plan (the "Plan"), to purchase shares of the Company's common stock, as set forth below. Except as otherwise provided in the Plan or in this Agreement, the Option will become exercisable in annual installments over a three-year vesting period according to the vesting schedule specified below:

<b>Name of Participant:</b>	Pawan Verma
<b>Date of Grant:</b>	August 10, 2015
<b>Exercise Price Per Share:</b>	\$73.21
<b>Number of Shares of Stock:</b>	11,346
<b>Vesting Schedule:</b>	3,782 shares on August 10, 2016 3,782 shares on August 10, 2017 3,782 shares on August 10, 2018
<b>Expiration Date:</b>	August 10, 2025

The Option will expire on the Expiration Date 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 under the terms of this Award Agreement and the Plan.

The Option is subject to the terms of the Plan, the Prospectus covering the Plan dated July 4, 2014, any subsequently issued Prospectus or Appendix covering the Plan, and the terms and conditions set forth in this Award Agreement. All of these documents are incorporated herein by this reference and made a part of the Option.

If the Company terminates your employment without Cause prior to August 10, 2017, the first two tranches of the Option shall, to the extent not already vested, vest on your termination date, and the balance of the Option shall be cancelled and forfeited in its entirety as of the termination date in accordance with the terms and conditions of the Plan.

If you terminate your employment without Good Reason or the Company terminates your employment for Cause prior to August 10, 2017 (in each case, a "Non-Qualifying Termination"), you shall pay to the Company and the Company shall be entitled to recover, a lump sum payment in cash equal to the aggregate intrinsic value of the vested portion of your Option, to the extent exercised either pre- or post-termination, (based on the per-share closing price of the Company's Common Stock on the exercise date less the per-share option exercise price multiplied by the number of shares of Common Stock exercised), net of any taxes that had been withheld by the Company upon your exercise of the Option, such payment to be due to the Company within ten (10) business days from your termination date or, if the Option is exercised post-termination, within ten (10) business days from the exercise date of the Option. Notwithstanding the foregoing, upon a Non-Qualifying Termination, in the event that any portion of the Option has not vested or any portion of the Option has vested but has not been exercised, such portion of the Option shall be cancelled and forfeited in its entirety in accordance with the terms and conditions of the Plan.

### **Non-Competition**

**By accepting this Option 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, consultant, or in any capacity whatsoever (within the United States of America, or in any country where 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 August 10, 2015 and ending on August 10, 2018, 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 two-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 Option**

To accept this stock option grant, please click "Accept" below no later than September 10, 2015. Please ensure your home address is accurate by reviewing it on the "my profile" tab.

August 11, 2015

FOOT LOCKER, INC.

By: /s/ Sheilagh M. Clarke  
Sheilagh M. Clarke  
Senior Vice President -  
General Counsel and Secretary

**ATTACHMENT A**

**Change in Control**

A Change in Control shall mean any of the following:

(A) the merger or consolidation of Foot Locker with, or the sale or disposition of all or substantially all of the assets of Foot Locker to, any Person other than (a) a merger or consolidation which would result in the voting securities of Foot Locker 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 Foot Locker 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 Foot Locker (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 Exchange Act), of securities representing more than the amounts set forth in (B) below;

(B) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), in the aggregate, of securities of Foot Locker representing thirty-five percent (35%) or more of the total combined voting power of Foot Locker's then issued and outstanding voting securities by any Person (other than Foot Locker or any of its subsidiaries, any trustee or other fiduciary holding securities under any employee benefit plan of Foot Locker, or any company owned, directly or indirectly, by the shareholders of Foot Locker in substantially the same proportions as their ownership of Stock) acting in concert; or

(C) during any period of not more than twelve (12) months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by Foot Locker's shareholders was approved by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.



**FOOT LOCKER, INC.**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
(Unaudited)  
(\$ in millions)

	Twenty-six weeks ended		Fiscal year ended				
	August 1, 2015	August 2, 2014	Jan. 31, 2015	Feb. 1, 2014	Feb. 2, 2013	Jan. 28, 2012	Jan. 29, 2011
<b>NET EARNINGS</b>							
Net income	\$ 303	\$ 254	\$ 520	\$ 429	\$ 397	\$ 278	\$ 169
Income tax expense	172	144	289	234	210	157	88
Interest expense, excluding capitalized interest	5	5	11	11	11	13	14
Portion of rents deemed representative of the interest factor (1/3)	125	118	249	236	222	218	213
	<u>\$ 605</u>	<u>\$ 521</u>	<u>\$ 1,069</u>	<u>\$ 910</u>	<u>\$ 840</u>	<u>\$ 666</u>	<u>\$ 484</u>
<b>FIXED CHARGES</b>							
Gross interest expense	\$ 5	\$ 5	\$ 11	\$ 11	\$ 11	\$ 13	\$ 14
Portion of rents deemed representative of the interest factor (1/3)	125	118	249	236	222	218	213
	<u>\$ 130</u>	<u>\$ 123</u>	<u>\$ 260</u>	<u>\$ 247</u>	<u>\$ 233</u>	<u>\$ 231</u>	<u>\$ 227</u>
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>	<b>4.7</b>	<b>4.2</b>	<b>4.1</b>	<b>3.7</b>	<b>3.6</b>	<b>2.9</b>	<b>2.1</b>

## ACCOUNTANTS' ACKNOWLEDGEMENT

The Board of Directors  
Foot Locker, Inc.:

We hereby acknowledge our awareness of the use of our report dated September 9, 2015 related to our review of interim financial information in the following Registration Statements:

- Form S-8 No. 33-10783
- Form S-8 No. 33-91888
- Form S-8 No. 33-91886
- Form S-8 No. 33-97832
- Form S-8 No. 333-07215
- Form S-8 No. 333-21131
- Form S-8 No. 333-62425
- Form S-8 No. 333-33120
- Form S-8 No. 333-41056
- Form S-8 No. 333-41058
- Form S-8 No. 333-74688
- Form S-8 No. 333-99829
- Form S-8 No. 333-111222
- Form S-8 No. 333-121515
- Form S-8 No. 333-144044
- Form S-8 No. 333-149803
- Form S-3 No. 33-43334
- Form S-3 No. 33-86300
- Form S-3 No. 333-64930
- Form S-8 No. 333-167066
- Form S-8 No. 333-171523
- Form S-8 No. 333-190680
- Form S-8 No. 333-196899

Pursuant to Rule 436(c) under the Securities Act of 1933 (the Act), such report is not considered a part of the registration statement prepared or certified by an independent registered public accounting firm or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP  
New York, New York  
September 9, 2015

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## CERTIFICATION

I, Richard A. Johnson, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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 9, 2015

/s/ Richard A. Johnson  
Chief Executive Officer

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## CERTIFICATION

I, Lauren B. Peters, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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 9, 2015

/s/ Lauren B. Peters  
Chief Financial Officer

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## 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 August 1, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Richard A. Johnson, as Chief Executive Officer of the Registrant and Lauren B. Peters, as Chief Financial Officer of the Registrant, each hereby certifies, 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 9, 2015

/s/ Richard A. Johnson

Richard A. Johnson  
Chief Executive Officer

/s/ Lauren B. Peters

Lauren B. Peters  
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the company specifically incorporates it by reference.

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**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 August 1, 2015 and August 2, 2014, and the related condensed consolidated statements of operations and comprehensive income for the thirteen and twenty-six week periods ended August 1, 2015 and August 2, 2014, and the related condensed consolidated statements of cash flows for the twenty-six week periods ended August 1, 2015 and August 2, 2014.

We conducted our review 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 (United States), 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 review, 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 U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of January 31, 2015, 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 30, 2015 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, 2015, 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  
September 9, 2015

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