SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 10 - Q

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

For the quarterly period ended October 31, 1998

Commission file no. 1-10299

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

New York	13-3513936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

233 Broadway, New York, New York	10279-0003
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (212)-553-2000

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

Number of shares of Common Stock outstanding at November 27, 1998: 135,614,566

VENATOR GROUP, INC.

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

	October 31, 1998 (Unaudited)	October 25, 1997 (Unaudited)	January 31, 1998 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	$ 147	$ 17	$ 81
Merchandise inventories	1,112	886	754
Net assets of discontinued operations	220	597	619
Other current assets	136	149	131
	1,615	1,649	1,585
Property and equipment, net	916	511	625
Deferred charges and other assets	614	655	585
	$3,145	$ 2,815	$ 2,795
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt	$ 371	$ 21	$ --
Accounts payable and accrued liabilities	652	490	507
Current portion of reserve for discontinued operations	217	128	72
Current portion of long-term debt and obligations under capital leases	20	13	19
	1,260	652	598
Long-term debt and obligations under capital leases	508	510	508
Deferred taxes and other liabilities	345	432	400
Reserve for discontinued operations	30	67	18
Shareholders' Equity			
Common stock and paid-in capital	327	315	317
Retained earnings	860	925	1,033
Accumulated other comprehensive loss	(185)	(86)	(79)
Total shareholders' equity	1,002	1,154	1,271
Commitments			
	$ 3,145	$ 2,815	$ 2,795

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(in millions, except per share amounts)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 1998	October 25, 1997	October 31, 1998	October 25, 1997
Sales	$ 1,122	$ 1,107	$ 3,223	$ 3,198
Costs and expenses				
Cost of sales	840	741	2,324	2,167
Selling, general and administrative expenses	302	252	827	744
Depreciation and amortization	38	30	108	90
Interest expense, net	18	8	35	25
Other income	-	-	(19)	-
	1,198	1,031	3,275	3,026
Income (loss) from continuing operations before income taxes	(76)	76	(52)	172
Income tax expense (benefit)	(36)	26	(26)	65
Income (loss) from continuing operations	(40)	50	(26)	107
Income (loss) from discontinued operations, net of income tax expense (benefit) of $6, $5, $(14) and $(26), respectively	6	5	(26)	(37)
Net loss on disposal of discontinued operations, net of income tax expense (benefit) of $52, $0, $52, and $(115), respectively	(121)	-	(121)	(195)
Net income (loss)	$ (155)	$ 55	$ (173)	$ (125)
Basic earnings per share:				
Income (loss) from continuing operations	$ (0.29)	$ 0.37	$ (0.19)	$ 0.80
Income (loss) from discontinued operations	(0.85)	0.04	(1.08)	(1.73)
Net income (loss)	$ (1.14)	$ 0.41	$ (1.27)	$ (0.93)
Weighted-average common shares outstanding	135.6	134.9	135.4	134.5
Diluted earnings per share:				
Income (loss) from continuing operations	$ (0.29)	$ 0.37	$ (0.19)	$ 0.79
Income (loss) from discontinued operations	(0.85)	0.03	(1.08)	(1.71)
Net income (loss)	$ (1.14)	$ 0.40	$ (1.27)	$ (0.92)
Weighted-average common shares assuming dilution	135.6	136.3	135.4	135.8

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)
(in millions)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 1998	October 25, 1997	October 31, 1998	October 25, 1997
Net income (loss).....	$ (155)	$ 55	$ (173)	$ (125)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments: Translation adjustments arising during period (pre-tax $(216), $10, $(216), and $(114), respectively).....	(108)	6	(108)	(71)
Less: reclassification adjustment for gains included in net income (loss) (pre-tax $298).....	149	-	149	-
	41	6	41	(71)
Minimum pension liability adjustments (pre-tax $4)	2	-	2	-
Comprehensive income (loss).	$ (112)	$ 61	$ (130)	$ (196)

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)
(in millions)

	Thirty-nine weeks ended	
	October 31, 1998	October 25, 1997
Retained earnings at beginning of year ...	$ 1,033	$ 1,050
Net loss	(173)	(125)
Retained earnings at end of interim period	$ 860	$ 925

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in millions)

	Thirty-nine weeks ended	
	October 31, 1998	October 25, 1997
From Operating Activities:		
Net loss	$ (173)	$ (125)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash charge for discontinued operations, net of tax	121	195
Discontinued operations reserve activity	(127)	(104)
Depreciation and amortization	108	90
Net gain on sales of real estate	-	(3)
Net gain on sales of assets and investments	(19)	-
Deferred income taxes	(38)	(37)
Change in assets and liabilities, net of acquisition:		
Merchandise inventories	(356)	(238)
Accounts payable and other liabilities	146	29
Net assets of discontinued operations	(56)	299
Other, net	(15)	(54)
Net cash provided by (used in) operating activities	(409)	52
From Investing Activities:		
Net proceeds from businesses disposed	495	-
Proceeds from sales of assets and investments	22	-
Proceeds from sales of real estate	-	3
Capital expenditures	(395)	(114)
Payments for businesses acquired, net of cash acquired	(29)	(148)
Net cash provided by (used in) investing activities	93	(259)
From Financing Activities:		
Increase in short-term debt	371	21
Reduction in long-term debt and capital lease obligations	(2)	(2)
Issuance of common stock	10	16
Net cash provided by financing activities	379	35
Effect of exchange rate fluctuations on Cash and Cash Equivalents	3	(8)
Net change in Cash and Cash Equivalents	66	(180)
Cash and Cash Equivalents at beginning of year	81	197
Cash and Cash Equivalents at end of interim period	$ 147	$ 17
Cash paid during the period:		
Interest	$ 32	$ 21
Income taxes	$ 14	$ 58

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Registrant's Form 10-K for the year ended January 31, 1998, as filed with the Securities and Exchange Commission (the "SEC") on April 21, 1998. The Condensed Consolidated Statement of Comprehensive Income (Loss) was prepared in conformity with generally accepted accounting principles and was not required for the year ended January 31, 1998. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the thirty-nine weeks ended October 31, 1998 are not necessarily indicative of the results expected for the year. All financial statements have been restated to reflect the discontinuance of the Specialty Footwear and International General Merchandise segments.

Name Change

The Registrant changed its name to Venator Group, Inc. (formerly Woolworth Corporation) effective June 11, 1998.

Discontinued Operations

On September 22, 1998, the Registrant announced that it is exiting its International General Merchandise segment. On October 22, 1998, the Registrant completed the sale of its 357 store German general merchandise business for $563 million, pursuant to a definitive agreement. The Registrant recorded a net gain on the disposal of the International General Merchandise segment of $174 million before-tax, or $39 million after-tax, in the third quarter 1998. The disposition of the International General Merchandise segment will be completed in 1999.

On September 16, 1998, the Registrant announced that it is exiting its Specialty Footwear segment including 467 Kinney Shoe stores and 103 Footquarters stores. The Registrant expects to convert approximately 60 of these locations to its Lady Foot Locker, Kids Foot Locker, and Colorado formats. Additionally, the Registrant will launch a new athletic outlet chain utilizing approximately 35 Footquarters locations and 40 existing Foot Locker and Champs Sports outlet stores. The remaining stores are expected to close or be disposed of in 1999. The Registrant recorded a charge to earnings of $243 million before-tax, or $160 million after-tax, for the loss on disposal of the Specialty Footwear operations.

On July 17, 1997, the Registrant announced that it was exiting its 400 store Domestic General Merchandise segment and recorded a charge to earnings of $310 million before-tax, or $195 million after-tax, for the loss on disposal of discontinued operations. The Registrant plans to convert approximately 150 locations to Foot Locker, Champs Sports, and other athletic or specialty formats. The Registrant has opened 147 stores in former domestic general merchandise locations through October 31, 1998.

The results of operations for all periods presented for the International General Merchandise segment, the Specialty Footwear segment, and the Domestic General Merchandise segment have been classified as discontinued operations in the Condensed Consolidated Statements of Operations.

Sales and net income or loss from discontinued operations for the quarter and year-to-date periods through the date of discontinuance of each segment are presented below.

Sales - ----- (in millions)	Thirteen weeks ended October 31, 1998	 October 25, 1997	Thirty-nine weeks ended October 31, 1998	 October 25, 1997
International General Merchandise	$ 234	$ 340	$ 842	$ 1,040
Specialty Footwear	79	136	301	384
Domestic General Merchandise	-	-	-	427
Total	$ 313	$ 476	$ 1,143	$ 1,851

Net income (loss) - ----------------- (in millions)	Thirteen weeks ended October 31, 1998	 October 25, 1997	Thirty-nine weeks ended October 31, 1998	 October 25, 1997
International General Merchandise	$ (1)	$ 4	$ (9)	$ (2)
Specialty Footwear	7	1	(17)	(7)
Domestic General Merchandise	-	-	-	(28)
Total	$ 6	$ 5	$ (26)	$ (37)

The following is a summary of the net assets of discontinued operations:

(in millions)	October 31, 1998	October 25, 1997	Jan. 31, 1998
International General Merchandise			
Assets	$ 57	$ 854	$ 786
Liabilities	13	419	354
Net assets of discontinued operations	$ 44	$ 435	$ 432
Specialty Footwear			
Assets	$ 190	$ 244	$ 213
Liabilities	26	33	33
Net assets of discontinued operations	$ 164	$ 211	$ 180
Domestic General Merchandise			
Assets	$ 46	$ 100	$ 28
Liabilities	34	149	21
Net assets (liabilities) of discontinued operations	$ 12	$ (49)	$ 7
Total Net Assets of discontinued operations	$ 220	$ 597	$ 619

The assets of each segment consist primarily of inventory and fixed assets. The liabilities of the International General Merchandise segment at October 25, 1997 and January 31, 1998 predominantly include amounts due to vendors and pension liabilities. The decrease in net assets of International General Merchandise discontinued operations at October 31, 1998 reflects the sale of the German general merchandise operations on October 22, 1998. The liabilities of the Specialty Footwear and Domestic General Merchandise segments primarily reflect amounts due to vendors.

The discontinued operations reserve for International General Merchandise of $41 million was reduced by a $2 million foreign currency translation adjustment. Disposition activity of $48 million for the period from September 16, 1998 to October 31, 1998 reduced the reserve of $243 million recorded for Specialty Footwear discontinued operations to $195 million. Disposition activity related to the discontinued operations reserve for the quarter and year-to-date periods ended October 31, 1998 was approximately $32 million and $77 million, respectively, for the domestic general merchandise business. The remaining reserve balance at October 31, 1998 was $13 million.

Earnings Per Share
- ------------------

Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock awards and other convertible securities. A reconciliation of weighted-average common shares outstanding to weighted-average common shares assuming dilution follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(in millions)	October 31, 1998	October 25, 1997	October 31, 1998	October 25, 1997
Weighted-average common shares outstanding	135.6	134.9	135.4	134.5
Incremental common shares issuable	-	1.4	-	1.3
Weighted-average common shares assuming dilution	135.6	136.3	135.4	135.8

Incremental common shares were not included in the computation for the quarter and year-to-date periods ended October 31, 1998 since their inclusion in periods when the Registrant reported a loss from continuing operations would be antidilutive. For the thirteen and the thirty-nine weeks ended October 25, 1997, options with an exercise price greater than the average market price are not included in the computation of diluted earnings per share and would not have a material impact on diluted earnings per share.

Comprehensive Income
- --------------------

The Registrant adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income or loss and its components in the financial statements. Comprehensive income is a more inclusive financial reporting methodology that includes the disclosure of certain financial information that has not been recognized in the calculation of net income or loss, such as foreign currency translations and changes in minimum pension liability which are recorded directly to shareholders' equity. Accumulated other comprehensive loss was comprised of foreign currency translation adjustments of $142 million, $49 million, and $34 million, and minimum pension liability adjustments of $43 million, $37 million, and $45 million, at October 31, 1998, October 25, 1997, and January 31, 1998, respectively.

Reclassifications
- -----------------

Certain balances in prior periods have been reclassified to conform with the presentation adopted in the current period. As discussed above, all financial statements have been restated to reflect the discontinuance of the Specialty Footwear and International General Merchandise segments.

Legal Proceedings
- -----------------

There are no material legal proceedings.

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for financial statements issued for fiscal years beginning after December 15, 1997 and therefore, effective for the Registrant in 1998. The Registrant will adopt the provisions of this standard in the fourth quarter of 1998. SFAS No. 131 supersedes previously established standards for reporting operating segments in the financial statements and requires disclosures regarding selected information about operating segments in interim and annual financial reports.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which is effective for fiscal years beginning after December 15, 1997 and therefore, effective for the Registrant in 1998. This statement revises employers' disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of those plans.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal quarters of fiscal years beginning after June 15, 1999 and therefore, effective for the Registrant in 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Registrant is in the process of evaluating SFAS No. 133 to determine its impact on the consolidated financial statements.

Short-Term Debt

On September 25, 1998, the Registrant borrowed $180 million under a separate loan agreement ,in addition to amounts borrowed under its April 9, 1997 $500 million revolving credit agreement ("revolving credit agreement"). This facility was subsequently repaid with proceeds received from the sale of its German general merchandise business. Due to lower than planned earnings in the quarter and the charges related to the closing of the Registrant's Specialty Footwear operations, the Registrant obtained a waiver with regard to certain financial covenants contained in the revolving credit agreement for the period from October 31, 1998 through March 19, 1999. During the waiver period, the Registrant is prohibited from paying cash dividends or repurchasing, redeeming, retiring, or acquiring any shares of its capital stock. The Registrant is in the process of amending its revolving credit agreement and expects to have an amended credit facility in place prior to expiration of the waiver.

Subsequent Event

On June 22, 1998, the Registrant entered into an agreement to sell its Corporate Headquarters building in New York, the Woolworth Building, and lease back four floors. These transactions were completed on December 4, 1998 for gross proceeds of $137.5 million. The Registrant will record a gain on the sale totaling approximately $55 million after-tax, a substantial portion of which will be recongnized in the fourth quarter with the remainder recognized over the lease terms.

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

As discussed more fully in the footnotes to the Condensed Consolidated Financial Statements, the Registrant announced that it was exiting its Specialty Footwear and its International General Merchandise segments. Accordingly, the results of operations for all periods presented for these businesses have been classified as discontinued operations and all financial statements have been restated.

Total sales for the 1998 third quarter increased 1.4 percent to $1,122 million as compared with $1,107 million for the third quarter of 1997, reflecting sales from 384 additional stores, offset by a comparable-store sales decline of 5.3 percent. Excluding the effect of foreign currency fluctuations and sales from disposed operations, sales increased 2.8 percent for the quarter.

Sales for the thirty-nine weeks ended October 31, 1998 increased 0.8 percent to $3,223 million as compared with $3,198 million for the same period a

year earlier. Excluding the effect of foreign currency fluctuations and sales from disposed operations, sales increased 2.0 percent as compared with the corresponding prior-year period. Year-to-date comparable-store sales decreased 6.4 percent.

Gross margin, as a percentage of sales, decreased 790 basis points to 25.1 percent for the quarter and decreased from 32.2 percent to 27.9 percent for the year-to-date period in 1998, as compared with the corresponding periods a year earlier. These declines primarily reflect increased markdowns as a result of the Registrant's decision to embark on an aggressive inventory reduction program in the third quarter 1998 to ensure that inventories remain current in order to enhance its competitiveness for 1999.

Selling, general and administrative expenses increased $50 million and $83 million for the thirteen and thirty-nine weeks ended October 31, 1998 as compared with the corresponding prior-year periods. These increases primarily reflect the incremental costs associated with the additional stores year-over-year attributable to the new store program. These increases were partially offset by decreases in net pension and net postretirement benefit expense, which primarily reflects the amortization of the plans' unrecognized gains and losses over the average remaining life expectancy of inactive participants, who now comprise the majority of the plans' participants. Previously, the unrecognized gains and losses were amortized over the average remaining service period of active participants.

Third quarter operating results from continuing operations (before corporate expense, interest expense and income taxes) reflect a $30 million loss for 1998 as compared with a profit of $91 million for the third quarter of 1997, reflecting a significant increase in inventory markdown activity and an increase in selling, general and administrative expenses. For the thirty-nine weeks ended October 31, 1998, operating profit declined to $43 million from $245 million in the corresponding prior-year period.

Interest expense, net of interest income, increased $10 million for the 1998 third quarter and year-to-date periods as compared with the corresponding prior-year periods. The incremental interest expense is attributable to increased short- term borrowing levels during 1998 and is partially offset by interest income of approximately $7 million related to a franchise tax settlement in the second quarter.

The Registrant reported a loss from continuing operations for the thirteen weeks ended October 31, 1998 of $40 million, or $0.29 per diluted share, as compared with income of $50 million, or $0.37 per diluted share for the prior-year period ended October 25, 1997. Year-to-date continuing operations include a $26 million loss for 1998 as compared with $107 million in income for the prior-year period.

During the quarter the effective tax rate was adjusted to 47.4 percent and 50 percent for the quarter and year-to-date periods ended October 31, 1998, respectively, as compared with 34.2 percent and 37.8 percent for the corresponding prior-year periods. The increase reflects the impact of non-deductible terms, such as goodwill amortization, at lower earnings levels.

The net loss for the quarter of $155 million or $1.14 per diluted share includes $115 million (after-tax) or $0.85 per diluted share for discontinued operations. This compares with net income of $55 million, or $0.40 per diluted share for the corresponding prior-year period. The net loss for the thirty-nine weeks ended October 31, 1998 of $173 million or $1.27 per diluted share, includes $147 million (after-tax), or $1.08 per diluted share for discontinued operations. This compares with a net loss of $125 million, or $0.92 per diluted share for the corresponding prior-year period, which includes $232 million (after-tax) or $1.71 per diluted share for discontinued operations.

Consistent with an announcement made by the Registrant during the quarter, in light of current trends, particularly in athletic apparel, and based upon its intention to continue to position its inventory properly for the beginning of 1999, the Registrant expects fourth quarter earnings to be below plan.

The Registrant ended the third quarter with 5,964 stores consisting of 3,869 in the Athletic Group, 914 in the Northern Group and 1,181 in Other Specialty. This compares with 5,580 stores at the end of the corresponding prior-year period. During the thirty-nine weeks ended October 31, 1998, the Registrant opened 500 stores, closed or disposed of 258 stores and remodeled or relocated 361 stores. Of the 500 stores opened, 90 stores represent the first quarter acquisition of Athletic Fitters stores.

SALES

The following table summarizes sales for continuing operations by segment and geographic area:

(in millions) By Segment:	Thirteen weeks ended October 31, 1998	Thirteen weeks ended October 25, 1997	Thirty-nine weeks ended October 31, 1998	Thirty-nine weeks ended October 25, 1997
Specialty:				
Athletic Group	$ 945	$ 912	$ 2,730	$ 2,685
Northern Group	97	110	256	270
Other Specialty	80	79	233	229
Specialty total	1,122	1,101	3,219	3,184
Disposed operations	-	6	4	14
	$ 1,122	$ 1,107	$ 3,223	$ 3,198
By Geographic Area:				
Domestic	$ 936	$ 909	$ 2,711	$ 2,681
International	186	192	508	503
Disposed operations	-	6	4	14
	$ 1,122	$ 1,107	$ 3,223	$ 3,198

Athletic Group sales increased by 3.6 percent for the 1998 third quarter and by 1.7 percent for the year-to-date period, as compared with the corresponding periods a year earlier. The increase was primarily attributable to sales from 360 additional stores and also, in part, to increased sales from remodeled stores. Comparable-store sales declined by 5.1 percent and by 7.1 percent for the quarter and year-to-date periods reflecting decreased sales of branded and licensed product, offset by improved sales from several athletic footwear categories, such as running, trail and basketball.

Excluding the impact of foreign currency fluctuations, the Northern Group's sales decreased by 8.7 percent and by 1.9 percent for the thirteen and thirty-nine week periods, respectively. Comparable-store sales declined by 15.7 percent and 9.6 percent, respectively, reflecting the impact of a change in merchandise mix and decreased sales from stores in the southern United States, which experienced unusually mild weather in the fall.

Other Specialty 1998 third quarter and year-to-date comparable-store sales increased by 9.9 percent and by 7.4 percent, as compared with the corresponding prior-year periods. The afterthoughts format is primarily responsible for these increases, reflecting, in part, the success of the format's larger-store design.

OPERATING RESULTS

Operating results from continuing operations (before corporate expense, interest expense, and income taxes) are as follows:

(in millions)	Thirteen weeks ended October 31, 1998	Thirteen weeks ended October 25, 1997	Thirty-nine weeks ended October 31, 1998	Thirty-nine weeks ended October 25 1997
Specialty	$ (30)	$ 92	$ 26	$ 247
Disposed operations	-	(1)	17	(2)
	$ (30)	$ 91	$ 43	$ 245
By Geographic Area:				
Domestic	$ (36)	$ 75	$ 24	$ 225
International	6	17	2	22
Disposed operations	-	(1)	17	(2)
	$ (30)	$ 91	$ 43	$ 245

The Specialty segment reported a loss of $30 million for the 1998 third quarter as compared with a profit of $92 million in the 1997 third quarter. The Athletic Group sales increases were more than offset by the increased promotional markdowns taken as part of the aggressive inventory reduction program undertaken by the Registrant in the third quarter, in order to keep the product assortment current and enhance the Registrant's competitiveness for 1999. Operating results for the Northern Group for the 1998 third quarter and year-to-date periods decreased due to disappointing sales. Other Specialty operating results improved by 42.9 percent and by 36.4 percent for the thirteen and thirty-nine weeks ended October 31, 1998, respectively, as compared with the corresponding prior year periods, predominantly related to the afterthoughts format.

Included in disposed operations for the thirty-nine weeks ended October 31, 1998 is a $19 million gain from the sale of the Registrant's six-store nursery chain. This gain is offset by a $2 million loss, including operating losses, for the shutdown of the U.S. Randy River operations. This is part of the Registrant's continuing program to reduce its investment in non-strategic businesses. The prior-year amount represents the operating results of these operations.

SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was $409 million for the thirty-nine weeks ended October 31, 1998, as compared with net cash provided by operating activities of $52 million in the corresponding prior-year period. This principally reflects the liquidation of the domestic general merchandise business in the prior year and the operating losses incurred from continuing operations in 1998. Inventories purchased in 1998 contributed to the increase in accounts payable, and included inventory for approximately 200 new and remodeled stores which were scheduled for completion in November.

Net cash from investing activities totaled $93 million for the thirty-nine weeks ended October 31, 1998, as compared with $259 million net cash used during the corresponding prior-year period. On October 22, 1998, the Registrant sold its German general merchandise business for $563 million. Net proceeds received from the sale amounted to $495 million, the majority of which were used to reduce short-term borrowings. Cash used in investing activities in the prior year was predominantly due to the first quarter acquisition of Eastbay, Inc. for $140 million, in a transaction accounted for as a purchase. Capital expenditures totaled $395 million for the thirty-nine weeks ended October 31, 1998 as compared with $114 million for the corresponding prior-year period reflecting planned expenditures related to the Registrant's aggressive new store and remodeling program. Additionally, the increase is attributable to unplanned expenditures relating to the repositioning of 50 additional domestic general merchandise locations, as well as costs associated with a European distribution center and the relocation and reduction in size of the Registrant's divisional and corporate office space in connection with the sale of its Corporate Headquarters. Capital expenditures for 1998 are expected to total $515 million.

Short-term debt, net of cash, increased by $220 million as of October 31, 1998, from October 25, 1997, reflecting increased borrowings under the Registrant's revolving credit agreement primarily due to lower than expected sales and increased capital expenditures. During the quarter, the Registrant borrowed $180 million under a separate loan agreement, in addition to amounts borrowed under the revolving credit agreement. This facility was subsequently repaid with proceeds received from the sale of its German general merchandise business. Due to lower than planned earnings in the quarter and the charges related to the closing of the Registrant's Specialty Footwear operations, the Registrant obtained a waiver with regard to the fixed charge coverage ratio and the minimum consolidated tangible net worth covenants contained in the revolving credit agreement for the period from October 31, 1998 through March 19, 1999. During the waiver period, the Registrant is prohibited from paying cash dividends or repurchasing, redeeming, retiring, or acquiring any shares of its capital stock. The Registrant is in the process of amending its revolving credit agreement and expects to have an amended credit facility in place prior to expiration of the waiver.

The Registrant completed the sale of its Corporate Headquarters building in New York, the Woolworth Building, and leased back four floors, on December 4, 1998 for gross proceeds of $137.5 million. The net proceeds will be used for general corporate purposes.

On September 10, 1998, the Registrant and The Sports Authority, Inc. jointly announced that they had mutually agreed to terminate, effective immediately, the merger agreement pursuant to which The Sports Authority would have become a wholly-owned subsidiary of the Registrant through a pooling of interests.

YEAR 2000 READINESS DISCLOSURE

The Year 2000 ("Y2K") issue is the result of computer programs being written using two digits, rather than four, to define the applicable year. Mistaking "00" for the year 1900 could result in miscalculations and errors and cause significant business interruptions for the Registrant, as well as for the government and most other companies. The Registrant has instituted a plan to assess its state of readiness for Y2K, to remediate those systems that are non-compliant and to assure that material third parties will be Y2K compliant.

State of Readiness

The Registrant has assessed all mainframe, operating and application systems (including point of sale) for Y2K readiness, giving the highest priority to those information technology applications (IT) systems that are considered critical to its business operations. Those applications considered most critical to the Registrant's business operations have been remediated and testing is scheduled to begin in December 1998. The remediation of the point of sale equipment is expected to be completed in early 1999, with pilot testing anticipated in March and April. Extensive testing of all remediated systems will be performed throughout 1999 for implementation during that year.

Apart from the Y2K issue, the Registrant had developed and installed throughout its business units beginning in 1997 a comprehensive information computer system ("ECLIPSE"), encompassing merchandising, logistics, finance and human resources. The ECLIPSE project was undertaken for business reasons unrelated to Y2K. However, the installation of ECLIPSE eliminates the need to reprogram or replace certain existing software for Y2K compliance.

The Registrant has compiled a comprehensive inventory of its non-IT systems, which include those systems containing embedded chip technology commonly found in buildings and equipment connected with a building's infrastructure. Management is currently in the process of establishing the priority and possible remediation of systems identified as non-compliant. Preliminary investigations of the embedded chip systems indicate that Y2K will not affect systems such as heating, ventilation and security in most store locations. Ongoing testing and implementation of any remediation required for the non-IT systems will be performed throughout 1999.

Material Third Parties

Key vendors and service providers have been identified, whose non-compliance could have a material impact on the Registrant's ability to operate worldwide. Management has undertaken to determine the state of readiness of its approximately 20 key vendors by issuing questionnaires and conducting meetings and on-site visits. The level of compliance of the Registrant's major providers of banking services, transportation, telecommunications and utilities is in the course of being ascertained and the related risks established.

Y2K Costs

The Registrant is utilizing both internal and external resources to address the Y2K issue. Internal resources reflect the reallocation of IT personnel to the Y2K project from other IT projects. In the opinion of management, the deferral of such other projects will not have a significant adverse effect on continuing operations. The total direct cost, excluding ECLIPSE, to remediate the Y2K issue is estimated to be approximately $5 million, of which $1.2 million has been spent. All costs, excluding ECLIPSE, are being expensed as incurred and are funded through operating cash flows. The Registrant's Y2K costs are based on management's best estimates and may be updated as additional information becomes available. Management does not expect the total Y2K remediation costs to be material to the Registrant's results of operations or financial condition.

Contingency Plan/Risks

The Registrant is in the process of developing contingency plans for those areas which might be affected by Y2K. Although the full consequences are unknown, the failure of either the Registrant's critical systems or those of its material third parties to be Y2K compliant could result in the interruption of its business, which could have a material adverse effect on the results of operations or financial condition of the Registrant.

IMPACT OF EUROPEAN MONETARY UNION

The European Union is comprised of fifteen member states, eleven of which will adopt a common currency, the "euro," effective January 1, 1999. From that date until January 1, 2002, the transition period, the national currencies will remain legal tender in the participating countries as denominations of the euro. Monetary, capital, foreign exchange and interbank markets will convert to the euro and non-cash transactions will be possible in euros. On January 1, 2002, euro bank notes and coins will be issued and the former national currencies will be withdrawn from circulation no later than July 1, 2002.

The Registrant has reviewed the impact of the euro conversion on its information systems, accounting systems, vendor payments and human resources. Modifications required to be made to the point of sale hardware and software will be facilitated by the Y2K remediation.

The adoption of a single European currency will lead to greater product pricing transparency and a more competitive environment. The Registrant will display the euro equivalent price of merchandise as a customer service during the transition period, as will many retailers until the official euro conversion in 2002. The Registrant does not expect the euro conversion to have a material adverse effect on its results of operations or financial condition.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, which address activities, events or developments that the Registrant expects or anticipates will or may occur in the future, including such things as future capital expenditures, expansion, strategic plans, growth of the Registrant's business and operations, Y2K and euro related actions and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors including effects of currency fluctuations, consumer preferences and economic conditions worldwide and the ability of the Registrant to implement, in a timely manner, the programs and actions related to the Y2K and euro issues. Any changes in such assumptions or factors could produce significantly different results.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

An index of the exhibits that are required by this item, and which are furnished in accordance with Item 601 of Regulation S-K, appears on pages 18 through 20. The exhibits which are in this report immediately follow the index.

(b) Reports on Form 8-K

The Registrant filed a report on Form 8-K dated August 12, 1998 (date of earliest event reported) reporting that the Board of Directors amended the By-laws of the Registrant to provide that the fiscal year of the Registrant shall end on the Saturday closest to the last day in January of each year, rather than on the last Saturday in January.

The Registrant filed a report on Form 8-K dated September 10, 1998 (date of earliest event reported) reporting that the Registrant and The Sports Authority, Inc. jointly announced that they had mutually agreed to terminate the merger agreement, effective immediately, pursuant to which the Registrant would have acquired The Sports Authority, Inc. in a tax-free exchange of shares.

The Registrant filed a report on Form 8-K dated September 16, 1998 (date of earliest event reported) reporting that: (i) the Registrant announced that it is exiting its Specialty Footwear operations, including 467 Kinney Shoe stores and 103 Footquarters stores, on September 16, 1998, and (ii) on September 22, 1998, the Registrant announced that it is exiting its International General Merchandise business, including its 357 store German general merchandise operations, which are being sold pursuant to a definitive agreement in a management led buy-out backed by Electra Fleming, based in London.

SIGNATURE

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

VENATOR GROUP, INC.
(Registrant)

Date: December 14, 1998

/s/ Reid Johnson
REID JOHNSON
Senior Vice President
and Chief Financial Officer

VENATOR GROUP, INC.

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

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

Exhibit No. in Item 601 of Regulation S-K	Description
4.5	Form of 8 1/2 % Debentures due 2022 (incorporated herein by reference to Exhibit 4 to the Registrant's Form 8-K dated January 16, 1992).
4.6	Purchase Agreement dated June 1, 1995 and Form of 7% Notes due 2000 (incorporated herein by reference to Exhibits 1 and 4, respectively, to the Registrant's Form 8-K dated June 7, 1995).
4.7	Distribution Agreement dated July 13, 1995 and Forms of Fixed Rate and Floating Rate Notes (incorporated herein by reference to Exhibits 1, 4.1 and 4.2, respectively, to the Registrant's Form 8-K dated July 13, 1995).
5	*
8	*
9	*
10.1	Venator Group Executive Severance Pay Plan.
10.2	Form of Senior Executive Severance Agreement.
10.3	Bridge Loan Agreement dated as of September 25, 1998.
10.4	Waiver dated as of November 6, 1998 to the Credit Agreement dated April 9, 1997.
10.5	Agreement with S. Ronald Gaston dated November 10, 1998.
10.6	Agreement with Reid Johnson, dated September 17, 1998
10.7	Purchase and Sale Agreement, as amended.
11	*
12	*
13	*
15	Letter re: Unaudited Interim Financial Statements.
16	*
17	*
18	*
19	*
20	*
21	*
22	*
23	*
24	*
25	*

Exhibit No. in Item 601 of Regulation S-K	Description
26	*
27.1	Financial Data Schedule, October 31, 1998 (which is submitted electronically to the SEC for information only and not filed).
27.2	Restated Financial Data Schedule - October 25, 1997 (which is submitted electronically to the SEC for information only and not filed).
99	Independent Accountants' Review Report.

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* Not applicable

Exhibits filed with this Form 10-Q:

Exhibit No.	Description
10.1	Venator Group Executive Severance Pay Plan.
10.2	Form of Senior Executive Severance Agreement.
10.3	Bridge Loan Agreement dated as of September 25, 1998.
10.4	Waiver dated as of November 6, 1998 to the Credit Agreement dated April 9, 1997.
10.5	Agreement with S. Ronald Gaston dated November 10, 1998.
10.6	Agreement with Reid Johnson dated, September 17, 1998.
10.7	Purchase and Sale Agreement, as amended.
15	Letter re: Unaudited Interim Financial Statements.
27.1	Financial Data Schedule - October 31, 1998.
27.2	Restated Financial Data Schedule - October 25, 1997.
99	Independent Accountants' Review Report.

EXHIBIT 10.1

As Amended August 12, 1998

VENATOR GROUP, INC.
EXECUTIVE SEVERANCE PAY PLAN
(Effective February 1, 1996)

INTRODUCTION

The purpose of this Executive Severance Pay Plan (the "Plan") is to enable Venator Group, Inc. (the Company') to offer a form of protection to officers and other key employees of the Company and its Affiliates in the event their employment with the Company and its Affiliates terminates.

Accordingly, the Company's Board of Directors has adopted this Plan, upon the recommendation of the Compensation Committee, effective February 1, 1996 for selected officers and key employees of the Company and its Affiliates in an effort to assist in replacing the loss of income caused by a termination of employment under the circumstances described herein.

The Plan, effective February 1, 1996, amended as of August 12, 1998, amends and supersedes any severance plan, policies and/or practices of the Company or any Affiliate in effect for Participants in the Plan. Any Participant in the Plan shall not be eligible to participate in any other severance plan, policy or practice of the Company or any Affiliate.

ARTICLE I
Definitions

1.1 "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.

1.2 "Board" shall mean the Board of Directors of the Company.

1.3 "Bonus" shall mean an amount equal to the target bonus expected to be earned by an Employee under the Company's Annual Incentive Compensation Plan or such other annual bonus plan or program that may be applicable to the Employee in a fiscal year, if the applicable target performance goal is satisfied.

1.4 "Cause" shall mean (with regard to a Participant's termination of employment with the Control Group): (a) with regard to any member of the Control Group or any of such member's assets or business, the refusal or willful failure by the

Participant to substantially perform his or her duties, (b) with regard to any member of the Control Group or any of such member's assets or business, the Participant's dishonesty, willful misconduct, misappropriation, breach of fiduciary duty or fraud, or (c) the Participant's conviction of a felony (other than a traffic violation) or any other crime involving, in the sole discretion of the Committee, moral turpitude.

1.5 "Change in Control" shall have the meaning set forth in Appendix A attached hereto.

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

1.7 "Committee" shall mean the Compensation Committee of the Board or an administrative committee appointed by the Compensation Committee.

1.8 "Company" shall mean Venator Group, Inc., a New York corporation, and any successor as provided in Article VI hereof.

1.9 "Control Group" shall mean the Company and its Affiliates.

1.10 "Effective Date" shall mean February 1, 1996.

1.11 "Employee" shall mean any officer, member of senior management or other key employee employed by an Employer.

1.12 "Employer" shall mean the Company and any Affiliate which has adopted this Plan in accordance with Section 6.1 hereof.

1.13 "Good Reason" shall mean (with respect to a Participant's termination of employment with the Control Group): (a) any material demotion of the Participant or any material reduction in the Participant's authority or responsibility, except in each case in connection with the termination of the Participant's employment for Cause or disability or as a result of the Participant's death, or temporarily as a result of the Participant's illness or other absence; (b) prior to a Change in Control, a reduction in the Participant'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 Employees of the Company of a similar level and where the reduction is less than 20 percent of the Participant's base salary measured from the beginning of such three-year period; or (c) a reduction in the Participant's annual bonus classification level other than in connection with a redesign of the applicable bonus plan that affects all Employees at the Participant's bonus level.

1.14 "Participant" shall mean any Employee designated by the Committee to be a participant in the Plan. The Committee may, in its sole discretion, terminate the participation of a Participant at any time.

1.15 "Plan" shall mean the Venator Group Executive Severance Pay Plan.

1.16 "Salary" shall mean an Employee's base monthly cash compensation rate for services paid by the Employer to the Employee at the time of his or her termination of employment from the Control Group, as reflected in the Employer's payroll records. 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 Employee's salary reduction agreement under Sections 125 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.

1.17 "Severance Benefit" shall mean (a) in the case of a Participant's termination of employment that does not occur within the twelve (12) month period following a Change in Control, one (1) week's Salary multiplied by the Participant's Years of Service, with a minimum of thirteen (13) weeks; or (b) in the case of a Participant's termination of employment within the twelve (12) month period following a Change in Control, two (2) week's Salary plus prorated Bonus for two (2) weeks multiplied by the Participant's Years of Service, with a minimum of twenty-six (26) weeks. A Participant's prorated Bonus for one (1) week shall equal a Participant's Bonus divided by fifty-two (52).

1.18 "Severance Period" shall mean (a) in the case of a Participant's termination of employment that does not occur within the twelve (12) month period following a Change in Control, one (1) week multiplied by the Participant's Years of Service, with a minimum of thirteen (13) weeks; or (b) in the case of a Participant's termination of employment within the twelve (12) month period following a Change in Control, two (2) weeks multiplied by the Participant's Years of Service, with a minimum of twenty-six (26) weeks.

1.19 "Year of Service" shall mean each twelve (12) consecutive month period commencing on the Employee's date of hire by the Employer and each anniversary thereof in which the Employee is paid by the Employer for the performance of full-time services as an Employee. For purposes of this section, full-time services shall mean that the Employee is employed for at least thirty (30) hours per week. A Year of Service shall include any period during which an Employee is not working due to disability, leave of absence or layoff so long as he or she is being paid by the Employer (other than through an 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 Employee on the date such service commenced, but only to the extent required by applicable law. If an Employee terminates his or her employment prior to completing a Year of Service during the period commencing on his or her date of hire or an anniversary thereof, the Employee shall be credited with a fractional Year of Service equal to the number of consecutive months he or she has been paid by the Employer for the performance of full-time services as an Employee from his or her date of hire or anniversary thereof through the date of the Employee's termination of employment, over twelve (12).

ARTICLE II
Benefits

2.1 Eligibility for Benefits. Any Participant whose employment with the Control Group is terminated without Cause by an Employer or who terminates employment with the Control Group within sixty (60) days after the occurrence of a Good Reason event with regard to such Participant, shall be entitled to a Severance Benefit in the manner set forth in Section 2.2 below. A Participant shall not be entitled to a Severance Benefit if he or she is terminated for Cause.

2.2 Form of Benefits. Any Participant described in Section 2.1 above shall receive his or her Severance Benefit in the form of a lump sum cash payment as soon as administratively feasible following his or her termination of employment with the Control Group, provided, however, that interest shall be payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal.

2.3 Additional Benefits. A Participant entitled to receive a Severance Benefit shall continue, to the extent permitted under legal and underwriting requirements (if any), to participate during his or her Severance Period in any group medical, dental or life insurance plan he or she participated in prior to his or her termination of employment, under substantially similar terms and conditions as an active Employee; provided participation in such group medical, dental and life insurance benefits shall correspondingly cease at such time as the Participant becomes eligible for a future employer's medical, dental and/or life insurance coverage (or would become eligible if the Participant did not waive coverage). Notwithstanding the foregoing, the Participant may not continue to participate in such plans on a pre-tax or tax-favored basis. Notwithstanding anything else herein, a Participant shall not be entitled to any benefits during the Severance Period other than the benefits provided in Sections 2.2 and 2.3 herein and, without limiting the generality of the foregoing, a Participant specifically shall not be entitled to continue to participate in any group disability or voluntary accidental death or dismemberment insurance plan he or she participated in prior to his or her termination of employment. Without limiting the generality of the foregoing, a Participant shall not accrue additional benefits under any pension plan of the Employer (whether or not qualified under Section 401(a) of the Code) during the Severance Period, provided, however, that payment of any Severance Benefit shall be included in a Participant's earnings for purposes of calculating a Participant's benefit under the Venator Group Retirement Plan, Venator Group 401(k) Plan, and Venator Group Excess Cash Balance Plan.

2.4 Release. As a condition of receiving benefits hereunder, the Participant shall be required to provide the Employer with a release of all claims of any kind whatsoever against the Control Group, its officers, directors and employees, known or unknown, as of the date of his or her termination of employment. The release shall be in such form as requested by the Employer.

2.5 No Duty to Mitigate/Set-Off. No Participant entitled to receive a Severance Benefit hereunder shall be required to seek other employment or to attempt in any way to reduce any amounts payable to him or her pursuant to this Plan. Further, the amount of the Severance Benefit payable hereunder shall not be reduced by any compensation earned by the Participant as a result of employment by another employer or otherwise. An Employer's obligations to make payment of Severance Benefits 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 an Employer may have against the Participant.

ARTICLE III
Funding

3.1 Funding. The Plan shall be funded out of the general assets of the Company as and when benefits are payable under the Plan. All Participants shall be solely general creditors of the Company. If the Company decides to establish any advance accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company is required to fund a trust under this Plan, such reserve or trust shall not under any circumstances be deemed to be an asset of the Plan.

ARTICLE IV
Administration of the Plan

4.1 Plan Administrator. The general administration of the Plan on behalf of the Employers shall be placed with the Committee.

4.2 Reimbursement of Expenses of Plan Committee. The Company may, in its sole discretion, pay or reimburse the members of the Committee for all reasonable expenses incurred in connection with their duties hereunder.

4.3 Action by the Plan Committee. Decisions of the Committee shall be made by a majority of its members attending a meeting at which a quorum is present (which meeting may be held telephonically), or by written action in accordance with applicable law. All decisions of the Committee on any question concerning the selection of Participants and the interpretation and administration of the Plan shall be final, conclusive and binding upon all parties.

4.4 Decisions of Plan Committee are Binding on All Persons. The Committee (or its delegate) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply and interpret the Plan and any other Plan documents and to decide all matters arising in connection with the operation or administration of the Plan. Without limiting the generality of the foregoing, the Committee (or its delegate) shall have the sole and absolute discretionary authority: (a) to take all actions and make all decisions with respect to the eligibility for, and the amount of, benefits payable under the Plan; (b) to formulate, interpret and apply rules, regulations and policies necessary to administer the Plan in accordance with its terms; (c) to decide questions, including legal

or factual questions, relating to the calculation and payment of benefits under the Plan; (d) to resolve and/or clarify any ambiguities, inconsistencies and omissions arising under the Plan or other Plan documents; (e) to decide for purposes of paying benefits hereunder, whether, based on the terms of the Plan, a termination of employment is for Good Reason or for Cause; and (f) except as specifically provided to the contrary in Section 4.11, to process and approve or deny benefit claims and rule on any benefit exclusions. All determinations made by the Committee (or any delate) with respect to any matter arising under the Plan and any other Plan documents shall be final, binding and conclusive on all parties.

4.5 Delegation of Authority. The Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution filed with and accepted by the Board. Any such delegation shall not be effective until it is accepted by the Board and the persons designated and may be rescinded at any time by written notice from the Committee to the person to whom the delegation is made.

4.6 Retention of Professional Assistance. The Committee may employ such legal counsel, accountants and other persons as may be required in carrying out its work in connection with the Plan.

4.7 Accounts and Records. The Committee shall maintain such accounts and records regarding the fiscal and other transactions of the Plan and such other data as may be required to carry out its functions under the Plan and to comply with all applicable laws.

4.8 Compliance with Applicable Law. The Company shall be deemed the Plan Administrator for the purposes of any applicable law and shall be responsible for the preparation and filing of any required returns, reports, statements or other filings with appropriate governmental agencies. The Company shall also be responsible for the preparation and delivery of information to persons entitled to such information under any applicable law.

4.9 Liability. No member of the Committee and no officer, director or employee of the Company or any other member of the Control Group shall be liable for any action or inaction with respect to his or her functions under the Plan unless such action or inaction is adjudged to be due to gross negligence, willful misconduct or fraud. Further, no such person shall be personally liable merely by virtue of any instrument executed by him or her or on his or her behalf in connection with the Plan.

4.10 Indemnification. Each Employer shall indemnify, to the full extent permitted by law and its Certificate of Incorporation and By-laws (but only to the extent not covered by insurance) its officers and directors (and any employee involved in carrying out the functions of such Employer under the Plan) and each member of the Committee (and any employee designated by the Committee as a delegate) against any expenses, including amounts paid in settlement of a liability, which are reasonably incurred in connection with any legal action to which such person is a party by reason of his or her duties or responsibilities with respect to the Plan (other than as a Participant), except with

regard to matters as to which he or she shall be adjudged in such action to be liable for gross negligence, willful misconduct or fraud in the performance of his or her duties.

4.11 Claims Procedure. Any claim by a Participant with respect to eligibility, participation, contributions, benefits or other aspects of the operation of the Plan shall be made in writing to the Secretary of the Company or such other person designated by the Committee from time to time for such purpose. If the designated person receiving a claim believes, following consultation with the Chairman of the Committee, that the claim should be denied, he or she shall notify the Participant in writing of the denial of the claim within ninety (90) days after his or her receipt thereof (this period may be extended an additional ninety (90) days in special circumstances and, in such event, the Participant shall be notified in writing of the extension). Such notice shall (a) set forth the specific reason or reasons for the denial making reference to the pertinent provisions of the Plan or of Plan documents on which the denial is based, (b) describe any additional material or information necessary to perfect the claim, and explain why such material or information, if any, is necessary, and (c) inform the Participant of his or her right pursuant to this Section 4.11 to request review of the decision.

A Participant may appeal the denial of a claim by submitting a written request for review to the Committee, within sixty (60) days after the date on which such denial is received. Such period may be extended by the Committee for good cause shown. The claim will then be reviewed by the Committee. A Participant or his or her duly authorized representative may discuss any issues relevant to the claim, may review pertinent documents and may submit issues and comments in writing. If the Committee deems it appropriate, it may hold a hearing as to a claim. If a hearing is held, the Participant shall be entitled to be represented by counsel. The Committee shall decide whether or not to grant the claim within sixty (60) days after receipt of the request for review, but this period may be extended by the Committee for up to an additional sixty (60) days in special circumstances. Written notice of any such special circumstances shall be sent to the Participant. Any claim not decided upon in the required time period shall be deemed denied. All interpretations, determinations and decisions of the Committee with respect to any claim shall be made in its sole discretion based on the Plan and other relevant documents and shall be final, conclusive and binding on all persons.

ARTICLE V
Amendment and Termination

5.1 Amendment and Termination. The Company reserves the right, in its sole and absolute discretion to amend or terminate, in whole or in part, any or all of the provisions of this Plan by action of the Board (or a duly authorized committee thereof) at any time, provided that any amendment reducing the benefits provided hereunder or any Plan termination (a) shall not be effective prior to the second anniversary of the Effective Date and (b) no such amendment or Plan termination may take effect sooner than one (1) year following the date on which the Board takes such action. Any termination or amendment of the Plan, however, shall not affect the Severance Benefit or other benefits hereunder, if any, payable to any Participant who is entitled to such Severance Benefit or

other benefits as of the date of the amendment or termination of the Plan.

ARTICLE VI
Participating Employers and Successors

6.1 Participating Employers. Upon approval by the Committee, this Plan may be adopted by any Affiliate of the Company. Upon such adoption, the Affiliate shall become an Employer hereunder and the provisions of the Plan shall be fully applicable to the Employees of that Affiliate.

6.2 Successors. Subject to Section 5.1 hereof, the Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Company, expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. In such event, the term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by the terms and provisions of this Plan. In the event an Affiliate ceases to be a member of the Control Group, it may by such written agreement, but shall not be obligated to, continue the Plan as a separate plan and all references to the "Company" shall become reference to the Affiliate. If this Plan is not specifically continued by the Affiliate, it shall terminate as to Employees of such Affiliate. If this Plan is specifically continued by the Affiliate, the Affiliate, but not the Company, shall be liable to the Employees of the Affiliate for any benefits due hereunder.

ARTICLE VII
Miscellaneous

7.1 Rights of Employees. Nothing herein contained shall be held or construed to create any liability or obligation upon the Employer to retain any Employee in its service. All Employees shall remain subject to discharge or discipline to the same extent as if the Plan had not been put into effect.

7.2 Headings. The headings of the Plan are inserted for convenience of reference only and shall have no effect upon the meaning of the provisions hereof.

7.3 Use of Words. Whenever used in this instrument, a masculine pronoun shall be deemed to include the masculine and feminine gender, and a singular word shall be deemed to include the singular and plural, in all cases where the context so requires.

7.4 Controlling Law. The construction and administration of the Plan shall be governed by the Employee Retirement Income Security Act of 1974, as amended. To the extent not so governed, it shall be governed by the laws of the State of New York (without reference to rules relating to conflicts of law).

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

7.6 Severability. Should any provisions of the Plan be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions of the Plan unless such determination shall render impossible or impracticable the functioning of the Plan, and in such case, an appropriate provision or provisions shall be adopted so that the Plan may continue to function properly.

7.7 Incompetency. In the event that the Committee finds that a Participant is unable to care for his or her affairs because of illness or accident, then benefits payable hereunder, unless claim has been made therefor by a duly appointed guardian, committee, or other legal representative, may be paid in such manner as the Committee shall determine, and the application thereof shall be a complete discharge of all liability for any payments or benefits to which such Participant was or would have been otherwise entitled under this Plan.

7.8 Payments to a Minor. Any payments to a minor from this Plan may be paid by the Committee in its sole and absolute discretion (a) directly to such minor; (b) to the legal or natural guardian or such minor; or (c) to any other person, whether or not appointed guardian of the minor, who shall have the care and custody of such minor. The receipt by such individual shall be a complete discharge of all liability under the Plan therefor.

7.9 Assignment and Alienation. The benefits payable under the Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any benefits to be so subjected shall not be recognized.

7.10 Top-hat Plan. This Plan is intended to be a "top-hat" welfare plan within the meaning of Department of Labor Regulation Section 2520.104-24.

APPENDIX A

Change in Control

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

Exhibit 10.2

AGREEMENT

THIS AGREEMENT made as of [Date] by and between VENATOR GROUP, INC., a New York corporation with its principal office at 233 Broadway, New York, New York 10279 (the "Company") and [Executive], residing at [Address] (the "Executive").

W I T N E S S E T H:

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; and

WHEREAS, the Company wishes to offer a form of protection to the Executive, as one of a select group of officers and key employees of the Company and its Affiliates, in the event the Executive's employment with the Control Group terminates; and

WHEREAS, the Company also recognizes that the possibility of a Change in Control of the Company, with the attendant uncertainties and risks, might result in the departure or distraction of the Executive to the detriment of the Company; and

WHEREAS, the Company wishes to induce the Executive to remain with the Control Group, and to reinforce and encourage the Executive's continued attention and dedication, when faced with the possibility of a Change in Control of the Company; and

WHEREAS, this Agreement amends and supersedes any employment agreement, severance plan, policy and/or practice of the Company in effect 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 or her 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) "Bonus" shall mean an amount equal to the target bonus expected to be earned by the Executive under the Company's Annual Incentive Compensation Plan or such other annual bonus plan or program that may then be applicable to the Executive in a fiscal year, if the applicable target performance goal is satisfied.

(e) "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 or her 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, or (iii) 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.

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

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

(h) "Committee" shall mean the Compensation Committee of the Board or an administrative committee appointed by the Compensation Committee.

(i) "Competition" shall mean the (i) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, joint venturer, investor, lender, or in any capacity whatsoever (within the United States of America, or in any country where any of the Executive's former employing members of the Control Group does business) in a business in competition with any business conducted by any member of the Control Group for which the Executive worked at any time, provided, however, that such participation shall not include (A) the mere ownership of not more than 1 percent of the total outstanding stock of a publicly held company; (B) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in which any of the Employee's employing members of the Control Group is engaged; or (C) any activity engaged in with the prior written approval of the Board or the Committee; or (ii) intentional recruiting, soliciting or inducing, of any employee or employees of the Control Group to terminate their employment with, or otherwise cease their relationship with the former employing members of the Control Group where such employee or employees do in fact so terminate their employment.

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

(k) "Good Reason" shall mean (with respect to an Executive's termination of employment with the Control Group): (i) any material demotion of the Executive or any material reduction in the Executive's authority or responsibility, except in each case in connection with the termination of the Executive's employment for Cause or disability or as a result of the Executive's death, or temporarily as a result of the Executive's illness or other absence; (ii) prior to a Change

in Control, 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; (iii) on or after a Change in Control, any reduction in the Executive's rate of base salary as payable from time to time; (iv) 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; (v) 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/or generally applies to all executives of the Company of a similar level, 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 (vi) failure of any successor to the Company to assume in writing the obligations hereunder.

(l) "Salary" shall mean an Executive's base monthly cash compensation rate for services paid to the Executive by the Company or an Affiliate at the time of his or her 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 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.

(m) "Severance Benefit" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 12 month period following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 26 weeks; or (ii) in the case of an Executive's termination of employment within the 12 month period following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 78 weeks. The Executive's prorated Bonus for one week shall equal the Executive's Bonus divided by 52. In no event, however, shall the Severance Benefit payable to an Executive hereunder be less than 12 months' Salary.

(n) "Severance Period" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 12 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 52 weeks; or (ii) in the case of an Executive's termination of employment within the 12 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 78 weeks.

(o) "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 Employee is employed for at least 30 hours per week. A Year of Service shall include any period during which an Employee is not working due to disability, leave of absence or layoff so long as he or she is being paid by the

Employer (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 end on December 31 of the year following the year in which this Agreement is entered into. On December 31 of each year, the term shall be automatically renewed for an additional one year so that the term shall then be for two years, unless the Committee notifies the Executive prior to any December 31 that the term shall not be renewed. 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 at or prior to the expiration of this Agreement, then this Agreement shall remain in effect until all of the Company's obligations hereunder are fulfilled.

3. Benefits Upon Termination. In the event the Executive's employment with the Control Group is terminated 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 Executive shall be entitled to a Severance Benefit as set forth below.

(a) The Executive shall receive 50 percent of his or her Severance Benefit in the form of a lump sum cash payment as soon as administratively feasible following his or her termination of employment with the Control Group, provided, however, that interest shall be payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal.

(b) The Executive shall receive the remaining 50 percent of his or her Severance Benefit in the form of a lump sum cash payment as soon as administratively feasible following the one year anniversary of the Executive's termination of employment with the Control Group, subject to (c) below, provided, however, that interest shall be payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal. Notwithstanding the foregoing, if a Change in Control occurs prior to the Executive's receipt of the remaining 50 percent of his or her Severance Benefit, the Executive shall receive such remaining 50 percent within 10 days following the Change in Control (and, if not paid within such 10 day period, with interest payable beginning on the tenth day following the Change in Control at the prime rate of interest as stated in The Wall Street Journal).

(c) The Executive shall only be entitled to the portion of his or her Severance Benefit described in (b) above if the Executive does not engage in Competition during the one year period following his or her termination of employment with the Control Group and if the Executive has not materially violated the provisions of Section 14 hereof. If the Executive does engage in Competition or violates the provisions of Section 14 during such one year period, the portion of the Executive's Severance Benefit described in (b) above shall be forfeited. If the restriction set forth in this subsection 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.

(d) Notwithstanding anything to the contrary contained herein, if the Executive's employment with the Control Group is terminated as described in the introductory paragraph to this Section 3 following a Change in Control, (i) the Executive shall receive 100 percent of his or her Severance Benefit in the form of a lump sum cash payment within 10 days following his or her termination of employment with the Control Group (and, if not paid within such 10 day period, with interest payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal), and (ii) the restriction on competition contained in Section 3(c) shall not apply.

(e) The Executive shall continue, to the extent permitted under legal and underwriting requirements (if any), to participate during his or her Severance Period in any group medical, dental or life insurance plan he or she participated in prior to his or her termination of employment, under substantially similar terms and conditions as an active Employee; provided participation in such group medical, dental and life insurance benefits shall correspondingly cease at such time as the Executive becomes eligible for a future employer's medical, dental and/or life insurance coverage (or would become eligible if the Executive did not waive coverage). Notwithstanding the foregoing, the Executive may not continue to participate in such plans on a pre-tax or tax-favored basis. Notwithstanding anything else herein, the Executive shall not be entitled to any benefits during the Severance Period other than the benefits provided in Section 3 herein 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 or she participated in prior to his or her termination of employment. Without limiting the generality of the foregoing, the Executive shall not accrue additional benefits under any pension plan of the Employer (whether or not qualified under Section 401(a) of the Code) during the Severance Period, provided, however, that payment of any Severance Benefit shall be included in the Executive's earnings for purposes of calculating the Executive's benefit under the Venator Group Retirement Plan, Venator Group 401(k) Plan, and Venator Group Excess Cash Balance Plan.

(f) In the event of the Executive's death after becoming eligible for the portion of the Severance Benefit described in (a) above and prior to payment of such amount, such portion of the Severance Benefit shall be paid to the Executive's Beneficiary. In addition to the foregoing, in the event of the Executive's death prior to payment of the portion of the Severance Benefit described in (b) above, such amount shall be paid to the Executive's Beneficiary, but only to the extent that the Executive satisfied the provisions set forth in (c) above for the period following the Executive's termination of employment with the Control Group and prior to his or her death.

(g) 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 (a) or (b) above and such other amounts or benefits he or she 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, 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, would be greater than the unreduced amount to be received by the Executive 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.

4. No Duty to Mitigate/Set-off. The Company agrees that if the Executive's employment with the Company 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, except to the extent provided for in Section 3(c), 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.

5. Funding. Severance Benefits shall be funded out of the general assets of the Company as and when they are payable under this Agreement. The Executive shall be solely a general creditor of the Company. If the Company decides to establish any advance accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company is required to fund a trust under this Agreement, such reserve or trust shall not under any circumstances be deemed to be an asset of this Agreement.

6. Administration. This Agreement shall be administered by the Committee. The Committee (or its delegate) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply and interpret the Agreement and to decide all matters arising in connection with the operation or administration of the Agreement. Without limiting the generality of the foregoing, the Committee shall have the sole and absolute discretionary authority: (a) to take all actions and make all decisions with respect to the eligibility for, and the amount of, benefits payable under the Agreement; (b) to formulate, interpret and apply rules, regulations and policies necessary to administer the Agreement in accordance with its terms; (c) to decide questions, including legal or factual questions, relating to the calculation and payment of benefits under the Agreement; (d) to resolve and/or clarify any ambiguities, inconsistencies and omissions arising under the Agreement; (e) to decide for purposes of paying benefits hereunder, whether, based on the terms of this Agreement, a termination of employment is for Good Reason or for Cause; and (f) except as specifically provided to the contrary herein, to process and approve or deny benefit claims and rule on any benefit exclusions. All determinations made by the Committee (or any delegate) with respect to any matter arising under the Agreement shall be final, binding and conclusive on all parties.

Decisions of the Committee shall be made by a majority of its members attending a meeting at which a quorum is present (which meeting may be held telephonically), or by written action in accordance with applicable law. All decisions of the Committee on any question concerning the interpretation and administration of the Agreement shall be final, conclusive and binding upon all parties.

No member of the Committee and no officer, director or employee of the Company or any other Affiliate shall be liable for any action or inaction with respect to his or her functions under this Agreement unless such action or inaction is adjudged to be due to gross negligence, willful misconduct or fraud. Further, no such person shall be personally liable merely by virtue of any instrument executed by him or her or on his or her behalf in connection with this Agreement.

The Company shall indemnify, to the full extent permitted by law and its Certificate of Incorporation and By-laws (but only to the extent not covered by insurance) its officers and directors (and any employee involved in carrying out the functions of the Company under the Agreement) and each member of the Committee against any expenses, including amounts paid in settlement of a liability, which are reasonably incurred in connection with any legal action to which such person is a party by reason of his or her duties or responsibilities with respect to the Agreement, except with regard to matters as to which he or she shall be adjudged in such action to be liable for gross negligence, willful misconduct or fraud in the performance of his or her duties.

7. Claims Procedures. Any claim by the Executive or Beneficiary ("Claimant") with respect to participation, contributions, benefits or other aspects of the operation of the Agreement shall be made in writing to the Secretary of the Company or such other person designated by the Committee from time to time for such purpose. If the designated person receiving a claim believes, following consultation with the Chairman of the Committee, that the claim should be denied, he or she shall notify the Claimant in writing of the denial of the claim within 90 days after his or her receipt thereof (this period may be extended an additional 90 days in special circumstances and, in such event, the Claimant shall be notified in writing of the extension). Such notice shall (a) set forth the specific reason or reasons for the denial making reference to the pertinent provisions of the Agreement on which the denial is based, (b) describe any additional material or information necessary to perfect the claim, and explain why such material or information, if any, is necessary, and (c) inform the Claimant of his or her right pursuant to this section to request review of the decision.

A Claimant may appeal the denial of a claim by submitting a written request for review to the Committee, within 60 days after the date on which such denial is received. Such period may be extended by the Committee for good cause shown. The claim will then be reviewed by the Committee. A Claimant or his or her duly authorized representative may discuss any issues relevant to the claim, may review pertinent documents and may submit issues and comments in writing. If the Committee deems it appropriate, it may hold a hearing as to a claim. If a hearing is held, the Claimant shall be entitled to be represented by counsel. The Committee shall decide whether or not to grant the claim within 60 days after receipt of the request for review, but this period may be extended by the Committee for up to an additional 60 days in special circumstances. Written notice of any such special circumstances shall be sent to the Claimant. Any claim not decided upon in the required time period shall be deemed denied. All interpretations, determinations and decisions of the Committee with respect to any claim shall be made in its sole discretion based on the Agreement and other relevant documents and shall be final, conclusive and binding on all persons.

8. Incompetency; Payments to Minors. In the event that the Committee finds that a Participant is unable to care for his or her affairs because of illness or accident, then benefits payable hereunder, unless claim has been made therefor by a duly appointed guardian, committee, or other

legal representative, may be paid in such manner as the Committee shall determine, and the application thereof shall be a complete discharge of all liability for any payments or benefits to which such Participant was or would have been otherwise entitled under this Agreement. Any payments to a minor pursuant to this Agreement may be paid by the Committee in its sole and absolute discretion (a) directly to such minor; (b) to the legal or natural guardian of such minor; or (c) to any other person, whether or not appointed guardian of the minor, who shall have the care and custody of such minor. The receipt by such individual shall be a complete discharge of all liability under the Agreement therefor.

9. 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 Employer shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Employer to the Executive upon such terms and conditions as the Committee may prescribe.

10. Assignment and Alienation. Except as provided herein, the benefits payable under this Agreement shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any benefits to be so subjected shall not be recognized.

11. 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.

12. 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 Board. 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.

13. 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.

14. Confidentiality. 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 Board, any proprietary processes, or other confidential information of the Company or any subsidiary concerning their business or affairs, accounts or customers, it being understood, however, that the obligations of this section 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.

15. 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.

16. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively 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 Company shall pay all costs of the American Arbitration Association and the arbitrator.

17. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its subsidiary companies and for which the Executive may qualify.

18. Governing Law. This Agreement shall be construed, interpreted, and governed by the Employee Retirement Income Security Act of 1974, as amended. To the extent not so governed, it shall be governed by the laws of the State of New York (without reference to rules relating to conflicts of law).

19. Top-hat Plan. This Agreement is intended to be a "top-hat" welfare plan within the meaning of Department of Labor Regulation Section 2520.104-24.

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.

VENATOR GROUP, INC.

By:_____

_____
[Executive]

APPENDIX A

Change in Control

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

srexec

Exhibit 10.3

BRIDGE LOAN AGREEMENT

dated as of

September 25, 1998

among

Venator Group, Inc.

The Banks Party Hereto

and

Morgan Guaranty Trust Company of New York,
as Administrative Agent

(NY) 27009/335/CA/ca.98

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BRIDGE LOAN AGREEMENT

AGREEMENT dated as of September 25, 1998 among VENATOR GROUP, INC., the BANKS party hereto and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE 1
Definitions

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

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.06(b).

"Administrative Agent" means Morgan Guaranty Trust Company of New York, in its capacity as administrative agent for the Banks hereunder, and its successors in such capacity.

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

"Affiliate" means, as to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person, whether through the ownership of voting securities, by contract or otherwise.

"Annual Rent Expense" means, for purposes of calculations pursuant to Section 5.10 as of the end of each Fiscal Year (the "Relevant Fiscal Year") and the end of each of the first three Fiscal Quarters of the next Fiscal Year, the total rent expense (net of sublease income) of the Borrower and its Consolidated Subsidiaries for the Relevant Fiscal Year, calculated in the same manner as the $611,000,000 amount shown as total rent expense (net of sublease income) for Fiscal Year 1997 in Note 14 ("Leases") to the audited financial statements of the Borrower contained in the Borrower's 1997 Form 10-K.

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

"Asset Sale" means any sale, lease or other disposition (including any such transaction effected by way of merger or consolidation) of any asset by the Borrower or any of its Subsidiaries, including without limitation any sale-leaseback transaction, whether or not involving a capital lease, and any sale of real estate, but excluding (i) dispositions of inventory, cash, cash equivalents and other cash management investments and obsolete, unused or unnecessary equipment, in each case in the ordinary course of business, (ii) dispositions in connection with the liquidation of the Kinney Shoes and Footquarters divisions, (iii) dispositions of assets to the Borrower or a Subsidiary and (iv) any transaction involving a disposition of one or more assets for a consideration less than $250,000. Asset Sale shall include, in any event, any sale, lease or other disposition of (i) the Borrower's headquarters building at 233 Broadway, New York, New York (the "Headquarters Building") or (ii) the "Woolworth Group" as defined in the German Purchase Agreement.

"Assignee" has the meaning set forth in Section 9.06(c).

"Available Net Cash Proceeds" means:

(i) with respect to any Asset Sale, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries from or in respect of such Asset Sale (including any cash proceeds received as income or other proceeds of any noncash proceeds of such Asset Sale), less (w) any expenses reasonably incurred by such Person in respect of such Asset Sale, (x) the amount of any Debt secured by a Lien on any asset disposed of in such Asset Sale and discharged from the proceeds thereof, (y) any taxes actually paid or to be payable by such Person (as estimated by a senior financial or accounting officer of the Borrower, giving effect to the overall tax position of the Borrower and its Subsidiaries) in respect of such Asset Sale and (z) up to $30,000,000 of proceeds from the sale of the Headquarters Building that are transferred to a "qualified intermediary" as defined in Treasury Reg. $1.1031(k) - 1(g)(4),

(ii) with respect to any Public Debt Issuance, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries in respect thereof less any expenses reasonably incurred by them in respect thereof, and

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

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Bank Parties" means the Banks and the Administrative Agent.

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

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

"Borrower" means Venator Group, Inc., a New York corporation, and its successors.

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

"Borrower's Latest 10-Q" means the Borrower's quarterly report on Form 10-Q for the quarter ended August 1, 1998, as filed with the SEC pursuant to the Exchange Act.

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

"Change in Consolidated Net Working Investment" means, for any Fiscal Quarter, the amount (which may be positive or negative) obtained by subtracting Consolidated Net Working Investment at the beginning of such Fiscal Quarter from Consolidated Net Working Investment at the end of such Fiscal Quarter. For purposes of this definition, "Consolidated Net Working Investment" means, at any time, the amount obtained by subtracting consolidated accounts payable of the Borrower and its Consolidated Subsidiaries at such time from consolidated merchandise inventories of the Borrower and its Consolidated Subsidiaries at such time.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the Commitment Schedule (or, in the case of

an Assignee, the portion of the transferor Bank's Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount may be reduced from time to time pursuant to Sections 2.09 and 2.10 or changed as a result of an assignment pursuant to Section 8.06 or 9.06(c).

"Commitment Schedule" means the Commitment Schedule attached hereto.

"Consolidated Capital Expenditures" means, for any period, the gross additions to property, plant and equipment and other capital expenditures of the Borrower and its Consolidated Subsidiaries for such period.

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

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

"Consolidated Tangible Net Worth" means at any date the consolidated shareholders' equity of the Borrower and its Consolidated Subsidiaries as of such date less their consolidated goodwill as of such date.

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

"Credit Exposure" means, as to any Bank at any time, the sum of (i) its Commitment plus (ii) the aggregate outstanding principal amount of its Loans, all determined at such time after giving effect to any prior assignments by or to such Bank pursuant to Section 9.06(c).

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 5.06 and the definition of Material Debt, all contingent obligations) of such Person to reimburse any bank or other Person in

respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Guarantees by such Person of Debt of another Person (each such Guarantee to constitute Debt in an amount equal to the maximum amount of such other Person's Debt Guaranteed thereby); provided that the term "Debt" shall not include amounts borrowed against the cash value of life insurance policies.

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

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent;

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

"Effective Date" means the date on which the Administrative Agent shall have received the documents specified in or pursuant to Section 3.01.

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

distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means any issuance of equity securities, or any sale or other transfer of treasury stock, by the Borrower or any of its Subsidiaries, other than equity securities issued to, or treasury stock sold or transferred to, the Borrower or any of its Subsidiaries.

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

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

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

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

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

"Euro-Dollar Margin" has the meaning set forth in Section 2.06(b).

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.06(b) on the basis of an Adjusted London Interbank Offered Rate.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.06(b).

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

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

"Extension of Credit" means the making of a Loan.

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

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

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

"German Purchase Agreement" means the Purchase Agreement dated as of September 20, 1998 between Retail Company of Germany, Inc., Venator Group, Inc., Dr. Peter Wessels Vermogensverwaltungs GmbH and Dr. Peter Wessels Beteiligungsverwaltungs GmbH.

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

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether

arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Immaterial Subsidiaries" means at any time one or more Subsidiaries that in the aggregate did not account for (i) more than 5% of the consolidated revenues or consolidated net income of the Borrower and its Consolidated Subsidiaries for the then most recent Fiscal Year for which audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries have been delivered to the Banks or (ii) more than 5% of the consolidated assets of the Borrower and its Consolidated Subsidiaries at the end of such Fiscal Year.

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

"Interest Expense" means, for any period, the consolidated interest expense (net of interest income) of the Borrower and its Consolidated Subsidiaries for such period, calculated in the same manner as the amounts shown as "Interest Expense" in the consolidated statements of operations of the Borrower contained in the Borrower's 1997 Form 10-K.

"Interest Period" means, with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one week thereafter; provided that:

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

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

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

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

'Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a loan made or to be made by a Bank pursuant to Section 2.01; provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"London Interbank Offered Rate" has the meaning set forth in Section 2.06(b).

"Material Adverse Effect" means a material adverse effect on (i) the business, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or (ii) the ability of the Borrower to perform, or of any Bank Party to enforce, any payment obligation of the Borrower under this Agreement and the Notes.

"Material Assets" means at any time assets that accounted for more than 5% of the aggregate book value of the consolidated assets of the Borrower and its Consolidated Subsidiaries at the end of the then most recent Fiscal Year for which audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries have been delivered to the Banks.

"Material Debt" means Debt (other than the Loans) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $25,000,000.

"Material Plan" means at any time a Plan (or any two or more Plans, each of which has Unfunded Liabilities) having aggregate Unfunded Liabilities in excess of $25,000,000.

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

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of

the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

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

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

"Notice of Interest Rate Election" has the meaning set forth in Section 2.07.

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

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

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

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

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

"Prime Rate" means a rate of interest per annum equal to the rate of interest publicly announced from time to time in New York City by Morgan as its Prime Rate.

"Public Debt Issuance" means the issuance of any Debt by the Borrower or any of its Subsidiaries for cash in a transaction that is required to be registered

with the SEC (or would have been required to be registered with the SEC if such transaction had occurred within the United States).

"Reduction Event" means the receipt by the Borrower or a Subsidiary of Available Net Cash Proceeds in respect of any one or more Asset Sales, Public Debt Issuances or Equity Issuances in an aggregate amount equal to or greater than $10,000,000.

"Reference Bank" means the principal London office of Morgan.

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

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

"Required Banks" means at any time Banks having more than 50% of the aggregate amount of the Credit Exposures at such time.

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

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

"SEC" means the Securities and Exchange Commission.

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

"Termination Date" means November 16, 1998, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day.

"Total Borrowed Funds" means at any date the sum, without duplication, of

(i) Consolidated Debt at such date,

(ii) the present value of operating lease commitments of the Borrower and its Consolidated Subsidiaries, and

(iii) the present value of third-party operating lease payments under guarantees entered into after the date hereof by the Borrower and its Consolidated Subsidiaries.

The present value referred to in clause (ii) of this definition shall be deemed to be $1,952,000,000 (being the "present value of operating lease commitments" of the Borrower and its Consolidated Subsidiaries at January 31, 1998) until the first officer's certificate to be delivered pursuant to Section 5.01(e) is delivered, and thereafter shall be deemed to be the amount set forth as the present value of operating lease commitments at the end of the applicable Fiscal Year in the officer's certificate delivered most recently pursuant to Section 5.01(e). The present value referred to in clause (iii) of this definition shall be deemed to be zero until the first officer's certificate to be delivered pursuant to Section 5.01(e) is delivered, and thereafter shall be deemed to be the amount set forth as the present value of third-party operating lease payments guaranteed by the Borrower and its Consolidated Subsidiaries at the end of the applicable Fiscal Year in the officer's certificate delivered most recently pursuant to Section 5.01(e).

"Total Capitalization" means at any date the sum of (i) Total Borrowed Funds at such date and (ii) Consolidated Tangible Net Worth at such date.

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

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

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

Section 1.03. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II on the same date, all of which Loans are of the same type (subject to Article VIII) and, except in the case of Base Rate Loans, have the same initial Interest Period. Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (i.e., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans and a Base Rate Borrowing" is a Borrowing comprised of Base Rate Loans).

ARTICLE 2
The Credits

Section 2.01. Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time on and after the Effective Date and prior to the Termination Date; provided that the aggregate principal amount of Loans made by such Bank on any date shall not exceed its Commitment at such date. Each Borrowing under this Section shall be in an aggregate principal amount of $10,000,000 or any larger multiple of $1,000,000; provided that any such Borrowing may be in an aggregate amount equal to the then aggregate amount of the Commitments. Each such Borrowing shall be made from the several Banks ratably in proportion to their respective Commitments. The Commitments are not

revolving in nature, and amounts prepaid or repaid may not be reborrowed hereunder.

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

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

(b) the aggregate amount of such Borrowing, and

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

Section 2.03. Notice to Banks; Funding of Loans. (a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:00 P.M. (New York City time) on the date of each Borrowing, each Bank shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied the Administrative Agent shall make the funds so received from the Banks available to the Borrower not later than 2:00 P.M. (New York City time) at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.03 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is

repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.04. Notes. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

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

(c) Upon receipt of each Bank's Note pursuant to Section 3.01(b), the Administrative Agent shall forward such Note to such Bank. Each Bank shall record the date and amount of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that neither the failure by any Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

Section 2.05. Maturity of Loans. Each Loan shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the Termination Date.

Section 2.06. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made (or is converted from a Euro-Dollar Loan to a Base Rate Loan) until it becomes due or is converted, at a rate per annum equal to the Base Rate for such day. Accrued interest shall be payable for each calendar month in arrears on the last Domestic Business Day thereof and, with respect to the principal

amount of any Base Rate Loan converted to a Euro-Dollar Loan, on the date such principal amount is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

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

"Euro-Dollar Margin" means 1.00% per annum.

The "Adjusted London Interbank Offered Rate" applicable to (a) any Interest Period (other than an Interest Period beginning on September 25, 1998 means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage and (b) the Interest Period beginning on September 25, 1998 means the rate per annum determined by the Administrative Agent in the manner agreed by the Borrower and the Administrative Agent on September 24, 1998.

The "London Interbank Offered Rate" applicable to any Interest Period (other than an Interest Period beginning on the September 25, 1998) means the rate per annum at which deposits in dollars are offered to the Reference Bank in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of the Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

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

(c) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

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

(e) The Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If the Reference Bank does not furnish a timely quotation, the provisions of Section 8.01 shall apply.

Section 2.07. Method of Electing Interest Rates. (a) The Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article VIII), as follows:

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

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

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Administrative Agent at least three Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger multiple of $1,000,000.

(b) Each Notice of Interest Rate Election shall specify: (NY) 27009/335/CA/ca.98

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

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

(iii) if the Loans comprising such Group are to be converted, the new type of Loans; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, such election.

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

Section 2.08. Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Bank a commitment fee at the rate of 0.10% per annum on the daily average amount of such Bank's Commitment. Such commitment fees shall accrue for each day from and including the Effective Date to but excluding the Termination Date (or earlier date of termination of the Commitments in their entirety) and shall be payable in arrears on the Termination Date (or earlier date of termination of the Commitments in their entirety).

Section 2.09. Optional Termination or Reduction of Commitments. The Borrower may, without premium or penalty, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time or (ii) ratably reduce the Commitments from time to time, in each case by an aggregate amount of at least $10,000,000. Upon any such termination or reduction of the Commitments, the Administrative Agent shall promptly notify each Bank of such termination or reduction.

Section 2.10. Mandatory Termination or Reduction of Commitments. (a) The Commitments shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

(b) On the date of each Borrowing, the Commitment of each Bank shall be automatically reduced by the amount of its Loan included in such Borrowing.

(c) On the date upon which any Reduction Event occurs, the Commitments shall be automatically and ratably reduced by an amount equal to the largest multiple of $1,000,000 which does not exceed the excess, if any, of (i) the aggregate Available Net Cash Proceeds in respect of such Reduction Event over (ii) the portion of such Available Net Cash Proceeds to be applied to the prepayment of Loans pursuant to Section 2.12.

Section 2.11. Optional Prepayments. (a) The Borrower may upon at least one Domestic Business Day's notice to the Administrative Agent, prepay the Base Rate Loans in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Base Rate Loans of the several Banks.

(b) Subject to Section 2.14, the Borrower may, upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, in the case of a Group of Euro-Dollar Loans, prepay the Loans comprising such a Group, in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Group.

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

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

Section 2.12. Mandatory Prepayments. (a) Upon the occurrence of a Reduction Event, the Borrower shall prepay a principal amount of the Loans equal to the largest multiple of $1,000,000 which does not exceed the aggregate amount of Available Net Cash Proceeds in respect of such Reduction Event. Such prepayment shall be made not later than the second Euro-Dollar Business Day following the date of such Reduction Event, and shall be applied ratably to the Loans of the Banks included in such outstanding Group or Groups of Loans as the

Borrower may designate in the notice required by subsection (b) or, failing such designation by the Borrower, as the Administrative Agent may specify by notice to the Borrower and the Banks.

(b) The Borrower shall notify the Administrative Agent of each Reduction Event and the related Available Net Cash Proceeds not later than the date of such Reduction Event. The Administrative Agent shall promptly notify each Bank of the contents of each such notice received by it and of such Bank's ratable share of any prepayment pursuant to this Section 2.12 or reduction of the Commitments pursuant to Section 2.10(c) in respect of such Reduction Event.

Section 2.13. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Base Rate Loans or fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, any Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

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

Section 2.14. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan or any such Loan is converted to a Base Rate Loan (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow or prepay any Euro-Dollar Loans or fails to continue any Euro-Dollar Loans for an additional Interest Period or fails to convert any outstanding Loans to Euro-Dollar Loans, in each case after notice of such borrowing, prepayment, continuation or conversion has been given to any Bank in accordance with Section 2.03(a), 2.07(c), 2.11(d) or 2.12(b), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, continue or convert, provided that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.15. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and commitment fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

ARTICLE 3
Conditions

Section 3.01. Effectiveness of this Agreement; Closing. This Agreement shall become effective, and the closing hereunder shall occur, when the Administrative Agent shall have received the following:

(a) a counterpart hereof signed by each party listed on the signature pages hereof or facsimile or other written confirmation satisfactory to the Administrative Agent that each such party has signed a counterpart hereof;

(b) a duly executed Note for the account of each Bank complying with the provisions of Section 2.04 dated the Effective Date;

(c) an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Borrower, substantially in the form of Exhibit B hereto, dated the

Effective Date and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(d) an opinion of Gary M. Bahler, General Counsel of the Borrower, substantially in the form of Exhibit C hereto, dated the Effective Date and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(e) an opinion of Davis Polk & Wardwell, special counsel for the Administrative Agent, substantially in the form of Exhibit D hereto, dated the Effective Date and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request; and

(f) all documents that the Administrative Agent may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement, the Notes and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent.

The Administrative Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. Extensions of Credit. The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) the fact that the Effective Date shall have occurred on or prior to September 25, 1998;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02;

(c) the fact that, immediately before and after such Extension of Credit, no Default shall have occurred and be continuing; and

(d) the fact that each of the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Extension of Credit.

Each Extension of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Extension of Credit as to the facts specified in clauses (c) and (d) of this Section.

ARTICLE 4
Representations and Warranties

The Borrower represents and warrants that:

Section 4.01. Corporate Existence and Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.02. Concentration and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

Section 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower and each of the Notes, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms.

Section 4.04. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of January 31, 1998 and the related consolidated statements of operations, cash flows and changes in shareholders' equity for the Fiscal Year then ended, reported on by KPMG Peat Marwick LLP and set forth in the Borrower's 1997 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

(b) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of August 1, 1998 and the related unaudited consolidated statements of operations, cash flows and changes in shareholders' equity for the six months then ended, set forth in the Borrower's Latest Form

10-Q, a copy of which has been delivered to each of the Banks, fairly present, on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end adjustments).

(c) Since August 1, 1998 there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

Section 4.06. Compliance with Laws. The Borrower and its Subsidiaries are in compliance in all material respects with all applicable laws, ordinances, rules, regulations and binding requirements of governmental authorities, except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failure to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.07. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or made any amendment to any Plan, which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or in the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax-qualified status of such Plan or (iii)incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.08. Environmental Matters. To the knowledge of the Borrower, (i) the Borrower and its Subsidiaries are in material compliance with all applicable Environmental Laws, (ii) there are no claims, demands or investigations against the Borrower or any of its Subsidiaries by any governmental authority or other person or entity that may reasonably be expected to result in material liability

for the clean up of materials that have been released into the environment and (iii) there are no conditions that are reasonably likely to result in such claims, demands or investigations against the Borrower or any of its Subsidiaries, except for failures to comply and liabilities which, in the aggregate, are unlikely to result in a Material Adverse Effect.

Section 4.09. Taxes. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any material assessment received by the Borrower or any Subsidiary, except taxes and assessments which are not yet delinquent or are being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.10. Subsidiaries. Each of the Borrower's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.11. Not an Investment Company. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.12. Full Disclosure. All information (taken as a whole) heretofore furnished in writing by the Borrower to any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished in writing by the Borrower to any Bank will be, true in all material respects on the date as of which such information is stated or certified. Any projections and pro forma financial information contained in any such writing will be based upon good faith estimates and assumptions believed by the Borrower to be reasonable at the time made, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. The Borrower has disclosed to the Banks in writing any and all facts which could reasonably be expected to result in a Material Adverse Effect (to the extent the Borrower can now reasonably foresee, utilizing reasonable assumptions and the information now actually known to the Borrower's Responsible Officers).

ARTICLE 5
Covenants

The Borrower agrees that, so long as any Bank has any Credit Exposure hereunder:

Section 5.01. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of operations, cash flows and changes in shareholders' equity for such Fiscal Year, setting forth in each case in comparative form the figures as of the end of and for the previous Fiscal Year, all reported on (without any qualification that would not be acceptable to the SEC for purposes of filings under the Exchange Act) by KPMG Peat Marwick LLP or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated condensed balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter, the related consolidated condensed statement of operations for such Fiscal Quarter and the related consolidated condensed statements of operations, cash flows and retained earnings for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in comparative form (i) in the case of such statement of operations, the figures for the corresponding Fiscal Quarter of the previous Fiscal Year and (ii) in the case of such statements of operations, cash flows and retained earnings, the figures for the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the Borrower's chief financial officer or chief accounting officer (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.06 to 5.10, inclusive, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements (i) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to clause (c) above;

(e) as soon as practicable and in any event within 90 days after the end of each Fiscal Year, a certificate of the Borrower's chief financial officer setting forth:

(i) the total rent expense (net of sublease income) of the Borrower and its Consolidated Subsidiaries for such Fiscal Year;

(ii) the present value, at the end of such Fiscal Year, of the operating lease commitments of the Borrower and its Consolidated Subsidiaries; and

(iii) the present value, at the end of such Fiscal Year, of any third-party operating lease payments under guarantees entered into after the date hereof by the Borrower and its Consolidated Subsidiaries;

and certifying that the amounts set forth have been calculated on the same basis as the comparable amounts shown in Note 14 ("Leases") to the audited financial statements of the Borrower contained in the Borrower's 1997 Form 10-K (treating the guaranteed amounts set forth pursuant to clause (iii) as if they were direct obligations of the Borrower and its Consolidated Subsidiaries);

(f) within five Domestic Business Days after any Responsible Officer obtains knowledge of any Default, if such Default is then continuing, a certificate of the Borrower's chief financial officer or chief accounting officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

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

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the SEC;

(i) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" defined in PBGC Regulations Sections 2615.11(a), .12(a), .14(a), .16(a), .17(a), .21(a), .22(a) or .23(a) with respect to any Plan, or, with respect to any Plan, gives or is required to give notice to the PBGC under Section 4043(b)(3) of ERISA or would be required to give notice under such Section but for the provisions of Section 4043(b)(2) of ERISA or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC, or that would be required to be given but for the provisions of Section 4043(b)(2); (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or makes any amendment to any Plan or which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax- qualified status of such Plan, a certificate of the Borrower's chief financial officer or chief accounting officer setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group has taken or proposes to take; and

(j) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries (including, without limitation, the status of the transactions contemplated by the German Purchase Agreement) as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 5.02. Maintenance of Property; Insurance. (a) The Borrower will keep, and will cause each Subsidiary to keep, all material properties useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Borrower will, and will cause each of its Subsidiaries to, maintain (either in the name of the Borrower or in such Subsidiary's own name)

with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business; provided that such risks may be covered by self-insurance programs consistent with past practice. The Borrower will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.03. Conduct of Business and Maintenance of Existence. The Borrower will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where failures to possess such rights, privileges and franchises could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect; provided that nothing in this Section shall prohibit (i) the merger of a Subsidiary into the Borrower or the merger or consolidation of a Subsidiary with or into another Person if the corporation surviving such consolidation or merger is a Subsidiary and if, in each case, after giving effect thereto, no Default shall have occurred and be continuing or (ii) the termination of the existence of any Subsidiary if the Borrower in good faith determines that such termination is in the best interest of the Borrower and is not materially disadvantageous to the Banks.

Section 5.04. Compliance with Laws. The Borrower will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and binding requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failures to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.05. Inspection of Property, Books and Records. The Borrower will keep, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to permit, representatives of any Bank at such Bank's expense, upon reasonable prior notice, to visit and inspect any of their respective properties, to examine and make

abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 5.06. Negative Pledge. Neither the Borrower nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on April 4, 1997 securing Debt outstanding on April 4, 1997 in an aggregate principal or face amount not exceeding $100,000,000;

(b) any Lien on any asset (or improvement thereon) securing Debt incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or improvement thereon), provided that such Lien attaches to such asset (or improvement thereon) concurrently with or within 90 days after the acquisition thereof;

(c) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or a Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition (whether by purchase, merger or otherwise) thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Debt is not increased and is not secured by any additional assets;

(g) Liens on life insurance policies securing amounts borrowed against the cash value of such policies;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt, (ii) do not secure any single obligation or series of related obligations in an amount exceeding $100,000,000 and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business; and

(i) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal or face amount at any date not to exceed 15% of Consolidated Tangible Net Worth.

Section 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth will at no time be less than the sum of (i) $800,000,000 plus (ii) for each Fiscal Quarter ended at or prior to such time (but after January 25, 1997), 50% of the consolidated net income of the Borrower and its Consolidated Subsidiaries for such Fiscal Quarter (if greater than zero).

Section 5.08. Leverage Ratio. Total Borrowed Funds will not (i) exceed 75% of Total Capitalization at any time from the Effective Date through the end of Fiscal Year 1998 or (ii) exceed 70% of Total Capitalization at any time thereafter.

Section 5.09. Limitation on Debt of Subsidiaries. The total Debt of all Consolidated Subsidiaries (excluding Debt owed to the Borrower or to another Consolidated Subsidiary) will not at any time exceed $300,000,000.

Section 5.10. Fixed Charge Coverage Ratio. At the end of each Fiscal Quarter listed below, the ratio of

(i) the sum of EBIT plus 1/3 of Annual Rent Expense, in each case for the four consecutive Fiscal Quarters then ended, to

(ii) the sum of Interest Expense plus 1/3 of Annual Rent Expense, in each case for the same four consecutive Fiscal Quarters,

will not be less than the ratio set forth below with respect to such Fiscal Quarter:

Fiscal Quarter	Ratio
Each Fiscal Quarter of Fiscal Year 1998	1.75 to 1
Each subsequent Fiscal Quarter	2.00 to 1

Section 5.11. Consolidations, Mergers and Sales of Assets. The Borrower will not consolidate or merge with or into any other Person; provided that the Borrower may merge with another Person if (A) the Borrower is the corporation surviving such merger and (B) immediately after giving effect to such merger no Default shall have occurred and be continuing. The Borrower and its Subsidiaries will not sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole, to any other Person; provided that the foregoing limitation shall not apply

to sales of inventory or sales and other dispositions of surplus assets, in each case in the ordinary course of business.

Section 5.12. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower for its working capital needs.

Section 5.13. Restricted Payments. Neither the Borrower nor any Subsidiary will declare or make any Restricted Payment.

Section 5.14. German Purchase Agreement. The Borrower shall not permit the German Purchase Agreement to be amended, supplemented or otherwise modified if the effect thereof would be to (i) materially reduce the purchase price (or the portion thereof payable in cash), (ii) materially delay the consummation of the transactions contemplated therein or (iii) impose any additional material conditions to the consummation of the transactions contemplated therein.

ARTICLE 6
Defaults

Section 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail (i) to pay any principal of any Loan when due or (ii) to pay any interest on any Loan, any fees or any other amount payable hereunder within two Domestic Business Days after the due date thereof;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.06 to 5.14, inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Requesting Banks;

(d) any representation, warranty, certification or statement made (or deemed made) by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower and/or any of its Subsidiaries shall fail to pay, when due or within any applicable grace period, an amount or amounts aggregating more than $25,000,000 payable in respect of their Debt;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any of the Borrower or one or more Subsidiaries (unless such Subsidiaries are Immaterial Subsidiaries) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any Material Assets, or shall consent to any such relief or to the appointment of any such official or to any such official taking possession of Material Assets, or shall make a general assignment for the benefit of creditors, or shall state that it is unable to pay its debts generally as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or one or more Subsidiaries (unless such Subsidiaries constitute Immaterial Subsidiaries), in each case seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any Material Assets, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan (except for any termination under Section 4041(b) of ERISA) shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one

or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000;

(j) a judgment or order for the payment of money in excess of $10,000,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days; or

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 20% or more of the outstanding shares of common stock of the Borrower; or Continuing Directors shall cease to constitute a majority of the board of directors of the Borrower;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, and (ii) if requested by Banks holding more than 50% in aggregate principal amount of the Loans, by notice to the Borrower declare the Loans (together with accrued interest thereon) to be, and the Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to the Borrower, then without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Requesting Banks and shall thereupon notify all the Banks thereof.

ARTICLE 7
The Administrative Agent

Section 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. Administrative Agents and Affiliates. Morgan shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent. Morgan, and each of its affiliates, may accept deposits from, lend money to, and generally engage in any kind of business with, the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent.

Section 7.03. Obligations of Administrative Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

Section 7.04. Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.05. Liability of Agents. None of the Administrative Agent, its affiliates or their respective directors, officers, agents or employees shall be liable for any action taken or not taken in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. None of the Administrative Agent, its affiliates or their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Extension of Credit; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article 3 except, in the case of the Administrative Agent, receipt of items required to be delivered to it; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent,

certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

Section 7.06. Indemnification. The Banks shall, ratably in accordance with their respective Credit Exposures, indemnify the Administrative Agent and its affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitees hereunder.

Section 7.07. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon any other Bank Party, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any other Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower, such resignation to be effective when a successor Administrative Agent is appointed pursuant to this Section and accepts such appointment. Upon receiving any such notice of resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the approval of the Borrower (unless an Event of Default shall have occurred and be continuing at the time of such appointment, in which case the Borrower's approval will not be required). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the other Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article

shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

Section 7.09. Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent for its account, fees in the amounts and at the times previously agreed upon between the Borrower and the Administrative Agent.

ARTICLE 8
Change in Circumstances

Section 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan:

(a) the Administrative Agent is advised by the Reference Bank that deposits in dollars (in the applicable amounts) are not being offered to the Reference Bank in the London interbank market for such Interest Period, or

(b) Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans, or to continue such Loans for an additional Interest Period, or to convert outstanding Loans into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any affected Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing

Section 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive

(whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans, to continue Euro-Dollar Loans for an additional Interest Period or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. Increased Cost and Reduced Return. (a) If on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after receiving a request by such Bank for compensation under this subsection, accompanied by a certificate complying with subsection (d) of this Section (with a copy to the Administrative Agent), the Borrower shall, subject to subsection (e) of this

Section, pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of its obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material, then from time to time, within 15 days after receiving a request by such Bank for compensation under this subsection, accompanied by a certificate complying with subsection (d) of this Section (with a copy to the Administrative Agent), the Borrower shall, subject to subsection (e) of this Section, pay to such Bank such additional amount or amounts as will compensate it (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle it to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in its judgment, be otherwise disadvantageous to it. If a Bank fails to notify the Borrower of any such event within 180 days after such event occurs, it shall not be entitled to compensation under this Section for any effect of such event arising more than 180 days before it does notify the Borrower thereof

(d) Each request by a Bank for compensation under this Section shall be accompanied by a certificate, signed by one of its authorized employees, setting forth in reasonable detail (i) the basis for claiming such compensation, (ii) the additional amount or amounts to be paid to it hereunder and (iii) the method of calculating such amount or amounts, which certificate shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(e) Notwithstanding any other provision of this Section, none of the Banks shall be entitled to compensation under subsection (a) or (b) of this Section if it is not then its general practice to demand compensation in similar circumstances under comparable provisions of other credit agreements.

Section 8.04. Taxes. (a) For purposes of this Section 8.04, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower pursuant to this Agreement or under any Note, and all liabilities with respect thereto, excluding (i) in the case of each Bank Party, taxes imposed on or measured by its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which it is organized or qualified to do business (but only if the taxes are imposed solely because such Bank Party is qualified to do business in such jurisdiction without regard to any Loan) or in which its principal executive office is located or in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments other than such withholding tax imposed as a result of a change in treaty, law or regulation occurring after a Bank first becomes subject to this Agreement.

"Other Taxes" means any present or future stamp, documentary or mortgage recording taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Borrower to or for the account of any Bank Party hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; provided that, if the Borrower shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank Party for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, provided that Borrower shall not indemnify any Bank Party for any penalties or interest on any Taxes or

Other Taxes accrued during the period between the 15th day after such Bank Party has received a notice from the jurisdiction asserting such Taxes or Other Taxes and such later day on which such Bank Party has informed the Borrower of the receipt of such notice. This indemnification shall be paid within 15 days after such Bank Party makes demand therefor.

(d) Each Bank Party organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank Party listed on the signature pages hereof and on or prior to the date on which it becomes a Bank Party in the case of each other Bank Party, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank Party remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank Party is entitled to benefits under an income tax treaty to which the United States is a party which exempts such Bank Party from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank Party or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank Party has failed to provide the Borrower with the appropriate form as required by Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank Party shall not be entitled to indemnification under Section 8.04(b) or (c) with respect to Taxes (including penalties, interest and expenses) imposed by the United States; provided that if a Bank Party, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank Party shall reasonably request to assist such Bank Party to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank Party pursuant to this Section 8.04, then such Bank Party will change the jurisdiction of its Applicable Lending Office if, in the judgment of such Bank Party, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank Party.

(g) If a Bank Party receives a notice from a taxing authority asserting any Taxes or Other Taxes for which the Borrower is required to indemnify such Bank Party under Section 8.04(c), it shall furnish to the Borrower a copy of such

notice no later than 90 days after the receipt thereof. If such Bank Party has failed to furnish a copy of such notice to the Borrower within such 90-day period as required by this Section 8.04(g), the Borrower shall not be required to indemnify such Bank Party for any such Taxes or Other Taxes (including penalties, interest and expenses thereon) arising between the 90th day after such Bank Party has received such notice and the day on which such Bank Party has furnished to the Borrower a copy of such notice.

Section 8.05. Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, all Loans which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks). If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Banks.

Section 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04, the Borrower shall have the right, with the assistance of the Administrative Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to replace such Bank. Any substitution under this Section 8.06 may be accomplished, at the Borrower's option, either (i) by the replaced Bank assigning its rights and obligations hereunder to the replacement bank or banks pursuant to Section 9.06(c) at a mutually agreeable price or (ii) by the Borrower prepaying all outstanding Loans from the replaced Bank and terminating its Commitment on a date specified in a notice delivered to the Administrative Agent and the replaced Bank at least three Euro-Dollar Business Days before the date so specified (and compensating such Bank for any resulting funding losses as provided in Section 2.14) and concurrently the replacement bank or banks assuming a Commitment in an amount equal to the Commitment being terminated and making Loans in the same aggregate amount and having the same maturity date or dates, respectively, as the Loans being prepaid, all pursuant to documents reasonably satisfactory to the Administrative Agent (and in the case of any

document to be signed by the replaced Bank, reasonably satisfactory to such Bank). No such substitution shall relieve the Borrower of its obligation to compensate and/or indemnify the replaced Bank as required by Sections 8.03 and 8.04 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing to the replaced Bank hereunder.

ARTICLE 9
Miscellaneous

Section 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (y) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for such purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, three Domestic Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Administrative Agent under Article 2 or Article 8 shall not be effective until received.

Section 9.02. No Waivers. No failure or delay by any Bank Party in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements of special counsel for the Administrative Agent, in connection with the negotiation and preparation of this Agreement, (ii) all reasonable out-of-pocket expenses of the Administrative Agent and the Administrative Agent, including reasonable fees and disbursements of special

counsel for the Administrative Agent, in connection with the administration of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank Party including (without duplication) the fees and disbursements of special counsel and the allocated cost of internal counsel, in connection with any collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify each Bank Party, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Section 9.04. Sharing of Set-offs. (a) Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest that has become due with respect to the Loans held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest that has become due with respect to the Loans held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans held by the Banks shall be shared by the Banks pro rata.

(b) Nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness hereunder.

(c) The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 9.05. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Administrative Agent are affected thereby, by the Administrative Agent); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for the termination of any Commitment or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement.

Section 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of each Bank.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. If any Bank grants a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, such Bank shall remain the holder of its Loans, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii) or (iv) of Section 9.05 without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other institutions (each an "Assignee") all, or a portion (not less than $10,000,000) of its Commitment and/or its Loans, and of its rights and obligations under this Agreement and the Notes with respect thereto, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit E hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consents of the Borrower and the Administrative Agent (which consents shall not be unreasonably withheld); provided that (i) such consents shall not be required if the Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment; (ii) the minimum amount specified above for a partial assignment of the transferor Bank's rights and obligations shall not apply if the Assignee was a Bank immediately prior to such assignment; and (iii) no such consent of the Borrower shall be required if at the time an Event of Default shall exist. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder (and its Commitment shall be reduced) to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $2,500; provided that the Borrower shall pay such administrative fee if such assignment is required by the Borrower pursuant to Section 8.06. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent

or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. No-Reliance on Margin Stock. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08. Governing Law; Submission to Jurisdiction. (a) THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement, the Notes or the transactions contemplated hereby or thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.09. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.10. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

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

VENATOR GROUP, INC.

By /s/ John H. Cannon

Name: John H. Cannon
Title: Vice President and Treasurer

233 Broadway
New York, New York 10279-0003
Facsimile number: 212-553-2152

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Administrative Agent and a Bank

By /s/ Unn Boucher

Name: Unn Boucher
Title: Vice President

60 Wall Street
New York, New York 10260-0060
Facsimile number:

(NY) 27009/335/CA/ca.98

COMMITMENT SCHEDULE

Bank	Commitment
Morgan Guaranty Trust Company of New York	$250,000,000
Total	$250,000,000

(NY) 27009/335/CA/ca.98

EXHIBIT A

NOTE

New York, New York
, 19

For value received, Venator Group, Inc., a New York corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Bridge Loan Agreement referred to below on the maturity date thereof provided for in the Bridge Loan Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Bridge Loan Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that neither the failure of the Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or under the Bridge Loan Agreement.

This note is one of the Notes referred to in the Bridge Loan Agreement dated as of September 25, 1998 among the Borrower, the Banks party thereto and Morgan Guaranty Trust Company of New York, as Administrative Agent (as the same may be amended from time to time, the "Bridge Loan Agreement"). Terms defined in the Bridge Loan Agreement are used herein with the same meanings. Reference is made to the Bridge Loan Agreement for provisions for the prepayment hereof and

the acceleration of the maturity hereof. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

VENATOR GROUP, INC.

By_____
Title:

(NY) 27009/335/CA/ca.98

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Notation Made By

(NY) 27009/335/CA/ca.98

EXHIBIT B

OPINION OF SPECIAL
COUNSEL FOR THE BORROWER

[Effective Date]

Morgan Guaranty Trust Company of New York,
as Administrative Agent
60 Wall Street
New York, New York 10260-0060

Ladies and Gentlemen:

We have acted as special counsel to Venator Group, Inc., a New York corporation (the "Borrower"), in connection with the preparation, execution and delivery of, the Bridge Loan Agreement, dated as of September __, 1998 (the "Bridge Loan Agreement") among the Borrower, the Banks, and Morgan Guaranty Trust Company of New York, as Administrative Agent. This opinion is being delivered pursuant to Section 3.01(c) of the Bridge Loan Agreement. Capitalized terms used and not otherwise defined herein shall have the meanings herein as ascribed thereto in the Bridge Loan Agreement.

In our examination we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of the Borrower and its officers and other representatives and of public officials, including the facts set forth in the Borrower's Certificate described below.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of the following:

(a) the Bridge Loan Agreement;

(b) the Notes delivered to you on the date hereof;

(c) the certificate of the Borrower executed by Andrew P. Hines dated the date hereof, a copy of which is attached as Exhibit A hereto (the "Borrower's Certificate");

(d) certified copies of the Certificate of Incorporation and By- laws of the Borrower;

(e) a certified copy of certain resolutions of the Board of Directors of the Borrower adopted on _____, 1998; and

(f) such other documents as we have deemed necessary or appropriate as a basis for the opinions set forth below.

The Bridge Loan Agreement and the Notes shall hereinafter be referred to collectively as the "Transaction Documents."

Members of our firm are admitted to the bar of the State of New York. We express no opinion as to the laws of any jurisdiction other than (i) the laws of the State of New York, and (ii) the federal laws of the United States of America to the extent specifically referred to herein.

Based on the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that

1. The Borrower has been duly incorporated and is validly existing and in good standing under the laws of the State of New York.

2. The Borrower has the corporate power and authority to (i) carry on its business as described in the Borrower's 1997 Form 10-K and (ii) execute, deliver and perform all of its obligations under each of the Transaction Documents and to borrow thereunder. The execution and delivery of each of the Transaction Documents and the consummation by the Borrower of the transactions contemplated thereby have been duly authorized by all requisite corporate action on the part of the Borrower. Each of the Transaction Documents has been duly executed and delivered by the Borrower.

3. Each of the Transaction Documents constitutes a valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to the following qualifications:

(a) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law);

(b) we express no opinion as to the enforceability of any rights to contribution or indemnification provided for in the Transaction Documents which are violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation); and

(c) we express no opinion as to Section 9.04 of the Bridge Loan Agreement to the extent it authorizes or permits any party to any Transaction Document or any purchaser of a participation interest for any such party to set off or apply any deposit, property or indebtedness with respect to any participation interest.

4. The execution and delivery by the Borrower of each of the Transaction Documents and the performance by the Borrower of its obligations under each of the Transaction Documents, each in accordance with its terms, do not conflict with the Certificate of Incorporation or By-laws of the Borrower.

5. Neither the execution, delivery or performance by the Borrower of the Transaction Documents nor the compliance by the Borrower with the terms and provisions thereof will contravene any provision of any Applicable Law (as hereinafter defined). "Applicable Laws" shall mean those laws, rules and regulations of the State of New York and of the United States of America (including, without limitation, Regulations U and X of the Federal Reserve Board) which, in our experience, are normally applicable to transactions of the type contemplated by the Transaction Documents.

6. No Governmental Approval (as hereinafter defined), which has not been obtained or taken and is not in full force and effect, is required to authorize or is required in connection with the execution, delivery or performance of any of the Transaction Documents by the Borrower. "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording

or registration with, any Governmental Authority (as hereinafter defined) pursuant to Applicable Laws. "Governmental Authority" means any New York or federal legislative, judicial, administrative or regulatory body.

7. Neither the execution, delivery or performance by the Borrower of its obligations under the Transaction Documents nor compliance by the Borrower with the terms thereof will contravene any Applicable Order (as hereinafter defined) against the Borrower. "Applicable Orders" means those orders, judgments or decrees of Governmental Authorities identified in paragraph 2 of the Borrower's Certificate.

8. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

In rendering the foregoing opinions, we have assumed, with your consent, that:

(a) the execution, delivery and performance of any of the Borrower's obligations under the Transaction Documents does not and will not conflict with, contravene, violate or constitute a default under (i) to your knowledge, any lease, indenture, instrument or other agreement to which the Borrower or its property is subject, (ii) any rule, law or regulation to which the Borrower is subject (other than Applicable Laws as to which we express our opinion in paragraph 5 herein) or (iii) any judicial or administrative order or decree of any governmental authority (other than Applicable Orders as to which we express our opinion in paragraph 7 herein); and

(b) no authorization, consent or other approval of, notice to or filing with any court, governmental authority or regulatory body (other than Governmental Approvals as to which we express our opinion in paragraph 6 herein) is required to authorize or is required in connection with the execution, delivery or performance by the Borrower of the Transaction Documents or the transactions contemplated thereby.

We understand that you are separately receiving an opinion, dated as of the date hereof, with respect to the foregoing from Gary M. Bahler (the "General Counsel Opinion") and we are advised that such opinion contains qualifications. Our opinions herein stated are based on the assumptions specified above and we express no opinion as to the effect on the opinions herein stated of the qualifications contained in the General Counsel Opinion.

Our opinions are also subject to the following assumptions and qualifications:

(a) we have assumed each of the Transaction Documents constitutes the legal, valid and binding obligation of each party to such Transaction Document (other than the Borrower) enforceable against such party (other than the Borrower) in accordance with its terms; and

(b) we express no opinion as to the effect on the opinion expressed herein of (i) the compliance or non-compliance of any party (other than the Borrower) to the Transaction Documents with any state, federal or other laws or regulations applicable to it or (ii) the legal or regulatory status or the nature of the business of any party (other than the Borrower) to the Transaction Documents.

In rendering the opinions herein stated, we have taken into account the fact that you have asked the Borrower to make, and the Borrower has made, the representation set forth in Section 4.02 of the Bridge Loan Agreement.

This opinion is being furnished only to you and is solely for your benefit and is not to be relied upon by any other Person or for any other purpose without our prior written consent, provided, however, that any Assignee that becomes a Bank pursuant to Section 9.06(c) of the Bridge Loan Agreement may rely on this opinion as if it were addressed to such Assignee and delivered on the date hereof.

Very truly yours,

Schedule I
to SASM&F Opinion

Lenders

Morgan Guaranty Trust Company of New York

Exhibit C

[Form of Opinion of Borrower's General Counsel]

[Venator letterhead]

September __, 1998

Morgan Guaranty Trust Company
of New York,
as Administrative Agent
60 Wall Street
New York, New York 10260-0060

Ladies and Gentlemen:

I am General Counsel of Venator Group, Inc., a New York corporation (the "Borrower"), and have acted as such in connection with the preparation, execution and delivery of, the Bridge Loan Agreement, dated as of September __, 1998 (the "Bridge Loan Agreement'), among the Borrower, the Banks and Morgan Guaranty Trust Company of New York, as Administrative Agent. This opinion is being delivered pursuant to Section 3.01(d) of the Bridge Loan Agreement. Capitalized terms used and not otherwise defined herein shall have the same meanings herein as ascribed thereto in the Bridge Loan Agreement.

In my examination I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which I did not independently establish or verify, I have relied upon statements and representations of the Borrower and its officers and other representatives and of public officials.

In rendering the opinions set forth herein, I, or a lawyer acting under my general supervision, have examined and relied on originals or copies of the following:

(a) the Bridge Loan Agreement;

(b) the Notes delivered to you on the date hereof;

(c) certified copies of the Certificate of Incorporation and By-laws of the Borrower;

(d) a copy of certain resolutions of the Board of Directors of the Borrower adopted on _____, 1998; and

(e) such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

The Bridge Loan Agreement and the Notes shall hereinafter be referred to collectively as the "Transaction Documents."

I am a member of the bar of the State of New York and I do not express any opinion herein concerning any law other than the laws of the State of New York.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. Each of the Transaction Documents has been duly executed and delivered by the Borrower.

2. The execution and delivery by the Borrower of each of the Transaction Documents and the performance by the Borrower of its obligations under each of the Transaction Documents, each in accordance with its terms, do not (i) constitute a violation of or a default under any Applicable Contracts (as hereinafter defined) or (ii) cause the creation of any security interest or lien upon any of the property of the Borrower pursuant to any Applicable Contracts. I do not express any opinion, however, as to whether the execution, delivery or performance by the Borrower of the Transaction Documents will constitute a violation of or a default under any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of the Borrower as set forth in the Transaction Documents or otherwise. "Applicable Contracts" mean those agreements or instruments which are material to the business or financial condition of the Borrower.

3. There is no action, suit or proceeding pending against, or to the best of my knowledge threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

This opinion is being furnished only to you and is solely for your benefit and is not to be relied upon by any other Person or for any other purpose without my prior written consent, provided, however, that any Assignee that becomes a Bank pursuant to Section 9.06(c) of the Bridge Loan Agreement may rely on this opinion as if it were addressed to such Assignee and delivered on the date hereof.

Very truly yours,

Schedule I
to Venator Opinion

Lenders

Morgan Guaranty Trust Company of New York

EXHIBIT D

OPINION OF
DAVIS POLK & WARDWELL, SPECIAL COUNSEL
FOR THE ADMINISTRATIVE AGENT

To the Banks and the
Administrative Agent Referred to Below
c/o Morgan Guaranty Trust Company
of New York,
as Administrative Agent
60 Wall Street
New York, New York 10260-0060

Dear Sirs:

We have participated in the preparation of the Bridge Loan Agreement (the "Bridge Loan Agreement") dated as of September __, 1998 among Venator Group, Inc. a New York corporation (the "Borrower"), the Banks (the "Banks"), and Morgan Guaranty Trust Company of New York, as Administrative Agent, and have acted as special counsel for the Arranger and Syndication Agent for the purpose of rendering this opinion pursuant to Section 3.01(e) of the Bridge Loan Agreement. Terms defined in the Bridge Loan Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that:

1. The execution, delivery and performance by the Borrower of the Bridge Loan Agreement and the Notes are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action.

2. The Bridge Loan Agreement constitutes a valid and binding agreement of the Borrower and each Note delivered to you today constitutes a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York and the federal laws of the United States of America. In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other person without our prior written consent; provided that any Assignee that becomes a Bank pursuant to Section 9.06(c) of the Bridge Loan Agreement may rely on this opinion as if it were addressed to such Assignee and delivered on the date hereof.

Very truly yours,

Exhibit 10.4

WAIVER

WAIVER dated as of November 6, 1998 to the Credit Agreement dated as of April 9, 1997, as heretofore amended (the "Credit Agreement") among VENATOR GROUP, INC. (formerly named Woolworth Corporation), the BANKS party thereto, the CO-AGENTS party thereto, NATIONSBANK, N.A., as Documentation Agent, and THE BANK OF NEW YORK, as LC Agent, Administrative Agent and Swingline Bank.

W I T N E S S E T H :

WHEREAS, the Borrower has requested that the Banks waive any failure by the Borrower to comply with the provisions of Sections 5.07 (Minimum Consolidated Tangible Net Worth) and 5.10 (Fixed Charge Coverage Ratio) of the Credit Agreement during the period from and including October 31, 1998 to and including March 19, 1999 (the "Waiver Period");

WHEREAS, the undersigned Banks are willing to grant such waiver, subject to the terms and conditions set forth herein, if (i) the Borrower agrees that with respect to interest and fees accrued during the Waiver Period, the Pricing Schedule referred to in the Credit Agreement shall mean the Pricing Schedule attached hereto and (ii) the Borrower agrees to limit Restricted Payments (as defined below) as set forth in Section 5 hereto;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

Section 2. Minimum Consolidated Tangible Net Worth. The undersigned Banks hereby waive any failure by the Borrower to comply with the provisions of Section 5.07 of the Credit Agreement during the Waiver Period, but only if and so long as Consolidated Tangible Net Worth at any time during the Waiver Period is not less than (i) $750,000,000 at any time prior to January 30, 1999 or (ii) $850,000,000 at any time on or after January 30, 1999.

Section 3. Fixed Charge Coverage Ratio. The undersigned Banks hereby waive any failure by the Borrower to comply with the provisions of Section 5.10 of

the Credit Agreement at the end of the third and fourth Fiscal Quarters of Fiscal Year 1998, but only if the ratio set forth in said Section is not less than (i) 0.90 to 1 at the end of the third Fiscal Quarter of Fiscal Year 1998 or (ii) 0.50 to 1 at the end of the fourth Fiscal Quarter of Fiscal Year 1998.

Section 4. Increase in Pricing. The Borrower agrees that for purposes of calculating any interest and fees for any day during the Waiver Period, the Pricing Schedule attached hereto shall be used instead of the Pricing Schedule referred to in the Credit Agreement.

Section 5. Restricted Payments. The Borrower agrees that during the Waiver Period, neither the Borrower nor any Subsidiary will declare or make any Restricted Payment. As used herein, "Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock of the same class) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock or (b) any option, warrant or other rights to acquire shares of the Borrower's capital stock (but not including payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion). The Borrower agrees that failure to comply with this Section 5 shall constitute an Event of Default under the Credit Agreement.

Section 6. Governing Law. This Waiver shall be governed by and construed in accordance with the laws of the State of New York.

Section 7. Counterparts. This Waiver may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 8. Effectiveness. This Waiver shall become effective as of the date hereof when the Administrative Agent shall have received from each of the Borrower and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof. On the later of November 6, 1998 and the date this Waiver becomes effective, the Borrower agrees to pay to the Administrative Agent for the account of the Banks who deliver a counterpart of this Waiver to the Administrative Agent on or before the later of 1:00 P.M. (New York City time) on (i) November 6, 1998 and (ii) the date this Waiver becomes effective, a fee in an aggregate amount equal to 0.10% of the aggregate amount of the Commitments of such Banks on such effective date. The Borrower agrees that the failure to pay such fee when due shall be an Event of Default.

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

VENATOR GROUP, INC.

By:/s/ John H. Cannon

Title: Vice President - Treasurer

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By:/s/ Unn Boucher

Title: Vice President

NATIONSBANK, N.A.

By:/s/ Bill Manley, Sr.

Title: Senior Vice President

THE BANK OF NEW YORK

By:/s/ Howard F. Bascom

Title: Vice President

THE BANK OF NOVA SCOTIA

By:/s/ J. Alan Edwards

Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY

By:/s/ N. Saffra

Title: Vice President

TORONTO DOMINION (NEW YORK), INC.

By:/s/ Jorge A. Garcia

Title: Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By:/s/ Bill Manley, Sr.

Title: Senior Vice President

COMMERZANK AG, NEW YORK AND/OR
GRAND CAYMAN BRANCHES

By:/s/ David T. Whitworth

Title: Senior Vice President

By:/s/ A. Oliver Welsch-Lehmann

Title: Assistant Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By:/s/ Vladimir Labon

Title: First Vice President-Manager

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

By:/s/ Susan M. O'Connor

Title: Director

By: /s/ Stephen A. Wiedeman

Title: Director

KEYBANK NATIONAL ASSOCIATION

By:_____
Title:

WELLS FARGO BANK, N.A.

By: /s/ Razia Damji

Title: Vice President

By:_____
Title:

UNION BANK OF CALIFORNIA, N.A.

By:/s/ Corinne Heyning

Title: Vice President

PRICING SCHEDULE

The "Euro-Dollar Margin", "Non-Trade LC Fee Rate", "CD Margin" and "Facility Fee Rate" for any day are the respective percentages per annum set forth below in the applicable row under the column corresponding to the Pricing Level that applies on such day:

	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII	Level VIII
Pricing Level Euro-Dollar Margin and Non-Trade LC Fee Rate								
If Utilization is 50% or less	.1700	.2750	.3500	.6250	.7000	1.0250	1.3750	1.7500
If Utilization exceeds 50%	.1700	.3750	.4750	.8750	.9500	1.2750	1.6250	2.0000
CD Margin								
If Utilization is 50% or less	.2950	.4000	.4750	.7500	.8250	1.1500	1.5000	1.8750
If Utilization exceeds 50%	.2950	.5000	.6000	1.0000	1.0750	1.4000	1.7500	2.1250
Facility Fee Rate	.0800	.1250	.1500	.2500	.3000	.3500	.3750	.5000

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

"Level I Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A2 or higher by S&P and P2 or higher by Moody's and (ii) the Borrower's long-term debt is rated A- or higher by S&P and A3 or higher by Moody's.

"Level II Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A2 or higher by S&P and P2 or higher by Moody's and (ii) the Borrower's long-term debt is rated BBB+ or higher by S&P and Baa1 or higher by Moody's.

"Level III Pricing' applies on any day on which (i) the Borrower's commercial paper is rated A2 or higher by S&P and P2 or higher by Moody's and (ii) the Borrower's long-term debt is rated BBB or higher by S&P and Baa2 or higher by Moody's.

"Level IV Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody's and (ii) the Borrower's long-term debt is rated BBB- or higher by S&P and Baa3 or higher by Moody's.

"Level V Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody's and (ii) the Borrower's long-term debt is rated (A) BB+ or higher by S&P and Baa3 or higher by Moody's or (B) BBB- or higher by S&P and Ba1 or higher by Moody's.

"Level VI Pricing" applies on any day on which the Borrower's long-term debt is rated BB+ or higher by S&P and Ba1 or higher by Moody's.

"Level VII Pricing" applies on any day on which the Borrower's long-term debt is rated BB or higher by S&P and Ba2 or higher by Moody's.

"Level VIII Pricing" applies on any day if no other Pricing Level applies on such day.

'Moody's" means Moody's Investors Service, Inc.

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

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Utilization" means at any date the percentage equivalent of a fraction (i) the numerator of which is the Total Usage at such date, after giving effect to any borrowing or repayment on such date, and (ii) the denominator of which is the Total Commitments at such date, after giving effect to any reduction of the Commitments on such date. For purposes of this Schedule, if for any reason any Bank has any Credit Exposure after the Commitments terminate, the Utilization on and after the date of such termination shall be deemed to exceed 50%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the unsecured commercial paper of the Borrower without third-party credit enhancement or to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement, as the case may be. Any rating assigned to any other commercial paper or debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Exhibit 10.5

November 10, 1998

Samuel Gaston
496 N. Ferndale Drive
Bigfork, Mt. 59911

Dear Ron:

This will confirm our recent discussions regarding our offer of employment that was extended to you to join the Venator Group as Senior Vice President and Chief Information Officer reporting to me.

The terms of our offer as discussed are outlined below:

Annual Base Salary:	$400,000 ($33,333.34 paid monthly)
Annual Bonus Program:	Participation in the annual bonus plan 50% of base salary at target. Bonus will be pro-rated from date of hire to the end of the fiscal year.
Fiscal Year Bonus Guarantee:	Fiscal year 1998-1999 $50,000 (Payable in April 1999) Fiscal year 1999 - 2000 $100,000 (Payable in April 2000)
Cash Sign-On Bonus:	$50,000
Stock options:	We will recommend a stock option grant of 30,000 shares of the company's common stock be awarded to you by the Compensation Committee of the Board of Directors as part of your sign on package. You will be eligible to participate in the annual share option grant program at a level determined by the Compensation Committee of the Board of Directors commensurate with your position in the organization.

Long-Term Incentive Program:	Prorated participation in the 1998-2000 and 2000 - 2001 periods, based on date of employment.
Life Insurance:	Company-paid 1x base salary.
Medical:	$5,000 reimbursement - no gross-up.
Vacation:	Four (4) weeks, plus 13 Company-paid Holidays and two (2) personal days.
Severance:	You will be a participant in the Senior Executive Severance Agreement of which we will provide a copy for you. If you are discharged for any reason (except cause) you will receive a lump sum payment equal to a minimum of one (1) years base salary less applicable taxes (no other offsets allowable). You will also receive full settlement of any outstanding gross up benefits relating to your relocation. Additional benefits available in our Senior Executive Severance Policy will also be made available to you.
Financial Planning:	Company-paid up to $10,000 for the first year, $6,000 thereafter.
Relocation:	In accordance with the policy for homeowners, which includes moving your household goods, three months temporary living-including reasonable meals, two trips a month to unite family, and real estate locator fees related to searching for a new residence.

Should you voluntarily choose to terminate your employment with the company, on your own initiative, excluding catastrophic or serious health reasons, during the first twelve (12) months of employment, you agree to reimburse the total amount of the expenses incurred by the Company in connection with your relocation expenses and signing bonus (gain net of taxes).

We have agreed that your service as a director on the Boards of other non-competing companies (retailers included) is desirable and authorized.

We are very enthusiastic about your joining our dynamic team. We know you will grow personally and professionally in our exciting environment.

Please indicate your acceptance of the above noted terms by faxing a signed copy of this letter to Connie Williams at (212) 553-2475 then returning the enclosed original signed copy of this letter.

If you have any questions, please feel free to contact me directly.

We look forward to your joining us.

Very truly yours,

/s/ Samuel Gaston	/s/ Dale Hilpert
Samuel Gaston	Dale Hilpert
11/10/98	11/10/98
Date	Date

Exhibit 10.6

AGREEMENT

THIS AGREEMENT made as of September 17, 1998 by and between VENATOR GROUP, INC., a New York corporation with its principal office at 233 Broadway, New York, New York 10279 (the "Company") and Reid Johnson, residing at 200 Central Park South, New York, New York 10019 (the "Executive").

W I T N E S S E T H:

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; and

WHEREAS, the Company wishes to offer a form of protection to the Executive, as one of a select group of officers and key employees of the Company and its Affiliates, in the event the Executive's employment with the Control Group terminates; and

WHEREAS, the Company also recognizes that the possibility of a Change in Control of the Company, with the attendant uncertainties and risks, might result in the departure or distraction of the Executive to the detriment of the Company; and

WHEREAS, the Company wishes to induce the Executive to remain with the Control Group, and to reinforce and encourage the Executive's continued attention and dedication, when faced with the possibility of a Change in Control of the Company; and

WHEREAS, this Agreement amends and supersedes any employment agreement, severance plan, policy and/or practice of the Company in effect 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 or her 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) "Bonus" shall mean an amount equal to the target bonus expected to be earned by the Executive under the Company's Annual Incentive Compensation Plan or such other annual bonus plan or program that may then be applicable to the Executive in a fiscal year, if the applicable target performance goal is satisfied.

(e) "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 or her 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, or (iii) 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.

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

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

(h) "Committee" shall mean the Compensation Committee of the Board or an administrative committee appointed by the Compensation Committee.

(i) "Competition" shall mean the (i) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, joint venturer, investor, lender, or in any capacity whatsoever (within the United States of America, or in any country where any of the Executive's former employing members of the Control Group does business) in a business in competition with any business conducted by any member of the Control Group for which the Executive worked at any time, provided, however, that such participation shall not include (A) the mere ownership of not more than 1 percent of the total outstanding stock of a publicly held company; (B) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in which any of the Employee's employing members of the Control Group is engaged; or (C) any activity engaged in with the prior written approval of the Board or the Committee; or (ii) intentional recruiting, soliciting or inducing, of any employee or employees of the Control Group to terminate their employment with, or otherwise cease their relationship with the former employing members of the Control Group where such employee or employees do in fact so terminate their employment.

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

(k) "Good Reason" shall mean (with respect to an Executive's termination of employment with the Control Group): (i) any material demotion of the Executive or any material reduction in the Executive's authority or responsibility, except in each case in connection with the termination of the Executive's employment for Cause or disability or as a result of the Executive's death, or temporarily as a result of the Executive's illness or other absence; (ii) prior to a Change in Control, 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; (iii) on or after a Change in Control, any reduction in the Executive's rate of base salary as payable from time to time; (iv) 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; (v) 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/or generally applies to all executives of the Company of a similar level, 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 (vi) failure of any successor to the Company to assume in writing the obligations hereunder.

(l) "Salary" shall mean an Executive's base monthly cash compensation rate for services paid to the Executive by the Company or an Affiliate at the time of his or her 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 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.

(m) "Severance Benefit" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 12 month period following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 26 weeks; or (ii) in the case of an Executive's termination of employment within the 12 month period following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 78 weeks. The Executive's prorated Bonus for one week shall equal the Executive's Bonus divided by 52. In no event, however, shall the Severance Benefit payable to an Executive hereunder be less than 12 months' Salary.

(n) "Severance Period" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 12 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 52 weeks; or (ii) in the case of an Executive's termination of employment within the 12 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 78 weeks.

(o) "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 Employee is employed for at least 30 hours per week. A Year of Service shall include any period during which an Employee is not working due to disability, leave of absence or layoff so long as he or she is being paid by the

Employer (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 end on December 31 of the year following the year in which this Agreement is entered into. On December 31 of each year, the term shall be automatically renewed for an additional one year so that the term shall then be for two years, unless the Committee notifies the Executive prior to any December 31 that the term shall not be renewed. 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 at or prior to the expiration of this Agreement, then this Agreement shall remain in effect until all of the Company's obligations hereunder are fulfilled.

3. Benefits Upon Termination. In the event the Executive's employment with the Control Group is terminated 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 Executive shall be entitled to a Severance Benefit as set forth below.

(a) The Executive shall receive 50 percent of his or her Severance Benefit in the form of a lump sum cash payment as soon as administratively feasible following his or her termination of employment with the Control Group, provided, however, that interest shall be payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal.

(b) The Executive shall receive the remaining 50 percent of his or her Severance Benefit in the form of a lump sum cash payment as soon as administratively feasible following the one year anniversary of the Executive's termination of employment with the Control Group, subject to (c) below, provided, however, that interest shall be payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal. Notwithstanding the foregoing, if a Change in Control occurs prior to the Executive's receipt of the remaining 50 percent of his or her Severance Benefit, the Executive shall receive such remaining 50 percent within 10 days following the Change in Control (and, if not paid within such 10 day period, with interest payable beginning on the tenth day following the Change in Control at the prime rate of interest as stated in The Wall Street Journal).

(c) The Executive shall only be entitled to the portion of his or her Severance Benefit described in (b) above if the Executive does not engage in Competition during the one year period following his or her termination of employment with the Control Group and if the Executive has not materially violated the provisions of Section 14 hereof. If the Executive does engage in Competition or violates the provisions of Section 14 during such one year period, the portion of the Executive's Severance Benefit described in (b) above shall be forfeited. If the restriction set forth in this subsection 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.

(d) Notwithstanding anything to the contrary contained herein, if the Executive's employment with the Control Group is terminated as described in the introductory paragraph to this Section 3 following a Change in Control, (i) the Executive shall receive 100 percent of his or her Severance Benefit in the form of a lump sum cash payment within 10 days following his or her termination of employment with the Control Group (and, if not paid within such 10 day period, with interest payable beginning on the tenth day following such termination of employment at the prime rate of interest as stated in The Wall Street Journal), and (ii) the restriction on competition contained in Section 3(c) shall not apply.

(e) The Executive shall continue, to the extent permitted under legal and underwriting requirements (if any), to participate during his or her Severance Period in any group medical, dental or life insurance plan he or she participated in prior to his or her termination of employment, under substantially similar terms and conditions as an active Employee; provided participation in such group medical, dental and life insurance benefits shall correspondingly cease at such time as the Executive becomes eligible for a future employer's medical, dental and/or life insurance coverage (or would become eligible if the Executive did not waive coverage). Notwithstanding the foregoing, the Executive may not continue to participate in such plans on a pre-tax or tax-favored basis. Notwithstanding anything else herein, the Executive shall not be entitled to any benefits during the Severance Period other than the benefits provided in Section 3 herein 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 or she participated in prior to his or her termination of employment. Without limiting the generality of the foregoing, the Executive shall not accrue additional benefits under any pension plan of the Employer (whether or not qualified under Section 401(a) of the Code) during the Severance Period, provided, however, that payment of any Severance Benefit shall be included in the Executive's earnings for purposes of calculating the Executive's benefit under the Venator Group Retirement Plan, Venator Group 401(k) Plan, and Venator Group Excess Cash Balance Plan.

(f) In the event of the Executive's death after becoming eligible for the portion of the Severance Benefit described in (a) above and prior to payment of such amount, such portion of the Severance Benefit shall be paid to the Executive's Beneficiary. In addition to the foregoing, in the event of the Executive's death prior to payment of the portion of the Severance Benefit described in (b) above, such amount shall be paid to the Executive's Beneficiary, but only to the extent that the Executive satisfied the provisions set forth in (c) above for the period following the Executive's termination of employment with the Control Group and prior to his or her death.

(g) 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 (a) or (b) above and such other amounts or benefits he or she 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, 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, would be greater than the unreduced amount to be received by the Executive 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.

4. No Duty to Mitigate/Set-off. The Company agrees that if the Executive's employment with the Company 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, except to the extent provided for in Section 3(c), 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.

5. Funding. Severance Benefits shall be funded out of the general assets of the Company as and when they are payable under this Agreement. The Executive shall be solely a general creditor of the Company. If the Company decides to establish any advance accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company is required to fund a trust under this Agreement, such reserve or trust shall not under any circumstances be deemed to be an asset of this Agreement.

6. Administration. This Agreement shall be administered by the Committee. The Committee (or its delegate) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply and interpret the Agreement and to decide all matters arising in connection with the operation or administration of the Agreement. Without limiting the generality of the foregoing, the Committee shall have the sole and absolute discretionary authority: (a) to take all actions and make all decisions with respect to the eligibility for, and the amount of, benefits payable under the Agreement; (b) to formulate, interpret and apply rules, regulations and policies necessary to administer the Agreement in accordance with its terms; (c) to decide questions, including legal or factual questions, relating to the calculation and payment of benefits under the Agreement; (d) to resolve and/or clarify any ambiguities, inconsistencies and omissions arising under the Agreement; (e) to decide for purposes of paying benefits hereunder, whether, based on the terms of this Agreement, a termination of employment is for Good Reason or for Cause; and (f) except as specifically provided to the contrary herein, to process and approve or deny benefit claims and rule on any benefit exclusions. All determinations made by the Committee (or any delegate) with respect to any matter arising under the Agreement shall be final, binding and conclusive on all parties.

Decisions of the Committee shall be made by a majority of its members attending a meeting at which a quorum is present (which meeting may be held telephonically), or by written action in accordance with applicable law. All decisions of the Committee on any question concerning the interpretation and administration of the Agreement shall be final, conclusive and binding upon all parties.

No member of the Committee and no officer, director or employee of the Company or any other Affiliate shall be liable for any action or inaction with respect to his or her functions under this Agreement unless such action or inaction is adjudged to be due to gross negligence, willful misconduct or fraud. Further, no such person shall be personally liable merely by virtue of any instrument executed by him or her or on his or her behalf in connection with this Agreement.

The Company shall indemnify, to the full extent permitted by law and its Certificate of Incorporation and By-laws (but only to the extent not covered by insurance) its officers and directors (and any employee involved in carrying out the functions of the Company under the Agreement) and each member of the Committee against any expenses, including amounts paid in settlement of a liability, which are reasonably incurred in connection with any legal action to which such person is a party by reason of his or her duties or responsibilities with respect to the Agreement, except with regard to matters as to which he or she shall be adjudged in such action to be liable for gross negligence, willful misconduct or fraud in the performance of his or her duties.

7. Claims Procedures. Any claim by the Executive or Beneficiary ("Claimant") with respect to participation, contributions, benefits or other aspects of the operation of the Agreement shall be made in writing to the Secretary of the Company or such other person designated by the Committee from time to time for such purpose. If the designated person receiving a claim believes, following consultation with the Chairman of the Committee, that the claim should be denied, he or she shall notify the Claimant in writing of the denial of the claim within 90 days after his or her receipt thereof (this period may be extended an additional 90 days in special circumstances and, in such event, the Claimant shall be notified in writing of the extension). Such notice shall (a) set forth the specific reason or reasons for the denial making reference to the pertinent provisions of the Agreement on which the denial is based, (b) describe any additional material or information necessary to perfect the claim, and explain why such material or information, if any, is necessary, and (c) inform the Claimant of his or her right pursuant to this section to request review of the decision.

A Claimant may appeal the denial of a claim by submitting a written request for review to the Committee, within 60 days after the date on which such denial is received. Such period may be extended by the Committee for good cause shown. The claim will then be reviewed by the Committee. A Claimant or his or her duly authorized representative may discuss any issues relevant to the claim, may review pertinent documents and may submit issues and comments in writing. If the Committee deems it appropriate, it may hold a hearing as to a claim. If a hearing is held, the Claimant shall be entitled to be represented by counsel. The Committee shall decide whether or not to grant the claim within 60 days after receipt of the request for review, but this period may be extended by the Committee for up to an additional 60 days in special circumstances. Written notice of any such special circumstances shall be sent to the Claimant. Any claim not decided upon in the required time period shall be deemed denied. All interpretations, determinations and decisions of the Committee with respect to any claim shall be made in its sole discretion based on the Agreement and other relevant documents and shall be final, conclusive and binding on all persons.

8. Incompetency; Payments to Minors. In the event that the Committee finds that a Participant is unable to care for his or her affairs because of illness or accident, then benefits payable hereunder, unless claim has been made therefor by a duly appointed guardian, committee, or other

legal representative, may be paid in such manner as the Committee shall determine, and the application thereof shall be a complete discharge of all liability for any payments or benefits to which such Participant was or would have been otherwise entitled under this Agreement. Any payments to a minor pursuant to this Agreement may be paid by the Committee in its sole and absolute discretion (a) directly to such minor; (b) to the legal or natural guardian of such minor; or (c) to any other person, whether or not appointed guardian of the minor, who shall have the care and custody of such minor. The receipt by such individual shall be a complete discharge of all liability under the Agreement therefor.

9. 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 Employer shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Employer to the Executive upon such terms and conditions as the Committee may prescribe.

10. Assignment and Alienation. Except as provided herein, the benefits payable under this Agreement shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any benefits to be so subjected shall not be recognized.

11. 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.

12. 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 Board. 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.

13. 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.

14. Confidentiality. 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 Board, any proprietary processes, or other confidential information of the Company or any subsidiary concerning their business or affairs, accounts or customers, it being understood, however, that the obligations of this section 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.

15. Special Provisions. Notwithstanding any other provision of this agreement to the contrary, the Severance Benefit payable hereunder shall be no less than one year's Salary and Bonus.

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 shall be settled exclusively 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 Company shall pay all costs of the American Arbitration Association and the arbitrator.

18. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its subsidiary companies and for which the Executive may qualify.

19. Governing Law. This Agreement shall be construed, interpreted, and governed by the Employee Retirement Income Security Act of 1974, as amended. To the extent not so governed, it shall be governed by the laws of the State of New York (without reference to rules relating to conflicts of law).

20. Top-hat Plan. This Agreement is intended to be a "top-hat" welfare plan within the meaning of Department of Labor Regulation Section 2520.104-24.

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.

VENATOR GROUP, INC.

By:/s/ John F. Gillespie

/s/ Reid Johnson

Reid Johnson

APPENDIX A

Change in Control

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

a:reidsev

Exhibit 10.7

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PURCHASE AND SALE AGREEMENT

between

233 BROADWAY, INC.,
as Seller,

and

233 BROADWAY OWNERS, LLC,
as Purchaser

Dated: June 20, 1998

Premises:

227-237 Broadway
21 Barclay Street
and
22 Park Place
New York, New York

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LIST OF EXHIBITS AND SCHEDULES

Exhibits:

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of the 20th day of June, 1998, by and between 233 BROADWAY, INC., a New York corporation ("Seller"), and 233 BROADWAY OWNERS, LLC, a New York limited liability company ("Purchaser").

In consideration of the mutual promises, covenants and agreements hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

ARTICLE I.

Sale of Property

1.1. Sale. Seller hereby agrees to sell, assign and convey to Purchaser and Purchaser agrees to purchase from Seller, the following:

1.1.1. Those certain parcels of real property lying and being situated in the City, County and State of New York and being more particularly described (i) on Exhibit A-1 attached hereto (the "Broadway Parcel"), (ii) on Exhibit A-2 attached hereto (the "Barclay Parcel") and (iii) on Exhibit A-3 attached hereto (the "Park Place Parcel")(the Broadway Parcel, the Barclay Parcel and the Park Place Parcel are hereinafter collectively referred to as the "Land");

1.1.2. All buildings, structures and improvements now or hereafter erected or situate on the Land or any portion thereof (the "Improvements");

1.1.3. All rights of Seller, if any, in and to any land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land or any portion thereof, to the center line thereof, and any strips and gores adjacent to the Land or any portion thereof, and all right, title and interest of Seller in and to any award made or to be made in lieu thereof and in and to any unpaid award for damage to the Land and Improvements or any portion thereof by reason of any change of grade of any street;

1.1.4. All rights, privileges, grants and easements appurtenant to Seller's interest in the Land and the Improvements, if any, including, without limitation, all of Seller's right, title and interest, if any, in and to all easements, licenses, covenants and other rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and the Improvements (the Land, the Improvements, all rights and interests described in Section 1.1.3 and all such easements, grants and appurtenances are sometimes collectively referred to herein as the "Real Property");

1.1.5. All leases, licenses and other occupancy agreements covering offices, stores and other spaces at or within the Improvements (together with any and all amendments, modifications or supplements thereto, collectively, the "Leases") and, subject to Section 4.2.6 below, the security deposits under such Leases (the "Security Deposits") which have not been applied in accordance with the provisions of such Leases;

1.1.6. All fixtures, equipment, castings and personal property, if any, used solely in connection with the ownership, management, maintenance or operation of the Improvements and located at the Real Property as of the date hereof, and all inventory used solely in connection with the ownership, management, maintenance or operation of the Improvements and located on the Real Property on the date of Closing (the "Per sonal Property"); and

1.1.7. All (i) service, utility, maintenance and other contracts or agreements to which Seller is a party or which otherwise would be binding on Purchaser or the Property (as hereinafter defined), and all union or other collective bargaining contracts (collectively, the "Contracts") in effect with respect to the Property (as hereinafter defined) as of the Closing Date and not terminated by Seller under Section 8.8 and (ii) guarantees, licenses, approvals, certificates, permits and warranties relating to the Property (collectively, the "Permits and Licenses"), all to the extent assignable (the Contracts and the Permits and Licenses are sometimes hereinafter collectively referred to as the "Intangible Property").

(The Real Property, the Leases, the Security Deposits, the Personal Property, the Intangible Property and the foregoing other property interests held by Seller in connection with the ownership, management, maintenance or operation of the Real Property are sometimes collectively hereinafter referred to as the "Property").

1.2. Excluded Property. Notwithstanding the provisions of Section 1.1, Seller shall not sell, assign, transfer or deliver to Purchaser and Purchaser shall not purchase, acquire or accept from Seller:

1.2.1. Except as provided in Section 1.4, all trademarks and tradenames, if any, of Seller or any of Seller's affiliated companies used or useful in connection with the Real Property (including, without limitation, the name "Woolworth" and all moveable artwork and memorabilia relating to Frank Woolworth and/or F.W. Wool worth Co.).

1.2.2. All fixtures, equipment and personal property of Seller and its affiliates used solely in connection with the ownership and operation of its or their busi nesses (other than the business of owning, managing, maintaining or operating the Prop erty) and/or the premises currently occupied by Venator Group, Inc. or any of its affiliates or to be demised under the Venator Lease (as hereinafter defined) (collectively, the "Venator Premises") and located in the Venator Premises as of the date hereof, and all inventory used in connection with the ownership and operation of its or their businesses (other than the business of owning, managing, maintaining or operating the Property) and/or the Venator Premises and located at the Venator Premises on the Closing Date.

1.2.3. Any other assets of Seller described on Schedule 1 attached hereto (all of the foregoing being collectively referred to herein as the "Excluded Assets").

1.2.4. Notwithstanding the foregoing, any Excluded Assets remaining in a portion of the Property not leased to Seller or any of its affiliates as of the Closing Date shall be deemed abandoned and shall be Purchaser's property from and after the Closing Date.

1.3. Like Kind Exchange.

1.3.1. Purchaser acknowledges that Seller intends to exchange the Real Property for other property to be held by Seller for productive use in trade or business, or for investment, in an exchange (the "Exchange") which will qualify for non-recognition of gain under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (the "Treasury Regula tions"). Purchaser further acknowledges that, in connection with such Exchange, Seller may at any time assign all of its rights, title and interest in, to and under this Agreement to a "qualified intermediary" (as such term is defined in Treasury Regulation 1.1031(k)-1(g)(4)) (the "Qualified Intermediary") and that in the event of such assignment the Purchaser shall pay the Purchase Price to the Qualified Intermediary. Seller shall remain liable to Purchaser for its obligation hereunder notwithstanding any such assignment.

1.3.2. Purchaser hereby covenants and agrees that it shall cooperate fully with Seller and the Qualified Intermediary in connection with any Exchange, including, without limitation, by taking such actions and executing such documents as may reasonably be required in connection with an Exchange, provided that Purchaser shall not be required to incur any additional expenses (other than nominal expenses) or additional liabilities, unless Seller agrees to reimburse or indemnify Purchaser with respect to the same.

1.4. License Agreement. On the Closing Date, Seller shall license (or cause to be licensed by the party authorized to do so) to Purchaser the limited, non-exclusive right to use the name "Woolworth" solely in connection with the ownership of the Improvements upon the Broadway Parcel and otherwise in accordance with the conditions set forth in the license agreement ("License Agreement") attached hereto as Exhibit B.

ARTICLE II.

Purchase Price

2.1. Purchase Price. The purchase price for the Property shall be One Hundred Forty Six Million Five Hundred Thousand Dollars ($146,500,000) (the "Purchase Price"). No portion of the Purchase Price is attributable to the Personal Property or the

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Leases. The Purchase Price, net of all prorations as provided for herein, shall be paid by Purchaser as follows:

(i) Ten Million Dollars ($10,000,000) (together with all interest, if any, earned thereon, the "Initial Deposit") shall be paid to Skadden, Arps, Slate, Meagher & Flom LLP (the "Escrow Agent") by wire transfer of immediately available federal funds simultaneously with the execution and delivery of this Agreement by Purchaser;

(ii) Five Million Dollars ($5,000,000) (together with all interest, if any, earned thereon, the "Additional Deposit"; the Initial Deposit and the Additional Deposit are, together, the "Deposit") shall be paid to the Escrow Agent by wire transfer of immediately available federal funds on or before 3:00 p.m. on November 2, 1998 (the "Additional Deposit Payment Date") (time being of the essence with respect thereto). In the event that Pur chaser shall fail for any reason to so pay the Additional Deposit, then Seller shall have the immediate right to terminate this Agreement and to collect and retain the Deposit. Payment of the Additional Deposit is being guaranteed by Steven C. Witkoff (the "Guarantor") in accordance with the provisions of Article XVII hereof. The Deposit shall be held in escrow and shall be payable in accordance with Article III hereof; and

(iii) The balance of the Purchase Price (the "Balance of the Purchase Price") shall be paid on the Closing Date by wire transfer of immediately available federal funds to or as directed by Seller.

ARTICLE III.

Deposit

3.1. Deposit. Concurrently with the execution of this Agreement, and as a condition precedent to the formation of this Agreement, Purchaser shall deposit with the Escrow Agent the Initial Deposit, the receipt of which is hereby acknowledged by Escrow Agent's execution hereof. The Initial Deposit (and, when received, the Additional Deposit) shall be held in escrow, and not in trust, by the Escrow Agent in an interest bearing account at Citibank, N.A, provided that Purchaser provides Escrow Agent with Pur chaser's taxpayer identification number. The Escrow Agent shall pay the Deposit to Seller at the Closing or otherwise in accordance with this Agreement. All interest on the Deposit shall belong to the party entitled to the Deposit hereunder, unless the Closing occurs, in which case such interest shall belong 50% to Seller and 50% to Purchaser.

3.2. Application of Deposit.

3.2.1. If the Closing occurs as contemplated hereunder, then the Deposit shall be paid to Seller (or, in the case of an Exchange, to the Qualified Intermediary).

3.2.2. In the event that the Closing does not occur as contemplated hereunder because of a default by Purchaser under this Agreement, the Deposit shall be paid to and retained by Seller.

3.2.3. In the event that the Closing does not occur as contemplated hereunder because of a default by Seller under this Agreement, the Deposit shall be paid to and retained by Purchaser.

3.2.4. If either party makes a demand upon the Escrow Agent for delivery of the Deposit, the Escrow Agent shall give notice to the other party of such demand. If a notice of objection to the proposed payment is not received from the other party within seven (7) days after the giving of notice by the Escrow Agent, the Escrow Agent is hereby authorized to deliver the Deposit to the party who made the demand. If the Escrow Agent receives a notice of objection within said seven (7) day period, or if for any other reason the Escrow Agent in good faith elects not to deliver the Deposit, then the Escrow Agent shall continue to hold the Deposit and thereafter pay it to the party entitled thereto when the Escrow Agent receives (i) a notice from the objecting party withdrawing the objection, (ii) a notice signed by both parties directing disposition of the Deposit or (iii) a final judgment or order of a court of competent jurisdiction.

3.3. Escrow Agent. The parties further agree that:

3.3.1. Escrow Agent shall accept the Deposit with the understanding of the parties that Escrow Agent is not a party to this Agreement except to the extent of its specific responsibilities hereunder, and does not assume or have any liability for the performance or non-performance of Purchaser or Seller hereunder to either of them;

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3.3.2. The Escrow Agent shall be protected in relying upon the accuracy, acting in reliance upon the contents, and assuming the genuineness of any notice, demand, certificate, signature, instrument or other document which is given to the Escrow Agent without verifying the truth or accuracy of any such notice, demand, certificate, signature, instrument or other document;

3.3.3. The Escrow Agent shall not be bound in any way by any other agreement or understanding between the parties hereto, whether or not the Escrow Agent has knowledge thereof or consents thereto unless such consent is given in writing;

3.3.4. The Escrow Agent's sole duties and responsibilities shall be to hold and disburse the Deposit in accordance with this Agreement;

3.3.5. The Escrow Agent shall not be liable for any action taken or omitted by the Escrow Agent in good faith and believed by the Escrow Agent to be au thorized or within its rights or powers conferred upon it by this Agreement, except for damage caused by the gross negligence, bad faith or wilful misconduct of the Escrow Agent;

3.3.6. Upon the disbursement of the Deposit in accordance with this Agreement, the Escrow Agent shall be relieved and released from any liability under this Agreement;

3.3.7. The Escrow Agent may resign at any time upon at least ten (10) days prior written notice to the parties hereto. If, prior to the effective date of such resignation, the parties hereto shall all have approved, in writing, a successor escrow agent, then upon the resignation of the Escrow Agent, the Escrow Agent shall deliver the Deposit to such successor escrow agent. The parties hereby acknowledge that Chicago Title Insurance Company (or any subsidiary thereof that is a Qualified Intermediary) is an acceptable successor escrow agent. Purchaser agrees to approve as a successor escrow agent any other Qualified Intermediary proposed by Seller that is reasonably acceptable to Purchaser. From and after such resignation and the delivery of the Deposit to such successor escrow agent, the Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement, all of which duties, responsibilities and obligations shall be performed by the appointed successor escrow agent. If for any reason the parties hereto shall not approve a successor escrow agent within such period, the Escrow Agent may bring any appropriate action or proceeding for leave to deposit the

Deposit with a court of competent jurisdiction, pending the approval of a successor es crow agent, and upon such deposit the Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement;

3.3.8. Seller and Purchaser hereby agree to, jointly and severally, indemnify, defend and hold the Escrow Agent harmless from and against any liabilities, damages, losses, costs or expenses incurred by, or claims or charges made against, the Escrow Agent (including attorneys' fees, expenses and court costs) by reason of the Escrow Agent's acting or failing to act in connection with any of the matters contemplated by this Agreement or in carrying out the terms of this Agreement, except as a result of the Escrow Agent's gross negligence, bad faith or willful misconduct;

3.3.9. In the event that a dispute shall arise in connection with this Agreement, or as to the rights of any of the parties in and to, or the disposition of, the Deposit, the Escrow Agent shall have the right to (w) hold and retain all or any part of the Deposit until such dispute is settled or finally determined by litigation, arbitration or otherwise, or (x) deposit the Deposit in an appropriate court of law, following which the Escrow Agent shall thereby and thereafter be relieved and released from any liability or obligation under this Agreement, or (y) institute an action in interpleader or other similar action permitted by stakeholders in the State of New York, or (z) interplead any of the parties in any action or proceeding which may be brought to determine the rights of the parties to all or any part of the Deposit;

3.3.10. The Escrow Agent shall not have any liability or obligation for loss of all or any portion of the Deposit by reason of the insolvency or failure of the institution of depository with whom the escrow account is maintained; and

3.3.11. The parties hereto represent that prior to the negotiation and execution of this Agreement they were advised that the Escrow Agent was representing Seller as such party's attorney in connection with this Agreement and the transaction referred to herein and the parties hereto covenant that they shall not object, on the grounds of conflict of interest or otherwise, to the Escrow Agent continuing to act as the attorney for Seller in connection with this Agreement and the transaction contemplated herein, or to act as Seller's attorney in connection with any dispute in connection herewith or any other matter, as well as act as the Escrow Agent hereunder; provided, however, that the Escrow Agent deposits the Deposit with a court of competent jurisdiction or transfers the Deposit and all accrued interest thereon to a mutually agreeable substitute escrow agent.

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ARTICLE IV.

Closing, Prorations and Closing Costs

4.1. Closing.

4.1.1. The closing of the purchase and sale of the Property (the "Closing") shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York or at the offices of Purchaser's lender's counsel, if requested by Purchaser's lender, at 10:00 a.m. local time on December 31, 1998. The date of Closing is referred to in this Agreement as the "Closing Date". In addition to any other adjournment rights afforded to the Seller hereunder, Seller shall have the right, exercisable by giving not less than ten (10) days prior written notice to Purchaser on any number of occasions prior to the then scheduled Closing Date, to adjourn the Closing to any business day designated by Seller in the period December 31, 1998 through January 28, 1999, both dates inclusive (time being of the essence with respect to any date between January 15, 1998 and January 28, 1998, both dates inclusive, which is designated by Seller upon not less than thirty (30) days prior written notice to Purchaser).

4.1.2. Notwithstanding the provisions of Section 4.1.1, Seller shall have the right, on thirty (30) days prior written notice to the Purchaser, to accelerate the Closing Date to any business day occurring on or after September 14, 1998, and, in such event, Purchaser shall have the right to adjourn such accelerated Closing Date one or more times for up to an aggregate of thirty (30) days (time being of the essence with respect to such thirtieth (30th) day).

4.2. Prorations. All matters involving prorations or adjustments to be made in connection with Closing and not specifically provided for in another Section of this Agreement shall be adjusted in accordance with this Section 4.2. Except as otherwise set forth herein, all items to be prorated pursuant to this Section 4.2 shall be prorated as of 12:01 A.M. on the Closing Date, with Purchaser to be treated as the owner of the Property, for purposes of prorations of income and expenses, on and after the Closing Date. Notwithstanding the foregoing, in the event that the Purchase Price is not disbursed to or as directed by Seller (or, in the case of an Exchange, to or as directed by the Qualified Intermediary) on or before 3:00 p.m. (eastern time) on the Closing Date, then the Closing shall be deemed to have occurred on the next business day and all adjustments

shall be recomputed accordingly. Except as otherwise set forth herein, all prorations shall be done in accordance with the customs with respect to title closings recommended by The Real Estate Board of New York, Inc.

The following items shall be prorated:

4.2.1. Real Estate and Property Taxes. Real estate and personal property taxes, business improvement district assessments and charges, vault charges and special assessments, if any. Seller shall pay all real estate and personal property taxes, business improvement district assessments and charges, vault charges and special assess ments attributable to the Property through, but not including, the Closing Date. If the tax rate, assessment and/or assessed value for any of the foregoing items has not been set for the tax period in which the Closing occurs, then the proration of such items shall be based upon the rate, assessment and/or assessed value for the immediately preceding tax period and such proration shall be adjusted in cash between Seller and Purchaser upon presen tation of written evidence that the actual amount paid for the tax period in which the Closing occurs differs from the amounts used in the Closing in accordance with the provi sions of Section 4.2.13 hereof. Any discount received for an early payment shall be prorated between Seller and Purchaser.

4.2.2. Insurance Premiums. There shall be no proration of Seller's insurance premiums or assignment of Seller's insurance policies with respect to the Property and Seller shall cancel all of its existing policies with respect to the Property as of the Closing Date, except as provided in Article XI.

4.2.3. Utilities and Services. Purchaser and Seller hereby acknowl edge and agree that the amounts of all telephone, electric, sewer, water, gas, steam and other utility bills, trash removal bills, janitorial and maintenance service bills and all other operating and administrative expenses relating to the Property and allocable to the period prior to the Closing Date (other than such items which are the obligation of a Tenant under its Lease) shall be determined and paid by Seller before Closing, if possible, or shall be paid thereafter by Seller or adjusted between Purchaser and Seller immediately after the same have been determined. Seller shall have all base building meters read not more than fifteen (15) days prior to the Closing Date. Purchaser shall cause all utility services Purchaser desires to be placed in Purchaser's name as of the Closing Date. All deposits, if any, furnished by Seller to any utility company or other service provider shall continue to be owned by Seller.

4.2.4. Base Rents. Base or fixed rents due under Leases shall be adjusted on an if, as and when collected basis. If, on the Closing Date, any tenant under a Lease (a "Tenant") (other than Venator Group, Inc. and its affiliates, which for all purposes under this Agreement shall be deemed to be current in their obligations under all of their Leases through the end of the month in which the Closing Date occurs) is in arrears in the payment of such rent, then any amounts received by Seller or Purchaser from any such Tenant after the Closing on account of such rent (net of reasonable costs of collec tion, including reasonable attorneys fees and disbursements) shall be applied in the following order of priority: (i) first apportioned between Purchaser and Seller for the month in which the Closing occurred, (ii) then to Purchaser for any amounts then due to Pur chaser for any month or months following the month in which the Closing occurred, and (iii) then to Seller for the period prior to the month preceding the month in which the Closing occurred. If rents or any portion thereof received by Seller or Purchaser after the Closing are payable to the other party by reason of this allocation, the appropriate sum, less a proportionate share of any reasonable attorneys' fees and costs and expenses of collection thereof, shall be promptly paid to the other party. Seller shall have the right, after Closing, to proceed against Tenants for delinquent rents allocable solely to the period of Seller's ownership of the Property. Purchaser agrees that it shall use commercially reasonable efforts to collect any such delinquent rents allocable to the period of Seller's ownership of the Property, but Purchaser shall not be obligated to commence any actions to dispossess any of the Tenants (except that Purchaser shall continue any dispossession actions against any Tenant currently in monetary default under its Lease (as set forth on Schedule 2) if same was initiated by Seller prior to Closing for so long as Seller continues to pay for the costs and expenses relating to such action). For a one (1) year period subsequent to the Closing, Seller shall have the right, from time to time, on prior written notice to Purchaser, to review Purchaser's books and records with respect to the Property during ordinary business hours, to ascertain the status of Purchaser's billing and collection of base and fixed rents. No action which results in the compromising of any claim against any Tenant with respect to base or fixed rents due under such Tenant's Lease for the period prior to the Closing shall be made without Seller's prior written approval, but Purchaser shall not be obligated to continue any actions against any Tenant after Seller has rejected any good faith compromise reached by Purchaser with any such Tenant which does not unfairly discriminate against Seller's claims against such Tenant.

4.2.5. Additional Rents. If any Tenants are required to pay percentage rents, escalation charges for increases in real estate taxes or operating expenses, porter's wage increases, cost-of-living increases, charges for electricity, water, cleaning or overtime

services, "sundry charges" or other charges of a similar nature ("Additional Rents"), the same shall be adjusted on an if, as and when collected basis. If any Additional Rents are collected by Purchaser after the Closing Date which are attributable in whole or in part to any period prior to the Closing, then Purchaser shall promptly pay to Seller its proportion ate share thereof, less a proportionate share of any reasonable attorneys' fees and costs and expenses of collection thereof. With respect to any estimated Additional Rents paid or payable by Tenants for any period prior to the Closing which, pursuant to the applicable Lease, are to be recalculated after the Closing based upon actual expenses and other relevant factors, (i) Seller agrees, with respect to such adjustments which are in favor of any such Tenant, to reimburse Purchaser, within fifteen (15) days after written demand and presentation to Seller of documentation in support of such adjustments, for the amount of such adjustments which Purchaser has paid or credited to such Tenant and (ii) Purchaser agrees, with respect to such adjustments which are in favor of landlord, to pay to Seller the amount of such adjustments which the Tenant pays to Purchaser, within ten (10) days after receipt thereof by Purchaser. Purchaser shall indemnify, defend and hold Seller harmless from and against any and all losses, damages, costs and expenses (including reasonable attorneys fees and disbursements) incurred by Seller as a result of any claims brought by any Tenant against Seller with respect to adjustments for which Seller has made full payment to Purchaser under clause (i) of the preceding sentence. Seller shall have the right, after Closing, to proceed against Tenants for delinquent Additional Rent allocable solely to the period of Seller's ownership of the Property. Purchaser agrees that it shall use commercially reasonable efforts to collect any such delinquent Additional Rents allocable to the period of Seller's ownership of the Property but Purchaser shall not be obligated to commence any actions to dispossess any of the Tenants (except that Purchaser shall continue any dispossess actions against any Tenant currently in monetary default under its Lease (as set forth on Schedule 2) if same was initiated by Seller prior to the Closing for so long as Seller continues to pay for the costs and expenses relating to such action. For a one (1) year period subsequent to the Closing, Seller shall have the right, from time to time, on prior written notice to Purchaser, to review Purchaser's books and records with respect to the Property during ordinary business hours, to ascertain the status of Purchaser's billing and collection of Additional Rents. No action which results in the compromising of any claim against any Tenant with respect to Additional Rent due under such Tenant's Lease for the period prior to the Closing shall be made without Seller's prior written approval, but Purchaser shall not be obligated to continue any actions against any Tenant after Seller has rejected any good faith compromise reached by Purchaser with any such Tenant. The calculation of the proration of Additional Rents hereunder shall be computed on a straight- line basis for the calendar year in which the Closing occurs (except for Additional Rents arising from submetered electric charges, which shall be computed based on actual usage).

4.2.6. Tenant Security Deposits. Security Deposits held by Seller (to the extent, subject to the provision of this Section 4.2.6, not applied by Seller pursuant to any Lease) shall be turned over by Seller to Purchaser at the Closing by crediting such amount (less the amount of any interest or administrative charges for the period prior to the Closing which the landlord under such Lease would be entitled to retain) to Purchaser. No allocation shall be made of Security Deposits applied by Seller pursuant to any Lease, and Seller may retain such amounts; provided, however, that Seller shall not apply any Security Deposits during the thirty (30) days prior to the Closing or to cure any non-monetary Tenant defaults. Security Deposits (net the reasonable costs, if any, of realizing upon the same, including reasonable attorneys fees and disbursements) applied after the Closing Date shall be applied in the following order of priority: (i) first apportioned between Purchaser and Seller on account of amounts due under the applicable Lease for the month in which the Closing occurred, (ii) then to Purchaser for any amounts then due to Pur chaser on account of amounts due under the applicable Lease for any month or months following the month in which the Closing occurred, and (iii) then to Seller on account of amounts due under the applicable Lease for the period prior to the month preceding the month in which the Closing occurred. At Closing, Purchaser shall deliver to Seller a receipt for any Security Deposits turned over by Seller to Purchaser and Purchaser shall indemnify Seller with respect thereto pursuant to, and in accordance with, the Assignment and Assumption of Leases (as hereinafter defined).

4.2.7. Brokerage Commissions/Tenant Improvements

(i) Except as set forth below, Seller shall be responsible for all leasing and brokerage commissions, tenant improvement costs and expenses and tenant "buy-out" or lease surrender costs with respect to the Leases executed prior to the date hereof (the "Leasing Cut-off Date");

(ii) With respect to the Leases executed prior to the Leasing Cut-off Date, and only to the extent that such costs are attributable to the exercise, after the Leasing Cut-off Date, of a lease renewal or expansion option which is contained in the applicable Lease on the date hereof, (a) Purchaser shall be responsible for all tenant improvement costs and expenses and tenant "buy-out" or lease surrender costs, (b) Purchaser shall be responsible for the first $400,000, and any amounts exceeding

$650,000, with respect to any leasing and brokerage commissions, and (c) Seller shall be responsible for any amounts exceeding $400,000, to a maximum of $250,000, with respect to any leasing and brokerage commissions. Any such brokerage commissions or tenant improvement costs and expenses payable by Seller or Purchaser pursuant to this Section 4.2.7 shall be payable by Seller or Purchaser only when such commissions, costs and expenses become due and payable pursuant to the terms of the respective brokerage agreements or Leases.

(iii) Purchaser shall be responsible for all leasing and brokerage commis sions, tenant improvement costs and expenses and tenant "buy-out" or lease surrender costs with respect to all Leases executed on or after the Leasing Cut-off Date in accor dance with Section 8.5.

4.2.8. Employees. Salaries, wages, vacation pay, bonuses and any other fringe benefits (including, without limitation, social security, unemployment compensation, employee disability insurance, sick pay, welfare and pension fund contributions, payments and deposits, if any) of all Employees (as hereinafter defined) shall be the sole obligation of Seller, except as set forth in Article XV hereof.

4.2.9. Fuel. The value of fuel stored on the Property by Seller, if any, at Seller's most recent cost, including any taxes, on the basis of a reading made within ten (10) days prior to the Closing by Seller's supplier, shall be paid for by Purchaser.

4.2.10. Contracts. Charges and payments under transferable Contracts or permitted renewals or replacements thereof, but only to the extent such Contracts are assignable and are actually assigned to Purchaser at Closing.

4.2.11. Permit Fees. Fees and other amounts payable under the Licenses and Permits, but only to the extent same are assignable and are actually assigned to Purchaser at Closing pursuant to this Agreement.

4.2.12. Inventory. The value of all inventory and supplies in unopened containers usable in connection with the management, maintenance or operation of the Improvements and located on the Real Property on the date of Closing, if any, at Seller's most recent cost, including any taxes, shall be paid for by Purchaser.

4.2.13. Method of Calculation. For purposes of calculating prorations, Purchaser shall be deemed to be the owner of the Property, and therefore entitled to the income therefrom and responsible for the expenses thereof for the entire day upon which the Closing occurs. All such prorations shall be made on the basis of the actual number of days of the month which shall have elapsed as of the day of the Closing and based upon the actual number of days in the month and a three hundred sixty five (365) day year. The amount of such prorations shall be initially performed at Closing but shall be subject to adjustment in cash after the Closing as and when complete and accurate information becomes available, if such information is not available at the Closing. Seller and Purchaser agree to cooperate and use their best efforts to make such adjustments within sixty (60) days after the Closing. Except as set forth in this Section 4.2, all items of income and expense which accrue for the period prior to the Closing will be for the account of Seller and all items of income and expense which accrue for the period on and after the Closing will be for the account of Purchaser.

4.2.14. Survival. The provisions of this Section 4.2 shall survive the Closing.

4.3. Transfer Taxes. Seller shall pay (or shall credit Purchaser for) all transfer taxes imposed upon the conveyance of the Real Property hereunder pursuant to Section 1402 of the New York State Tax Law and Title 11 of Chapter 21 of the Administrative Code of the City of New York (the "Transfer Taxes"). Purchaser shall file all neces sary tax returns with respect to all such Transfer Taxes and, to the extent required by applicable law, Seller will join in the execution of any such Tax Returns.

4.4. Closing Costs. Purchaser shall pay all recording fees and charges associ ated with the recordation of the Deed, other than the Transfer Taxes, which are payable by Seller under Section 4.3. Seller shall pay all fees and commissions due to the Broker in accordance with Section 13.1. Purchaser shall pay all title insurance premiums, title examination fees and survey costs incurred by Purchaser. All other costs, fees, expenses and charges of any kind incident to the sale and conveyance of the Property from Seller to Purchaser, including attorneys' fees and consultants' fees, shall be borne by the party incurring the same.

ARTICLE V.

Title and Survey Matters

5.1. Title.

5.1.1. Updated Commitment and Survey. Purchaser shall, at its sole cost and expense, within five (5) business days from the date hereof, order a title insurance commitment for an owner's policy of title insurance for the Real Property (the "Pur chaser's Title Commitment") from TitleServe Agency of New York City, Inc. (the "Title Company") and such other title insurance companies as co-insurer or re-insurer as Purchaser may elect, setting forth the status of title to the Real Property and any defects in or objections or exceptions to title to the Real Property, together with true and correct copies of all instruments giving rise to such defects, objections or exceptions. Purchaser shall cause the Title Company to forward a copy of the Purchaser's Title Commitment and any updates thereof to Seller's attorney simultaneously with the issuance thereof to Purchaser. Seller has delivered to Purchaser copies of three surveys of the parcels comprising the Real Property initially prepared by J. George Hollerith (collectively, the "Survey"), dated July 13, 1906, March 24, 1911 and June 19, 1920, respectively, all most recently updated as of June 12, 1998, by Manhattan Surveying, P.C.

5.1.2. Title Objections. If the Purchaser's Title Commitment, any updates to the Survey or any further update of either shall reveal or disclose any defects, objections or exceptions in the title to the Real Property which Purchaser is not required to accept or have been deemed to have accepted under the terms of this Agreement ("Title Objections"), then, within 20 business days after Purchaser's receipt of the Purchaser's Title Commitment, updated Survey or any further update of either first revealing any such Title Objection, but in no event later than fifteen (15) days prior to the Closing Date (unless such Title Objection is first disclosed by an update to the Purchaser's Title Commitment or Survey first delivered to Purchaser within such fifteen (15) day period, in which case Purchaser shall notify Seller of such Title Objection as soon as reasonably practicable), Purchaser shall notify Seller of such Title Objections in writing. If Purchaser does not timely notify Seller in writing of any such Title Objections, then Purchaser shall be deemed to have accepted the state of title to the Real Property reflected in the Purchaser's Title Commitment, the updated Survey or any further updates of either received by Purchaser and to have waived any claims or defects which it might otherwise have raised with respect

to the matters reflected therein and the same shall be and shall be deemed to be Permitted Exceptions for all purposes of this Agreement.

5.1.3. Elimination of Liens. If any Title Objections appear in the Purchaser's Title Commitment, the Survey or any updates thereof, then Seller may, at its election, undertake to eliminate such Title Objections, it being agreed that Seller shall have no obligation to incur any expense in connection with curing such Title Objections, except that Seller shall cure and eliminate all Title Objections which were caused by, resulted from or arose out of (1) judgments against Seller, (2) a grant by Seller of a mortgage or other security interest, (3) items which can be satisfied by payment of a liquidated amount or (4) Seller's affirmative acts after the date hereof; provided, however, that Seller's obligation to cure such judgments as described in clause 1 or 3 of this sentence shall be limited to judgments in an amount not to exceed $10,000,000. Seller, in its discretion, may adjourn the Closing for up to sixty (60) days in the aggregate in order to eliminate such Title Objections. In lieu of eliminating any Title Objections which Seller may elect, or be required, pursuant to the express terms hereof, to eliminate under this Agreement, Seller may deposit with the Title Company such amount of money as may be determined by the Title Company as being sufficient to induce the Title Company, without the payment of any additional premium by Purchaser, to omit such Title Objections from Purchaser's title insurance policy. If Seller is unable to so eliminate or omit all such Title Objections in accordance with the terms of this Agreement on or before such adjourned date for the Closing, then Purchaser shall elect either to (i) terminate this Agreement by notice given to Seller, in which event the provisions of Section 5.2 shall apply, or (ii) accept title to the Property subject to such Title Objections and receive no credit against or reduction of the Purchase Price, except that Purchaser shall be entitled to a credit against the Purchase Price in an amount equal to $10,000,000.

5.1.4. Payment from Balance of Purchase Price. Any unpaid taxes, water charges, sewer rents and assessments, together with the interest and penalties thereon to a date not more than five (5) business days following the Closing Date (in each case subject to any applicable apportionment), and any mortgages or other liens created by Seller which can be satisfied by payment of a liquidated amount and judgments against Seller, which Seller is obligated to pay and discharge pursuant to the terms of this Agree ment, together with the cost of recording or filing any instruments necessary to discharge such liens and such judgments, may be paid out of the Balance of the Purchase Price pay able at the Closing. Seller hereby agrees to deliver to Purchaser, on the Closing Date, instruments in recordable form sufficient to discharge any such mortgages or other liens

which can be satisfied by payment of a liquidated amount and judgments, which Seller is obligated to pay and discharge pursuant to the terms of this Agreement. Upon request of Seller, delivered to Purchaser no later than two (2) business days prior to the Closing, Purchaser shall provide at the Closing separate certified checks, or bank checks for the foregoing payable to the order of the holder of any such lien, charge, or judgment, or a wire transfer of federal funds as Seller shall direct, in an aggregate amount not to exceed the Balance of the Purchase Price, as adjusted for apportionments required under this Agreement, payable at the Closing.

5.1.5. Affidavits. If the Purchaser's Title Commitment discloses judgments, bankruptcies or other returns against other persons having names the same as or similar to that of Seller, Seller, on request, shall deliver to the Title Company affidavits showing that such judgments, bankruptcies or other returns are not against Seller, or any affiliates. Upon request by Purchaser, Seller shall deliver any such affidavits and documen tary evidence as are reasonably required by the Title Company in order to issue its owner's policy of title insurance to Purchaser free and clear of matters other than the Permitted Exceptions.

5.1.6. Permitted Exceptions. Seller shall convey and Purchaser shall accept fee simple title to the Real Property subject only to those matters set forth on Exhibit C attached hereto (collectively, the "Permitted Exceptions") and such other matters as may be deemed Permitted Exceptions under Section 5.1.2.

5.2. Seller's Inability to Convey Title. If Seller is unable to convey title in accordance with the terms of this Agreement and, pursuant to Section 5.1.3, Purchaser elects to terminate this Agreement, the Deposit shall be returned to Purchaser, and this Agreement shall terminate and neither party to this Agreement shall have any further rights or obligations hereunder other than the Surviving Termination Obligations.

5.3. Violations. Purchaser agrees to purchase the Property subject to any and all notes or notices of violations of law, or municipal ordinances, orders, designations or requirements whatsoever noted in or issued by any federal, state, municipal or other governmental department, agency or bureau or any other governmental authority having jurisdiction over the Property (collectively, "Violations"), or any lien imposed in connec tion with any of the foregoing, or any condition or state of repair or disrepair or other matter or thing, whether or not noted, which, if noted, would result in a violation being placed on the Property provided the same do not arise from a default by Seller in the

performance or observance of its obligations under Section 8.1. Seller shall have no duty to remove or comply with or repair any condition, matter or thing, whether or not noted, which, if noted, would result in a violation being placed on the Property provided the same do not arise from a default by Seller in the performance or observance of its obligations under Section 8.1. Provided the same do not arise from a default by Seller in the perfor mance or observance of its obligations under Section 8.1, Seller shall have no duty to remove or comply with or repair any of the aforementioned Violations, liens or other conditions, and Purchaser shall accept the Property subject to all such Violations and liens, the existence of any conditions at the Property which would give rise to such Violations or liens, if any, and any governmental claims arising from the existence of such Violations and liens, in each case without any abatement of or credit against the Purchase Price. Notwith standing the foregoing, but subject to Section 5.1.3, to the extent that any Violations shall constitute a lien upon the Property, Seller shall either satisfy or discharge the same or cause the Title Company to omit the same from Purchaser's title insurance policy. Notwithstand ing anything to the contrary, if the cost to cure the Violations on the Closing Date shall exceed $10,000,000, then Purchaser shall have the right to terminate this Agreement by giving notice thereof to Seller on or prior to the Closing Date and, unless Seller agrees (by notice to Purchaser given within ten (10) days of Purchaser's termination notice) to pay to Purchaser the amount in excess of $10,000,000 necessary to cure such Violations, the Deposit shall be returned to Purchaser, this Agreement shall terminate and neither party to this Agreement shall have any further rights or obligations other than the surviving Termina tion Obligations.

ARTICLE VI.

Representations and Warranties of Seller

6.1. Seller's Representations. Seller represents and warrants that the following matters are true and correct as of the date hereof with respect to the Property:

6.1.1. Authority. Seller is a corporation duly organized and validly exist ing under the laws of the State of New York. This Agreement has been duly authorized, executed and delivered by Seller, is the legal, valid and binding obligation of Seller, and does not violate any provision of any agreement or judicial order to which Seller is a party or to which Seller is subject. All documents to be executed by Seller which are to be delivered at Closing will, at the time of Closing, be duly authorized, executed and delivered

by Seller, be legal, valid and binding obligations of Seller, and will not violate any provision of any agreement or judicial order to which Seller is a party or to which Seller is subject.

6.1.2. Bankruptcy or Debt of Seller. Seller has not made a general as signment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by Seller's creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, admitted in writing its inability to pay its debts as they come due or made an offer of settlement, extension or composition to it creditors generally.

6.1.3. Foreign Person. Seller is not a foreign person within the meaning of Section 1445(f) of the Code, and Seller agrees to execute any and all documents necessary or reasonably required by the Internal Revenue Service or Purchaser in connection with such declaration.

6.1.4. Leases; Brokerage Commissions.

(i) Seller has delivered or made available to Purchaser true and correct copies of the Leases. Exhibit D attached hereto contains a description of all Leases and tenancies and all amendments or extensions thereto affecting the Property as of the date of this Agreement and to which Seller is a party or bound. Except as set forth on Exhibit D, there are no leases, licenses or other occupancy agreements affecting the Property to which Seller is a party or bound. Except with respect to the Venator Lease or any other Lease with any affiliate of Seller, no representation is made as to (a) possible assignments of any of the Leases not consented to by Seller or (b) any subleases or underlettings under any of the Leases not consented to by Seller.

(ii) To Seller's knowledge, Seller has not received any written notice of a default on the part of Seller under any of the Leases and to Seller's knowledge, Seller is not in material default under any of the Leases. Except as set forth on Schedule 2 attached hereto, Seller has not sent any notices of default (which remain outstanding) to any Tenant and, to Seller's knowledge, no material default by any Tenant exists, except as set forth on Schedule 2.

(iii) Except with respect to the Venator Lease or any other Lease with any affiliate of Seller, Seller does not warrant that any particular Lease will be in force or effect

at the Closing or that the Tenants will have performed their obligations thereunder. Except for the Venator Lease or any other Lease with any affiliate of Seller, the termination of any Lease prior to the Closing shall not affect the obligations of Purchaser under this Agree ment, or entitle Purchaser to an abatement of or credit against the Purchase Price or give rise to any claim on the part of Purchaser against Seller, unless such termination results from Seller's breach of such Lease or the terms of this Agreement.

(iv) Commissions payable under any brokerage agreements shall be adjusted and prorated as set forth in Section 4.2.7.

6.1.5. Contracts. Seller has delivered or made available to Purchaser true and complete copies of the Contracts. To Seller's knowledge, there are no contracts or agreements other than those listed on Schedule 4 to which the Property is subject and which would remain in effect after the Closing Date.

6.1.6. Condemnation. Seller has not received any written notice of any existing, pending or contemplated condemnation, eminent domain or similar proceeding with respect to the Real Property, or any portion thereof.

6.1.7. Tax Appeal Proceedings. Except as set forth on Schedule 5 attached hereto, Seller has not filed, and has not retained anyone to file, notices of protest against, or to commence actions to review, real property tax assessments against the Real Property.

6.1.8. Permits and Licenses. Seller has delivered or made available to Purchaser true and complete copies of the Permits and Licenses (to the extent the same are in Seller's possession). To Seller's knowledge, Seller has received no written notice (other than written notices that have been subsequently rescinded) and Seller has no knowledge that any of the Permits and Licenses are not in full force and effect or that there is a violation of such Permits and Licenses. Seller will pay all fees which are due in connection with the Permits and Licenses for the period prior to the Closing. Purchaser acknowledges that the Improvements located on the Broadway Parcel are not covered by a certificate of occupancy.

6.1.9. Insurance Policies. Schedule 6 annexed hereto and made a part hereof is a true, correct and complete schedule of all insurance policies maintained by Seller with respect to the Property and the amount of coverage afforded by each such

policy. All premiums due (or in the event that such premiums are payable in installments, all installments of such premium payments due) on such insurance policies have been fully paid. To Seller's knowledge, Seller has not received any written notice nor does Seller have any knowledge that it is in default under any insurance policy and to the best of Seller's knowledge, Seller has not received any written request for the performance of any work or alteration with respect to the Property from any insurance company or Board of Fire Underwriters.

6.1.10. Legal Action Against Seller. Except for matters which Seller anticipates are fully covered by insurance and/or noted on Schedule 7, there are no judgments, orders, or decrees of any kind against Seller unpaid or unsatisfied of record or otherwise. There is no action, suit or other legal or administrative agency action relating to the Property which would adversely affect the Property for its present use or affect Seller's ability to perform its obligations under this Agreement, nor does Seller have any knowl edge of any threatened legal action, suit or other legal or administrative proceeding relating to the Property.

6.1.11. Rent Roll. Attached hereto as Exhibit E is a rent roll for the Property (the "Rent Roll") listing: all Tenants as of the date hereof, the base rent and Additional Rent billed to Tenants during the months of June and July, 1998 and the Security Deposit held (which is the amount required to be held pursuant to the applicable Leases) by Seller with respect to each Tenant as of the date hereof. The information set forth in the Rent Roll is true and correct in all material respects. With respect to any monetary amounts described in the Rent Roll (other than Security Deposits), the term "true and correct in all material respects" shall be construed to mean that, to the extent that the Rent Roll overstates or understates the actual amounts of such items, the net annual adverse economic effect on Purchaser of such overstatements or understatements in the aggregate does not exceed an amount equal to $250,000 (the "Threshold Economic Effect"). The representations and warranties and provisions of this Section 6.1.11 (other than with respect to Security Deposits) shall expire upon the close of business on June 24, 1998, and shall thereafter be of no further force or effect, provided, however, that in the event that Seller receives a notice from Purchaser prior to such date as a result of inaccu racies in the representations contained in this Section which create a Threshold Economic Effect, Seller shall pay to Purchaser monthly (from and after the Closing) one twelfth (1/12) of the annual amount over the five (5) period following the Closing Date by which the actual annual overstatement exceeds the Threshold Economic Effect. The calculation of the annual payment due pursuant to the preceding sentence shall be based upon the terms

of the Leases with respect to which the overstatement relates on the Closing Date. In addition, any increases in rent pursuant to the applicable Lease after the date hereof shall be excluded in calculating overstatements. For example, if a portion of the overstatement relates to a Lease which by its terms expires two years from the Closing Date, the overstatement shall not include the economic effect of such lease in calculating the annual payment due in the third, fourth and fifth years from the Closing Date.

6.1.12. Employees. Attached hereto as Schedule 8 is a listing of all employees employed by Seller at the Real Property on the date hereof whose duties are restricted to the management, maintenance or operation of the Improvements and the other Property the "Employees"), together with their respective salaries, wages, vacation pay and other fringe benefits.

6.1.13. Transfer to Seller. The Property has been transferred to Seller by the immediately prior owner of the Property prior to the date hereof.

6.2. Seller's Knowledge. For purposes of this Agreement and any document delivered at Closing, whenever the phrases "to Seller's knowledge", "to the current, actual knowledge of Seller" or the "knowledge" of Seller and/or Venator Group, Inc. or words of similar import are used, they shall be deemed to refer to the actual knowledge only of Seller, Venator Group, Inc., and/or any affiliate or predecessor of Seller or Venator Group, Inc. and not any implied, imputed or constructive knowledge, without any inde pendent investigation having been made or any implied duty to investigate.

6.3. Change in Representation/Waiver. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges that Purchaser shall not be entitled to bring any action after the Closing Date based on any representation made by Seller in this Article VI to the extent that, prior to Closing, Purchaser shall have or shall obtain actual knowledge (and not merely any implied, imputed or constructive knowledge, without any independent investigation having been made or any implied duty to investigate) of any information that was contradictory to such representation or warranty. In furtherance thereof, Purchaser and Seller expressly agree that Seller shall have no liability with respect to any of the foregoing representations and warranties to the extent that, prior to the Closing, Purchaser obtains actual knowledge (and not merely any implied, imputed or constructive knowledge, without any independent investigation having been made or any implied duty to investigate) (from whatever source, including, without limitation, any property manager, any materials furnished to Purchaser, the Estoppel Certificates,

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Purchaser's due diligence tests, investigations and inspections of the Property, or written disclosure by Seller or Seller's agents and employees) that renders any of the foregoing representations and warranties untrue or incorrect, and Purchaser nevertheless consum mates the transaction contemplated by this Agreement.

6.4. Survival. The express representations and warranties made in this Agree ment by Seller shall not merge into any instrument of conveyance delivered at the Closing and all of the representations and warranties made in this Agreement by Seller (other than those set forth in Section 6.1.11, which shall expire upon the close of business on June 24, 1998 and be of no further force or effect thereafter except as provided therein) shall survive the Closing for a period of six (6) months; provided, however, that any action, suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties shall be commenced, if at all, on or before the date which is seven (7) months after the date of the Closing and, if not commenced on or before such date, thereafter shall be void and of no force or effect. The terms and provisions of this Section 6.4 shall survive the Closing.

6.5. Limitation of Liability. Notwithstanding anything to the contrary or incon sistent in this Agreement or in any of the agreements, certificates or affidavits delivered by Seller pursuant to this Agreement, except with respect to the matters covered under Section 4.2.7 hereof (i) Seller shall have no liability for any particular loss, claim, cost or expense suffered or incurred by Purchaser as a result of the inaccuracy of any of the representations or warranties of Seller hereunder and/or under any of the agreements, certificates or affidavits of Seller set forth in or delivered pursuant to this Agreement if the same shall have a monetary value (or be in a monetary amount claimed) of less than Twenty-Five Thousand Dollars ($25,000) and (ii) the aggregate liability of Seller arising pursuant to or in connection with the representations and warranties of Seller and/or the agreements or certificates or affidavits of Seller set forth in or delivered pursuant to this Agreement shall not exceed Ten Million Dollars ($10,000,000). Purchaser expressly waives, relinquishes and releases any right of rescission it may have against Seller after the Closing as a result of Seller's breach of representation or warranty. Notwithstanding anything to the contrary, Seller shall indemnify Purchaser and Purchaser shall indemnify Seller for any and all leasing commissions that are due with respect to any lease renewal or expansion and are not paid by the indemnifying party in accordance with Section 4.2.7. The terms and provisions of this Section 6.5 shall survive Closing and/or termination of this Agreement.

6.6. "AS IS" Sale. Subject only to Seller's covenants, representations, warranties and indemnifications in this Agreement, Purchaser shall purchase the Property in its "AS IS" condition at the Closing Date, subject to all latent and patent defects (whether physical, financial or legal, including title defects), based solely on Purchaser's own inspec tion, analysis and evaluation of the Property and not in reliance on any records or other information obtained from Seller or on Seller's behalf. Purchaser acknowledges that it is not relying on any statement or representation (other than representations, warranties, covenants and indemnifications contained in this Agreement) that has been made or that in the future may be made by Seller or any of Seller's employees, agents, attorneys or repre sentatives concerning the condition of the Property (whether relating to physical conditions, operation performance, title, or legal matters).

ARTICLE VII.

Representations and Warranties of Purchaser

Purchaser represents and warrants to Seller that the following matters are true and correct as of the date hereof.

7.1. Authority. Purchaser is a limited liability company duly organized and validly existing under the laws of the State of New York. This Agreement has been duly autho rized, executed and delivered by Purchaser, is the legal, valid and binding obligation of Purchaser, and does not violate any provision of any agreement or judicial order to which Purchaser is a party or to which Purchaser is subject. All documents to be executed by Purchaser which are to be delivered at Closing will, at the time of Closing, be duly authorized, executed and delivered by Purchaser, be legal, valid and binding obligations of Purchaser, and will not violate any provision of any agreement or judicial order to which Purchaser is a party or to which Purchaser is subject.

7.2. Bankruptcy or Debt of Purchaser. Purchaser represents and warrants to Seller that Purchaser has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by Purchaser's creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of Purchaser's assets, suffered the attachment or other judicial seizure of all, or substantially all, of Purchaser's assets, admitted in writing its inability to pay its debts

as they come due or made an offer of settlement, extension or composition to its creditors generally.

7.3. No Financing Contingency. It is expressly acknowledged by Purchaser that this transaction is not subject to any financing contingency and that no financing for this transaction shall be provided by Seller. Purchaser has or will have at the Closing Date, sufficient cash, available lines of credit or other sources of immediately good funds to enable it to make payment of the Purchase Price and any other amounts to be paid by it hereunder.

7.4. Purchaser's Acknowledgment. Purchaser acknowledges and agrees that, except as expressly provided in this Agreement, Seller has not made, does not make and specifically disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, of, as to, concerning or with respect to (a) the nature, quality or condition of the Property, including, without limitation, the water, soil and geology, (b) the income to be derived from the Property, (c) the suitability of the Property for any and all activities and uses which Purchaser may conduct thereon, (d) the compliance of or by the Property or its operation with any laws, rules, ordinances, designations or regulations of any applicable governmental authority or body, including, without limitation, the Americans with Disabili ties Act, any applicable federal, state or local landmark designations, and any rules and regulations promulgated under or in connection with any of the foregoing, (e) the habit ability, merchantability or fitness for a particular purpose of the Property, (f) the current or future real estate tax liability, assessment or valuation of the Property, (g) the availability or non-availability or withdrawal or revocation of any benefits or incentives conferred by any federal, state or municipal authorities, or (h) any other matter with respect to the Property, and specifically that Seller has not made, does not make and specifically disclaims any representations regarding solid waste, as defined by the U.S. Environmental Protection Agency regulations at 40 C.F.R., Part 261, or the disposal or existence, in or on the Property, of any hazardous substance, as defined by the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and applicable state laws, and regulations promulgated thereunder. Purchaser further acknowledges and agrees that, except as expressly provided in this Agreement, having been given the oppor tunity to inspect the Property, Purchaser is relying solely on its own investigation of the Property and not on any information provided or to be provided by Seller. Purchaser further acknowledges and agrees that any information provided or to be provided with respect to the Property was obtained from a variety of sources and that Seller, except as

otherwise provided herein, has not made any independent investigation or verification of such information. Purchaser further acknowledges and agrees that, except as expressly provided in this Agreement, and as a material inducement to the Seller's execution and delivery of this Agreement, the sale of the Property as provided for herein is and on an "as is, where is" condition and basis. Purchaser acknowledges, represents and warrants that Purchaser is not in a significantly disparate bargaining position with respect to Seller in connection with the transaction contemplated by this Agreement; that Purchaser freely and fairly agreed to this waiver as part of the negotiations for the transaction contemplated by this Agreement; and that Purchaser is represented by legal counsel in connection with this transaction and Purchaser has conferred with such legal counsel concerning this waiver. The terms and provisions of this Section 7.4 shall survive the Closing and/or termination of this Agreement.

7.5. Survival. The express representations and warranties made in this Agree ment by Purchaser shall not merge into any instrument or conveyance delivered at the Closing and all of the representations and warranties made in this Agreement by Purchaser shall survive the Closing for a period of six (6) months; provided, however, that any action, suit or proceeding with respect to the truth, accuracy or completeness of all such represen tations and warranties shall be commenced, if at all, on or before the date which is six (6) months after the date of the Closing and, if not commenced on or before such date, thereafter shall be void and of no force or effect. The terms and provisions of this Section 7.5 shall survive the Closing.

ARTICLE VIII.

Seller's Interim Operating Covenants

8.1. Operations. Seller agrees to continue to operate, manage and maintain the Improvements through the Closing Date or the termination of this Agreement in the ordinary course of Seller's business and substantially in accordance with Seller's present practice, subject to ordinary wear and tear and further subject to Article XI of this Agreement. Notwithstanding the foregoing, Seller shall only be responsible for one-half (1/2) of the cost of the facade repairs to the Improvements, up to a maximum of $450,000 ("Seller's Share"), and Purchaser agrees on the Closing Date to assume and reimburse Seller for any and all liabilities and obligations of Seller with respect to such repairs above Seller's Share under any contract with respect to such repairs approved by Seller and

Purchaser, whether arising prior to or after the Closing Date. Seller's and Purchaser's consent shall be required to approve any contractors and agreements necessary for the completion of such repairs, which consent shall not be unreasonably withheld.

8.2. Maintain Insurance. Seller agrees to maintain until the Closing Date or the termination of this Agreement the insurance on the Property which is at least equivalent in all material respects to the insurance policies identified in Schedule 6.

8.3. Personal Property. Seller agrees not to transfer to any third party or remove any Personal Property from the Improvements after the date hereof, except for repair or replacement thereof and except in the case of any termination of this Agreement. Any items of Personal Property replaced after the date hereof shall be promptly installed prior to Closing and shall be of substantially similar quality to the item of Personal Property being replaced, subject to Section 8.1.

8.4. No Sales. Except for the execution of tenant leases pursuant to Section 8.5 and except in the case of any termination of this Agreement, Seller agrees that it shall not convey any interest in the Property to any third party.

8.5. Tenant Leases. Seller shall not, from and after the date hereof and until the termination of this Agreement, (i) modify, renew or waive any material rights under the Leases or grant any consent under the Leases, (ii) terminate any Lease except by reason of a default by the Tenant thereunder or as required by law, (iii) enter into a new tenant lease, or (iv) accept a surrender, termination or cancellation of any Lease by the Tenant thereun der, except if Seller's consent is not required in accordance with the terms of such Lease or as required by law, in each case without the prior written approval of Purchaser. If Purchaser approves of Seller's entering into a new tenant lease, then Purchaser shall pay to Seller on the Closing Date, in the same manner as the Purchase Price the following, to the extent actually approved by Purchaser: (i) the amount of the brokerage commission due in connection with such lease, (ii) the cost of any tenant improvements to be performed by the landlord under the terms of such lease, and (iii) the amount of any cash work allow ances required to be given by the landlord to the tenant under the terms of such lease (the "Letting Expenses"), to the extent actually paid by Seller on or before the Closing Date in accordance with agreements approved by Purchaser. Except as set forth in Section 10.2.1, Purchaser and Seller acknowledge that Seller shall be required to pay all Letting Expenses relating to the Venator Lease. Upon Seller's execution and delivery of any such lease approved by Purchaser (including, without limitation, the Venator Lease), the same

shall be and be deemed to be a Lease for all purposes under this Agreement. Seller shall deliver to Purchaser copies of all default notices delivered to or received from Tenants promptly after such delivery or receipt.

8.6. Reserved.

8.7. Tenant Estoppels. Seller shall promptly deliver to each Tenant for such Tenant's execution an estoppel certificate certified to Purchaser (each, an "Estoppel Certificate") substantially in the form of the estoppel certificate attached to each such Tenant's Lease, or, with respect to any Lease that does not include a form of estoppel certificate, an estoppel certificate which substantially incorporates the estoppel provisions expressly contained in any such Lease. Seller shall cause all of its affiliates, including, without limitation, Venator Group, Inc., to execute and return an Estoppel Certificate to Seller and Seller shall use reasonable efforts to cause all other Tenants to execute and return the Estoppel Certificates to Seller not later than five (5) business days prior to Closing, but Seller shall not be required to expend any money (other than nominal sums), provide any financial accommodations or commence any litigation. Seller shall use reasonable efforts to deliver to Purchaser a copy of each Estoppel Certificate promptly after Seller's receipt thereof. Subject to Section 9.2.3, in no event shall Purchaser have any right to terminate this Agreement, nor shall Purchaser be entitled to a reduction of the Purchase Price or otherwise be relieved from its obligations hereunder on account of any statement made or information contained in any Estoppel Certificate, but Purchaser's rights hereunder with respect to Seller's representations and warranties shall, subject to Section 6.3, remain unimpaired thereby. To the extent that Seller delivers an Estoppel Certificate from a Tenant subsequent to Seller's delivery of an Estoppel Certificate in the form of Exhibit S executed by Seller with respect to such Tenant, Seller shall be released from any liability in connection with Seller's representations contained therein.

8.8. Contracts. Seller may, between the date hereof and the Closing, extend, renew, replace or modify any Contract or enter into any new Contract if the terms thereof are on commercially reasonable and competitive terms and the term thereof is cancellable upon no more than thirty (30) days prior written notice, without premium or penalty. At Purchaser's option exercisable by giving written notice to Seller at least ten (10) business days prior to the Closing, Seller shall use its best efforts to terminate all Contracts (and Purchaser shall cooperate with Seller in connection therewith) by giving written notice thereof to the parties to each of the Contracts. Seller shall pay the termination fees due

under the property management agreement with Park Tower Management and all other termination fees.

8.9. Tax Appeal Proceedings. Purchaser hereby agrees and acknowledges that Seller shall have the right to continue to prosecute any tax appeal or tax abatement proceeding with respect to the Property for the tax years prior to the 1998/1999 tax year which was commenced by Seller prior to the date hereof. If any such tax appeals or tax abatement proceedings result in tax refunds or rebates from the applicable taxing authori ties, then, after deduction for Seller's reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with such tax appeal or abatement proceedings and subject to the rights, if any, of Tenants under their Leases with respect thereto (i) Seller shall be entitled to receive any such refund or rebate with respect to the period prior to the Closing and (ii) Purchaser shall be entitled to receive any such refund or rebate with respect to the period from and after the Closing. The party which actually receives such tax refunds or rebates from the taxing authorities shall promptly notify the other party thereof and pay to such party the amounts due to such party pursuant to the terms hereof. At the Closing, Seller shall assign to Purchaser all tax appeals and tax abatement proceed ings pending with respect to the Property for the 1998/1999 tax year and any subsequent tax years. Seller agrees that it will not commence any tax appeal or tax abatement proceeding after the date hereof without Purchaser's consent and shall commence any such action (at Purchaser's sole cost and expense) promptly upon Purchaser's request. The terms and provisions of this Section 8.9 shall survive the Closing.

8.10. Notices of Violation. Seller shall promptly notify Purchaser of, and shall promptly deliver to Purchaser a copy of any notice Seller may receive, on or before the Closing, from any governmental authority, concerning a violation of laws at or a discharge of hazardous substances from or upon the Property.

8.11. Access. Seller agrees to afford Purchaser and its employees and autho rized agents with access to the Property prior to the Closing, at reasonable times and upon reasonable advance notice, provided that neither Purchaser nor any of its employees or agents shall enter any portion of the Property unless accompanied by a representative of Seller and that Seller shall not be required to incur any cost or expense or commence any action to afford Purchaser with such access. Purchaser specifically agrees that neither it nor any of its employees or agents shall communicate directly with any Employees or Tenants unless such communication shall have been approved by Veronica Hackett (or any other representative of Seller designated by Seller for such purposes), which approval

shall not be unreasonably withheld. Seller shall be entitled to have a representative present during any communications between Purchaser and any of the Employees or Tenants.

ARTICLE IX.

Closing Conditions

9.1. Conditions to Obligations of Seller. The obligations of Seller under this Agreement to sell the Property and consummate the other transactions contemplated hereby shall be subject to the satisfaction of the following conditions on or before the Closing Date, except to the extent that any of such conditions may be waived by Seller in writing at Closing in the Seller's sole and absolute discretion.

9.1.1. Representations, Warranties and Covenants of Purchaser. All representations and warranties of Purchaser in this Agreement shall be true and correct in all material respects as of the Closing Date, with the same force and effect as if such representations and warranties were made anew as of the Closing Date, and Purchaser shall have performed and complied in all material respects with all covenants and agree ments required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date. Notwithstanding the foregoing, Purchaser may cure any breach of representation or warranty and otherwise satisfy all conditions to Seller's obligation to close set forth in this Section 9.1.1 by paying the Balance of the Purchase Price and performing all other obligations of Purchaser hereunder of a monetary nature on the Closing Date.

9.1.2. No Orders. No order, writ, injunction or decree shall have been entered and be in effect by any court of competent jurisdiction or any authority, and no statute, rule, regulation or other requirement of any governmental authority shall have been promulgated or enacted and be in effect, that restrains, enjoins or invalidates the transac tions contemplated hereby.

9.1.3. Termination. Subject to Article XII, in the event Seller shall elect not to close due to the failure of any one or more of the conditions precedent to Seller's obligation to sell set forth in this Section 9.1 which has not been waived by Seller in writing in Seller's sole and absolute discretion, Seller shall so notify Purchaser on the day of Closing in writing specifying the unfulfilled conditions, Seller shall direct the Escrow Agent

to return the Deposit to Purchaser and this Agreement shall terminate, and neither party shall have any further obligation under this Agreement (except the Surviving Termination Obligations). Notwithstanding anything to the contrary contained herein, in the event that Seller delivers a termination notice to Purchaser pursuant to this Section 9.1.3, Purchaser shall have the right (provided that it delivers a notice to Seller within five (5) business days of its receipt of Seller's termination notice), to extend the scheduled Closing Date for a period of up to thirty (30) business days in order to allow the satisfaction of the unfulfilled conditions to the obligations of Seller specified in Seller's termination notice.

9.2. Conditions to Obligations of Purchaser. The obligations of Purchaser under this Agreement to purchase the Property and consummate the other transactions contemplated hereby shall be subject to the satisfaction of the following conditions on or before the Closing Date, except to the extent that any of such conditions may be waived by Purchaser in writing at Closing in the Purchaser's sole and absolute discretion.

9.2.1. Representations, Warranties and Covenants of Seller. All representations and warranties of Seller in this Agreement shall be true and correct in all material respects as of the Closing Date, with the same force and effect as if such repre sentations and warranties were made anew as of the Closing Date, any changes to such representations disclosed by Seller pursuant to Section 10.1.9 shall be acceptable to Pur chaser in its sole discretion, and Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by Seller prior to the Closing Date.

9.2.2. No Orders. No order, writ, injunction or decree shall have been entered and be in effect by any court of competent jurisdiction or any authority, and no statute, rule, regulation or other requirement shall have been promulgated or enacted and be in effect, that restrains, enjoins or invalidates the transactions contemplated hereby.

9.2.3. Estoppels. Purchaser shall not have received Estoppel Certifi cates dated not earlier than thirty (30) days prior to the Closing Date in the form required by this Agreement from (i) all affiliates of Seller occupying all or any portion of the Property and (ii) Tenants (other than those described in clause (i) of this sentence) occupying an aggregate of 175,000 square feet of the Improvements; provided, however, the condition set forth in this clause (ii) shall be deemed satisfied if Seller delivers a Seller's Estoppel Certificate executed by Seller and Seller's Affiliate (in the form set forth on Exhibit S) with respect to Leases for Tenants (other than those described in clause (i) of

this sentence) occupying the balance of the required 175,000 square feet of the Improve ments not satisfied by direct Estoppel Certificates from Tenants. Seller may supplement a Tenant's Estoppel Certificate dated more than thirty (30) days prior to the Closing Date by delivering a Seller's Estoppel Certificate limited to the period between the date of the Tenant Estoppel Certificate and the Closing Date.

9.2.4. Title. At the time of Closing, title to the Property shall be as provided in this Agreement.

9.2.5. Termination. Subject to Article XII, in the event Purchaser shall elect not to close due to the failure of any one or more of the conditions precedent to Purchaser's obligation to consummate this transaction set forth in this Section 9.2 which has not been waived by Purchaser in writing in Purchaser's sole and absolute discretion, Purchaser shall so notify Seller on the day of Closing in writing specifying the unfulfilled conditions, Seller shall direct the Escrow Agent to return the Deposit to Purchaser and this Agreement shall terminate, and neither party shall have any further obligation under this Agreement (except the Surviving Termination Obligations). Notwithstanding anything to the contrary contained herein, in the event that Purchaser delivers a termination notice to Seller pursuant to this Section 9.2.4, Seller shall have the right (provided that it delivers a notice to Purchaser within two (2) business days of its receipt of Purchaser's termination notice), to extend the scheduled Closing Date for a period of up to ten (10) business days in order to allow the satisfaction of the unfulfilled conditions to the obligations of Purchaser specified in Purchaser's termination notice.

ARTICLE X.

Closing

10.1. Seller's Closing Obligations. Seller shall, at its sole cost and expense, execute, acknowledge (where applicable) and deliver or cause to be delivered to Pur chaser at Closing the following:

10.1.1. A bargain and sale deed without covenant against grantor's acts (the "Deed") substantially in the form attached hereto as Exhibit G, conveying to Purchaser the Land and Improvements in fee simple, subject only to the Permitted Excep tions.

10.1.2. An "Assignment and Assumption of Leases" in the form of Exhibit H attached hereto, with respect to the Leases and the Security Deposits.

10.1.3. An "Assignment and Assumption of Contracts" in the form of Exhibit I attached hereto.

10.1.4. A list of Security Deposits required to be held pursuant to the applicable Leases.

10.1.5. Copies of the Contracts, the Licenses and Permits and the warranties and guarantees (originals will be provided if available).

10.1.6. Originals (to the extent in Seller's possession or control, otherwise photostatic copies thereof) of all Leases in effect on such date and all other documents in the possession of Seller relating to the Tenants, including any Estoppel Certificates received by Seller from any of the Tenants.

10.1.7. Written notices executed by Seller and addressed to each Tenant (i) advising each such Tenant of the sale of the Property and the transfer of the unapplied amount of its security deposit (if any) to Purchaser in accordance with New York General Obligations Law Section 7-105 and (ii) indicating that rent should thereafter be paid to Purchaser and giving instructions therefor, substantially in the form of Exhibit J attached hereto. Purchaser agrees to deliver such notices to the Tenants, by registered or certified mail, within five (5) days after the Closing Date and hereby agrees to indemnify and hold Seller harmless from and against all loss, cost and expense incurred by Seller as a result of Purchaser's failure to so deliver such notices to the Tenants. Purchaser's obligations under this Section 10.1.7 shall survive the Closing.

10.1.8. Written notices executed by Seller, addressed to each party performing services pursuant to a Contract indicating that the Property has been sold to Purchaser and that either (i) all rights of Seller thereunder have been assigned to Purchaser or (ii) if requested by Purchaser in accordance with Section 8.8, Seller has terminated such Contract.

10.1.9. A certificate in the form of Exhibit K attached hereto, indicating that the representations and warranties of Seller set forth in Article VI are true and correct on the Closing Date, or, if there have been changes, describing such changes.

10.1.10. A bill of sale in the form attached hereto as Exhibit L conveying, transferring and selling to Purchaser (with no value separate from the Real Property) all right, title and interest of Seller in and to the Personal Property.

10.1.11. The License Agreement.

10.1.12. A certificate substantially in the form attached hereto as Exhibit M certifying that Seller is not a "foreign person" as defined in Section 1445 of the Code.

10.1.13. A New York City Real Property Transfer Tax Return and New York State Combined Real Estate Transfer Tax Return and Credit Line Mortgage Certificate (Form TP-584) (together, the "Transfer Tax Returns"), each duly signed by Seller, together with the payment of the amount of the Transfer Taxes, if any, due in connection with the transactions contemplated hereunder, in each case by delivery to the Title Company of a certified check payable to the order of the Commissioner of Finance in the amount of the Transfer Tax due to New York City and a certified check payable to the order of the New York State Department of Taxation and Finance in the amount of the Transfer Tax due to New York State (unless Seller elects to have Purchaser make such payments with a credit against the Purchase Price, in which case such payments shall be so made by Purchaser).

10.1.14. The following items to the extent in Seller's possession or under Seller's control: (i) keys for all entrance doors in the Improvements, (ii) all original (or copies if originals are not available) books, records, tenant files, operating reports, files, plans and specifications and other materials related to the operation of the Property; (iii) the originals (or copies where originals are not available) of the Contracts and the Licenses and Permits, and (iv) a revised Rent Roll certified by an authorized officer of Seller, updated to within ten (10) business days of the Closing.

10.1.15. Evidence reasonably satisfactory to Purchaser and the Title Company that the person executing the Closing documents on behalf of Seller has full right, power and authority to do so.

10.1.16. An affidavit in lieu of registration as required by Chapter 664 of the Laws of 1978 in the form of Exhibit N.

10.1.17. Affidavits and other matters as are reasonably requested by the Title Company pursuant to Section 5.1.5 of this Agreement.

10.1.18. At Closing, Seller shall have delivered possession of the Property to Purchaser, subject to the Permitted Exceptions and the rights of Tenants under the Leases.

10.1.19. The Venator SNDA.

10.1.20. Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement.

10.2. Purchaser's Closing Obligations. Purchaser, at its sole cost and expense, shall deliver or cause to be delivered to Seller (or, in the case of an Exchange, to the Qualified Intermediary) or the Tenant under the Venator Lease, as applicable, at Closing the following:

10.2.1. The Balance of the Purchase Price, after all adjustments are made at the Closing as herein provided to Seller, and a payment to the tenant under the Venator Lease in respect of such tenant's initial improvements to the Venator Premises that were completed prior to the Closing Date, up to $11,000,000, in each case by Federal Reserve wire transfer of immediately available funds. To the extent that such initial improvements have not been completed prior to the Closing Date, then, in order to secure Purchaser's obligation to pay $11,000,000 (minus amounts paid pursuant to the immediately preceding sentence) to the tenant under the Venator Lease, Purchaser shall pay to the Escrow Agent, at the Closing, by Federal Reserve wire transfer of immediately available funds, the balance thereof remaining to be paid to the tenant under the Venator Lease so that Purchaser's total payment equals $11,000,000 and the tenant under the Venator Lease, the Escrow Agent and Purchaser shall enter into an escrow agreement, in form and substance reasonably satisfactory to the parties thereto, governing disbursement of said $11,000,000 (minus amounts paid pursuant to the immediately preceding sentence) in accordance with the terms of the Venator Lease, provided, however, that the only condition to the disbursement of the $11,000,000 (minus amounts paid pursuant to the immediately preceding sentence) shall be Purchaser's receipt of a certification from the tenant under the Venator Lease that the initial tenant improvements have been completed.

10.2.2. Purchaser shall duly execute, acknowledge (as appropriate) and deliver:

(i) the Assignment and Assumption of Leases;

(ii) the Assignment and Assumption of Contracts;

(iii) receipt for delivery and acceptance of the Security Deposits;

(iv) the License Agreement; and

(v) the Transfer Tax Returns.

10.2.3. A non-disturbance agreement (the "Venator SNDA") in favor of the tenant under the Venator Lease, duly executed, acknowledged and delivered by the holder of any mortgage granted by Purchaser with respect to the Real Property or any portion thereof, in the form of Exhibit O attached hereto.

10.2.4. Evidence reasonably satisfactory to Seller and the Title Company that the person executing the Closing documents on behalf of Purchaser has full right, power and authority to do so.

10.2.5. A certificate in the form of Exhibit P attached hereto, indicating that the representations and warranties of Purchaser set forth in Article VII are true and correct on the Closing Date, or, if there have been changes, describing such changes.

10.2.6. Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement.

ARTICLE XI.

Risk of Loss

11.1. Condemnation and Casualty. If, prior to the Closing Date, all or any portion of the Property is taken by eminent domain, or is the subject of a pending taking which has not been consummated, or is destroyed or damaged by fire or other casualty, Seller shall notify Purchaser of such fact promptly after Seller obtains knowledge thereof. If such condemnation or casualty is Material (as such term is hereinafter defined), Pur chaser shall have the option to terminate this Agreement upon notice to Seller given not later than fifteen (15) business days after receipt of Seller's notice, or the Closing Date, whichever is earlier. If this Agreement is terminated, the Deposit shall be returned to Purchaser and thereafter neither Seller nor Purchaser shall have any further rights or obligations to the other hereunder except with respect to the Surviving Termination Obligations. If this Agreement is not terminated, Seller shall not be obligated to repair any damage or destruction but (x) Seller shall assign and turn over to Purchaser the insurance proceeds as they relate to property damage to Property that the Purchaser will have an interest in after the Closing or condemnation awards, as applicable, net of any costs of repairs and net of reasonable collection costs (or, if such have not been awarded, all of its right to receive the same) authorized by Purchaser to be paid and actually paid by Seller with respect to such fire or other casualty or condemnation, including any rent abatement insurance accruing after the Closing for such casualty or condemnation, provided that Purchaser shall retain the exclusive right to file and prosecute the adjustment, compromise or settlement of any claim for the insurance proceeds as they relate to property damage to Property that the Purchaser will have an interest in after the Closing, and (y) the parties shall proceed to Closing pursuant to the terms hereof without abatement of the Purchase Price except for a credit in the amount of the applicable insurance deductible.

11.2. Condemnation not Material. If the condemnation is not Material, then the Closing shall occur without abatement of the Purchase Price and, after deducting Seller's reasonable costs and expenses incurred in collecting any award, Seller shall assign all remaining awards or any rights to collect awards to Purchaser on the Closing Date.

11.3. Casualty not Material. If the Casualty is not Material, then the Closing shall occur without abatement of the Purchase Price (except for a credit against the Purchase Price in the amount of the applicable deductible under Seller's insurance policies), Seller shall not be obligated to repair such damage or destruction and Seller shall

assign and turn over to Purchaser all of the insurance proceeds net of any costs of repairs and net of reasonable collection costs (or, if such have not been awarded, all of its right, title and interest therein) authorized by Purchaser to be paid and actually paid by Seller with respect to such fire or such casualty, including any rent abatement insurance accruing after the Closing for such casualty.

11.4. Materiality. For purposes of this Article XI, the term "Material" shall mean:

(i) with respect to a taking by eminent domain, a taking of (x) any portion of the Broadway Parcel or the Improvement thereon, or (y) the entirety of either the Barclay Parcel or the Park Place Parcel, or both, and the Improvements located thereon, excluding, however, any taking solely of subsurface rights or takings for utility easements or right of way easements, if the surface of such Land, after such taking, may be used in substantially the same manner as though such rights had not been taken; and

(ii) with respect to a casualty, any casualty such that the cost of repair, as reasonably estimated by an independent engineer licensed to do business in the State of New York acceptable to Seller and Purchaser, is in excess of $10,000,000.

11.5. General Obligations Law. The provisions of this Article XI are intended to supersede those of Section 5-1311 of the General Obligations Law of New York.

ARTICLE XII.

Default

12.1. Default by Seller. Except as set forth below, in the event the Closing and the transactions contemplated hereby do not occur as provided herein by reason of the default of Seller, Purchaser may elect, as the sole and exclusive remedy of Purchaser, to (i) terminate this Agreement and receive the Deposit from the Escrow Agent in accordance with the terms and provisions of Section 3.2 hereof, and in such event Seller shall not have any liability whatsoever to Purchaser hereunder other than with respect to the Surviving Termination Obligations, or (ii) enforce specific performance of, or seek other equitable actions under, this Agreement, provided none of the same requests or entitles Purchaser to any monetary damages from Seller. Purchaser shall be deemed to have elected to terminate this Agreement (as provided in subsection (i) above) if Purchaser fails to deliver

to Seller written notice of its intent to file a cause of action for specific performance against Seller within thirty (30) days after written notice of termination from Seller or thirty (30) days after the originally scheduled Closing Date, whichever shall occur first, or having given Seller notice, fails to file a lawsuit asserting such cause of action within ninety (90) days after the originally scheduled Closing Date. Notwithstanding the foregoing, nothing contained herein shall limit Purchaser's remedies at law or in equity as to the Surviving Termination Obligations.

12.2. Default by Purchaser. In the event the Closing and the transactions contemplated hereby do not occur as provided herein by reason of any default of Pur chaser, Purchaser and Seller agree it would be impractical and extremely difficult to fix the damages which Seller may suffer. Therefore, Purchaser and Seller hereby agree a reasonable estimate of the total net detriment Seller would suffer in the event Purchaser defaults and fails to complete the purchase of the Property is and shall be, as Seller's sole and exclusive remedy (whether at law or in equity), a sum equal to the Deposit. Upon such default by Purchaser, Seller shall have the right to receive the Deposit from the Escrow Agent, in accordance with the terms and provisions of Section 3.2 hereof, as its sole and exclusive remedy and thereupon this Agreement shall be terminated and neither Seller nor Purchaser shall have any further rights or obligations hereunder except with respect to the Surviving Termination Obligations. The amount of the Deposit shall be the full, agreed and liquidated damages for Purchaser's default and failure to complete the purchase of the Property, all other claims to damages or other remedies being hereby expressly waived by Seller. Notwithstanding the foregoing, nothing contained herein shall limit Seller's remedies at law or in equity as to the Surviving Termination Obligations. Notwithstanding the foregoing, Purchaser may cure any defaults by paying the Balance of the Purchase Price and performing all other obligations of Purchaser hereunder of a monetary nature on the Closing Date.

ARTICLE XIII.

Brokers

13.1. Brokerage Indemnity. Purchaser shall indemnify Seller, its affiliates, and its and their partners, trustees, advisors, officers, and directors, against all losses, damages, costs, expenses (including reasonable fees and expenses of attorneys), causes of action, suits or judgments of any nature arising out of any claim, demand or liability to or asserted

by any broker, agent or finder, licensed or otherwise, claiming to have dealt with Purchaser in connection with this transaction other than J.P. Morgan Securities Inc. and The Georgetown Company (together, the "Broker"). Seller shall indemnify Purchaser and its affiliates, and its and their partners, members, trustees, advisors, officers and directors, against all losses, damages, costs, expenses (including reasonable fees and expenses of attorneys), causes of action, suits or judgments of any nature arising out of any claim, demand or liability to or asserted by the Broker in connection with this transaction or by any broker, agent or finder, licensed or otherwise, claiming to have dealt with Seller in connection with this transaction. Seller shall pay the Broker in connection with the consummation of the transactions contemplated by this Agreement pursuant to a separate agreement between Seller and Broker. The provisions of this Article XIII shall survive the Closing and/or termination of this Agreement.

ARTICLE XIV.

Confidentiality

14.1. Publication. Purchaser and Seller shall consult with each other prior to making any public statements with respect to this Agreement and the transactions contem plated hereby and, except as otherwise may be required by law or in connection with any filings required to be made by either party with the Securities and Exchange Commission, Purchaser and Seller shall not make any public statements, including, without limitation, any press releases, with respect to this Agreement and the transactions contemplated hereby, without the prior written consent of the other party, which consent shall not be unreason ably withheld. Notwithstanding the foregoing, this Article 14 shall terminate and be of no further force and effect from and after the Closing.

ARTICLE XV.

Employee Matters

15.1. Employment Responsibilities. Seller shall terminate all Employees on the Closing Date. Purchaser shall offer to rehire and employ on and after the Closing not less than 33 Employees, which Seller represents is 60% of the aggregate number of Employees represented by any and all unions on the date hereof (collectively, the "Union Employ ees") on substantially the same wages, terms and conditions as such Union Employees were employed by Seller immediately prior to Seller's termination of such employment. Except as set forth below, Purchaser shall be solely responsible for, and hereby assumes all liabilities whatsoever with respect to: (i) all salaries and wages relating to any Union Employee hired by Purchaser and attributable to the period on and after the Closing Date, (ii) benefits relating to any Union Employee hired by Purchaser and attributable to the period on and after the Closing Date, (iii) benefit continuation and/or severance payments relating to any Union Employee as a result of any termination of employment of any Union Employee on and after the Closing Date, (iv) notices, payments, fines or assessments pursuant to any laws, rules or regulations with respect to the employment, discharge or layoff of Union Employees on or after the Closing Date, including, but not limited to, such liability as arises under the Worker Adjustment and Retraining Notification Act, Section 4980B of the Code (COBRA) and any rules or regulations as have been issued in connec tion with any of the foregoing and (v) any withdrawal liability under any multiemployer pension plans or similar arrangements with respect to the Union Employees (the aggregate amount of liabilities pursuant to clauses (iii), (iv) and (v) being hereinafter collectively referred to as the "Employee Termination Liabilities"). Subject to the provisions of the next sentence, Seller shall be responsible for one-half (1/2) of the Employee Termination Liabilities (defined herein) up to a maximum of $250,000 (the "Maximum Termination Responsibility"). Purchaser may elect, without notice to Seller, to decrease the percent age of Union Employees which Purchaser is obligated to offer to rehire from 33 to any number (but not less than 27), provided that Purchaser shall, in addition to Purchaser's liabilities set forth above, be solely responsible for, and hereby assumes all Employee Termination Liabilities, with respect to a number of Union Employees equal to 33 minus the number of Union Employees Purchaser actually offered to hire. Solely for purposes of calculating Purchaser's liability pursuant to the immediately preceding sentence, Seller shall select which Union Employees shall be used in apportioning liability from the list of Union Employees which Purchaser did not offer employment.

Subject to Seller's Maximum Termination Responsibility, Purchaser and Seller each hereby agrees to indemnify the other and their respective affiliates against, and agrees to defend and hold them harmless from any and all claims, losses, damages and expenses (including, without limitation, reasonable attorneys' fees) and other liabilities and obligations incurred or suffered as a result of any claim by or on behalf any Union Employee that arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employ ee Retirement Income Security Act of 1974 and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise, but specifically excluding any claims under any policy, agreement, understanding or promise, written or oral, formal or informal (other than the CBAs), between Seller and the Union Employees), arising solely as a result of termination of employment on the Closing Date. Seller shall indemnify and hold Purchaser harmless from any of the foregoing to the extent arising out of any acts or omissions that occurred (or, in the case of omissions, failed to occur) prior to the Closing Date.

15.2. Collective Bargaining Agreements. Effective as of the Closing, Purchaser shall diligently proceed in good faith to enter into or otherwise become a party or subject to and thereafter observe, pay and perform all obligations and liabilities under, arising from or otherwise relating to (i) the 1996 Commercial Building Agreement between Local 32B-32J, Service Employees International Union, AFL-CIO and the Realty Advisory Board on Labor Relations, Inc. and (ii) the 1998 Engineer Agreement between the Realty Advisory Board of Labor Relations, Incorporated and Local 94-94A-94B, International Union of Operating Engineers AFL-CIO (hereafter, collectively, the "CBAs"). Purchaser shall have sole responsibility for all such obligations and liabilities arising under or relating to the CBAs , to the extent entered into or binding upon Purchaser (subject to Seller's Maximum Termination Responsibility) on or at any time after the Clos ing Date and hereby agrees to indemnify and hold Seller harmless from and against all loss, cost and expense incurred by Seller as a result of Purchaser's failure to perform its obligation under this Section 15.2.

15.3. Survival. The provisions of this Article XV shall survive the Closing.

ARTICLE XVI.

Miscellaneous

16.1. Notices. Any and all notices, requests, demands or other communications hereunder shall be deemed to have been duly given if in writing and if transmitted by hand delivery with receipt therefor, by facsimile delivery (with confirmation by hard copy), by overnight courier, or by registered or certified mail, return receipt requested, first class postage prepaid addressed as follows (or to such new address as the addressee of such a

communication may have notified the sender thereof) (the date of such notice shall be the date of actual delivery to the recipient or recipients refusal to accept thereof):

To Purchaser:	233 Broadway Owners, LLC c/o The Witkoff Group LLC 220 East 42nd Street New York, New York 10017 Attn: James Stomber, Esq. Fax No.: (212) 672-3434
With a copy to:	Herrick, Feinstein LLP 2 Park Avenue New York, New York 10016 Attn: Neil Shapiro, Esq. Fax No.: (212) 889-7577
To Seller:	233 Broadway, Inc. c/o Venator Group, Inc. 233 Broadway New York, New York 10279 Attn: General Counsel Fax No.: (212) 553-7038
With a copy to:	Skadden, Arps, Slate, Meagher & Flom LLP 919 Third Avenue New York, New York 10022 Attn: Benjamin F. Needell, Esq. Fax No.: (212) 735-2000
To Escrow Agent:	Skadden, Arps, Slate, Meagher & Flom LLP 919 Third Avenue New York, New York 10022 Attn: James F. O'Rorke, Jr., Esq. Fax No.:(212) 735-2000
With a copy to:	Each of the other parties to this Agreement

Purchaser's counsel may give any notices or other communications hereunder on behalf of Purchaser and Seller's counsel may give any notices or other communications hereunder on behalf of Seller.

16.2. Governing Law; Venue.

16.2.1. This Agreement was negotiated in the State of New York and was executed and delivered by Seller and Purchaser in the State of New York, which State the parties agree has a substantial relationship to the parties and to the underlying transactions embodied hereby, and in all respects, including, without limiting the generality of the foregoing, matters of construction, validity, enforcement and performance, this Agreement and the obligations arising hereunder shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed wholly within such State, without giving effect to the principles of conflicts of law of such jurisdiction. To the fullest extent permitted by law, the parties hereby uncondi tionally and irrevocably waive and release any claim that the law of any other jurisdiction governs this Agreement and this Agreement shall be governed and construed in accor dance with the laws of the State of New York as aforesaid pursuant to Section 5-1401 of the New York General Obligations Law.

16.3. Headings. The captions and headings herein are for convenience and reference only and in no way define or limit the scope or content of this Agreement or in any way affect its provisions.

16.4. Business Days. If any date herein set forth for the performance of any obligations of Seller or Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or Federal holiday for which financial institutions or post offices are generally closed in the state of New York.

16.5. Counterpart Copies. This Agreement may be executed in two or more counterpart copies, all of which counterparts shall have the same force and effect as if all parties hereto had executed a single copy of this Agreement.

16.6. Binding Effect. This Agreement shall be not become a binding obligation upon Seller unless and until the same has been fully executed by Purchaser and Seller and a fully executed counterpart delivered by Seller to Purchaser

16.7. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

16.8. Assignment. This Agreement may not be assigned by Purchaser except to a directly or indirectly wholly-owned subsidiary or subsidiaries of Purchaser, or to a partnership, corporation or limited liability company in which Guarantor (or any of his family members) and/or Lehman Brothers Holdings Inc. (or an affiliate thereof) owns, either directly or indirectly, at least 75% of the profits thereof and controls the management of the affairs of such entity (any such entity, a "Permitted Assignee") and any other assignment or attempted assignment by Purchaser shall constitute a default by Purchaser hereunder and shall be deemed null and void and of no force or effect. Notwithstanding anything to the contrary contained herein, Purchaser may (i) assign the right to purchase the Broadway Parcel, the Barclay Parcel and the Park Place Parcel and the Improvements relating to each such parcel to different entities, provided, however, that each of such entities is a Permitted Assignee, and (ii) collaterally assign this Agreement to any institu tional lender. A copy of any assignment permitted hereunder, together with an agreement of the assignee assuming all of the terms and conditions of this Agreement to be performed by Purchaser, in form reasonably satisfactory to counsel for Seller, shall be delivered to the attorneys for Seller prior to the Closing, and in any event no such assignment shall relieve Purchaser from Purchaser's obligations under this Agreement nor result in a delay in the Closing.

16.9. Interpretation. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Seller and Purchaser have contributed substantially and materially to the preparation of this Agree ment.

16.10. Entire Agreement. This Agreement and the Exhibits and Schedules attached hereto contain the final and entire agreement between the parties hereto with respect to the sale and purchase of the Property and are intended to be an integration of all prior negotiations and understandings. Purchaser, Seller and their agents shall not be

bound by any terms, conditions, statements, warranties or representations, oral or written, not contained herein. No change or modifications to this Agreement shall be valid unless the same is in writing and signed by the parties hereto. Each party reserves the right to waive any of the terms or conditions of this Agreement which are for their respective benefit and to consummate the transactions contemplated by this Agreement in accordance with the terms and conditions of this Agreement which have not been so waived. Any such waiver must be in writing signed by the party for whose benefit the provision is being waived.

16.11. Severability. If any one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, unless and to the extent that the invalidation of any such term or provision materially alters the intent of the parties hereto.

16.12. Survival. Except as otherwise specifically provided for in this Agreement (collectively, the "Surviving Termination Obligations"), the provisions of this Agree ment and the representations and warranties herein shall not survive after the conveyance of title and payment of the Purchase Price but be merged therein.

16.13. Exhibits. Exhibits A through R and Schedules 1 through 8 attached hereto are incorporated herein by reference.

16.14. Limitation of Liability. Subject to Article XIX, the obligations of Seller are intended to be binding only on Seller and Seller's assets, and shall not be personally binding upon, nor shall any resort be had to, any of the partners, officers, directors, shareholders, advisors, trustees, agents, or employees of Seller, or its affiliates or any of their respective properties.

16.15. Prevailing Party. Should either party employ an attorney to enforce any of the provisions hereof (whether before or after Closing, and including any claims or actions involving amounts held in escrow), then the nonprevailing party in any final judgment agrees to pay the other party's reasonable attorneys' fees and expenses in or out of litigation and, if in litigation, trial, appellate, bankruptcy or other proceedings, expended or incurred in connection therewith, as determined by a court of competent jurisdiction.

The provisions of this Section 16.15 shall survive Closing and/or any termination of this Agreement and shall not be subject to any limitations on liability set forth herein.

16.16. Real Estate Reporting Person. Escrow Agent is hereby designated the "real estate reporting person" for purposes of Section 6045 of the Code and Treasury Regulation 1.6045-4 and any instructions or settlement statement prepared by Escrow Agent shall so provide. Upon the consummation of the transaction contemplated by this Agreement, Escrow Agent shall file Form 1099 information return and send the statement to Seller as required under the aforementioned statute and regulation. Seller and Pur chaser shall promptly furnish their federal tax identification numbers to Escrow Agent and shall otherwise reasonably cooperate with Escrow Agent in connection with Escrow Agent's duties as real estate reporting person.

16.17. No Recording. Neither this Agreement nor any memorandum or short form hereof shall be recorded or filed in any public land or other public records of any jurisdiction, by either party and any attempt to do so may be treated by the other party as a breach of this Agreement.

16.18. No Other Parties. This Agreement is not intended, nor shall it be con strued, to confer upon any person or entity, except the parties hereto and their respective heirs, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

16.19. Waiver of Trial by Jury. The respective parties hereto shall and hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Agreement, or for the enforcement of any remedy under any statute, emergency or otherwise.

16.20. Rule 314. Seller agrees to cooperate with the appropriate owning party in connection with any audit pursuant to Rule 314 promulgated by the Securities and Exchange Commission, and to execute a representation certificate in compliance with applicable law, provided that Purchaser shall be responsible for Seller's reasonable costs and expenses (including reasonable attorney's fees) in connection with such cooperation and representation certificate.

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ARTICLE XVII.

Purchaser Guaranty

17.1. Purchaser Guaranty. In order to induce Seller to enter into this Agree ment, the Guarantor hereby unconditionally and irrevocably guarantees (the "Purchaser Guaranty") the full and prompt payment when due of the Additional Deposit. The Guarantor shall be primarily (rather than merely secondarily) liable hereunder with respect to the Additional Deposit.

17.2. Waivers. The Purchaser Guaranty is a continuing guaranty and shall remain in force until the Additional Deposit has been paid in full to the Escrow Agent and is independent of every other recourse which Seller may at any time hold or have for the Additional Deposit. The Guarantor waives all diligence, presentment and protest, and also notice of dishonor, protest and nonpayment. No failure by Seller to assert any right or pursue any remedy with respect to Purchaser or the Purchaser Guaranty shall relieve the Guarantor from his obligations with respect to the Additional Deposit. The Purchaser Guaranty is a guaranty of payment and not merely of collection and the Guarantor hereby waives any right to require that any action be brought against Purchaser or that the Agreement be enforced by Seller without Seller first taking any steps or proceedings against Purchaser.

17.3. Absolute Obligation. The Guarantor agrees that the Purchaser Guaranty shall not be diminished or affected, in any way, by any bankruptcy, reorganization, arrangement, liquidation or similar proceeding with respect to Purchaser or by dissolution of Purchaser or by any default hereunder by Seller. The Purchaser Guaranty shall continue in full force and effect notwithstanding any merger, consolidation, sale of assets or any other similar transaction by Purchaser or the Guarantor. In addition, the Purchaser Guaranty shall not be affected by any act, omission, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from the Purchaser Guaranty or affect the Guarantor's obligations with respect to the Additional Deposit, including, without limitation and whether or not known to the Guarantor:

17.3.1. any variation of this Agreement or any other document delivered pursuant hereto or any time, indulgence, waiver or consent at any time given to Purchaser or any other person or entity;

17.3.2. any compromise or release of, or abstention from obtaining, perfecting or enforcing any security or other right or remedy whatsoever from or against Purchaser or any other person or entity;

17.3.3. any legal limitation, disability, incapacity or other circumstances relating to Purchaser or any other person or entity; and

17.3.4. any irregularity, unenforceability or invalidity of this Agreement.

17.4. Enforcement Costs. The Guarantor further agrees to pay all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees, at any time paid or incurred by or on behalf of Seller in enforcing the Purchaser Guaranty.

17.5. Waiver of Subrogation. The Guarantor irrevocably waives all rights to enforce or collect upon any rights which it now has or may acquire against Purchaser either by way of subrogation, indemnity, reimbursement or contribution for any amount paid under the Purchaser Guaranty or by way of any other obligations whatsoever of Purchaser to the Guarantor, nor shall the Guarantor file, assert or receive payment on any claim, whether now existing or hereafter arising, against Purchaser in the event of any bankruptcy, reorganization, arrangement, liquidation or similar proceeding with respect to Purchaser.

17.6. Waiver of Defenses. The Guarantor absolutely, unconditionally and irrevocably waives any and all right to assert or interpose any defense (other than the final and indefeasible payment in full to the Escrow Agent of the Additional Deposit), setoff, counterclaim or crossclaim of any nature whatsoever with respect to the Purchaser Guaranty or the Additional Deposit.

ARTICLE XVIII.

Venator Lease

18.1. Venator Lease. Seller and Purchaser hereby agree to proceed in good faith to expeditiously finalize a lease (the "Venator Lease") governing the tenancy of Venator Group, Inc. or an affiliate thereof (acceptable to Purchaser subject to the terms of Exhibit F at the Improvements upon the Broadway Parcel and the Park Place Parcel from and after the Closing Date, such Venator Lease to incorporate the terms and conditions set

forth in the term sheet attached hereto as Exhibit F and otherwise be upon such commer cially reasonable terms and conditions as Seller and Purchaser shall agree upon on or before July 15, 1998. Promptly after the Venator Lease has been finalized in accordance with this Article XVIII, Seller shall execute the Venator Lease and shall cause the tenant thereunder to execute the Venator Lease and, upon such execution, the Venator Lease shall be deemed a Lease for all purposes under this Agreement and Seller shall deliver a copy of the Venator Lease to Purchaser.

18.2. Disputes. In the event that, on or before July 15, 1998 (or such additional period of time thereafter as Seller and Purchaser may mutually agree upon in writing), Seller and Purchaser shall be unable to agree upon any of the terms and conditions of the Venator Lease (other than those set forth on Exhibit F), then either party may, upon notice to the other identifying with specificity the matter in dispute, submit the resolution of such dispute to the first to accept of Robert S. Nash, Gerald R. Uram, Lawrence D. Eisenberg and L. Stanton Towne (the "Lease Mediator"), such individuals to be requested to serve as Lease Mediator in the order in which their names appear herein. In the event of any such submission, each party shall, at any time during the ten (10) business days following the initiating party's notice (which notice shall identify the Lease Mediator), submit to the Lease Mediator a written proposal for the resolution of such dispute. In the event that one (but not both) of the parties to this Agreement shall fail to so submit its proposal to the Lease Mediator within such ten (10) day period, then the Lease Mediator shall proceed to resolve the dispute without the benefit of the other proposal. Within ten (10) business days after the Lease Mediator's receipt of such proposals (or, in the event that only one proposal is submitted to the Lease Mediator, within ten (10) business days after the later to occur of (i) the expiration of the ten (10) business day period for submis sion of written proposals and (ii) the receipt of a single proposal), the Lease Mediator shall resolve the dispute by drafting appropriate provisions for incorporation into, and/or deletion of specific provisions from, the Venator Lease. During such ten (10) business day period, the Lease Mediator may conduct such hearings and investigations as he may deem appropriate. The determination of the Lease Mediator shall be final and binding upon the parties. Each party shall pay its own counsel fees and expenses, if any, in connection with any dispute resolution under this Section. The costs and expenses of the Lease Mediator shall be borne equally by Seller and Purchaser. In the event of the death or incapacitation of the Lease Mediator, then the parties shall promptly and in good faith agree upon the identity of a successor Lease Mediator from the list of individuals identified above.

18.3. Alterations. Purchaser hereby consents to and approves of the alterations to the Venator Premises described in the memorandum annexed hereto as Exhibit Q, provided, that such alterations (i) shall not affect the structural integrity of the Improve ments, (ii) shall not adversely affect the building systems in the Improvements, and (iii) are completed in a manner consistent with corporate headquarters in buildings similar to the Improvements on the Broadway Parcel.

ARTICLE XIX.

Seller Guaranty

19.1. Seller Guaranty. In order to induce Purchaser to enter into this Agree ment, Venator Group, Inc. (the "Seller Affiliate") hereby unconditionally and irrevoca bly guarantees (the "Seller Guaranty") the full and prompt payment, performance and observance of the Seller's obligations hereunder (the "Seller Obligations"). The Seller Affiliate shall be primarily (rather than merely secondarily) liable hereunder with respect to the Seller Obligations.

19.2. Waivers. The Seller Guaranty is a continuing guaranty and shall remain in force until the Seller Obligations has been paid or performed in full and is independent of every other recourse which Purchaser may at any time hold or have for the Seller Obliga tions, subject to the limitations set forth in this Agreement. The Seller Affiliate waives all diligence, presentment and protest, and also notice of dishonor, protest and nonpayment. No failure by Purchaser to assert any right or pursue any remedy with respect to Seller or the Seller Guaranty shall relieve the Seller Affiliate from its obligations with respect to the Seller Obligations. The Seller Guaranty is a guaranty of payment and performance and not merely of collection and the Seller Affiliate hereby waives any right to require that any action be brought against Seller or that the Agreement be enforced by Purchaser against Seller without Purchaser first taking any steps or proceedings against Seller.

19.3. Absolute Obligation. The Seller Affiliate agrees that the Seller Guaranty shall not be diminished or affected, in any way, by any bankruptcy, reorganization, arrangement, liquidation or similar proceeding with respect to Seller or by dissolution of Seller. The Seller Guaranty shall continue in full force and effect notwithstanding any merger, consolidation, sale of assets or any other similar transaction by Seller or the Seller Affiliate. In addition, the Seller Guaranty shall not be affected by any act, omission, matter

or thing which, but for this provision, might operate to release or otherwise exonerate the Seller Affiliate from the Seller Guaranty or affect the Seller Affiliate's obligations with respect to the Seller Obligations, including, without limitation and whether or not known to the Seller Affiliate:

19.3.1. any variation of this Agreement or any other document delivered pursuant hereto or any time, indulgence, waiver or consent at any time given to Seller or any other person or entity;

19.3.2. any compromise or release of, or abstention from obtaining, perfecting or enforcing any security or other right or remedy whatsoever from or against Seller or any other person or entity;

19.3.3. any legal limitation, disability, incapacity or other circumstances relating to Seller or any other person or entity; and

19.3.4. any irregularity, unenforceability or invalidity of this Agreement.

19.4. Enforcement Costs. The Seller Affiliate further agrees to pay all reason able costs and expenses, including, without limitation, reasonable attorneys' fees, at any time paid or incurred by or on behalf of Purchaser in enforcing the Seller Guaranty.

19.5. Waiver of Subrogation. The Seller Affiliate irrevocably waives all rights to enforce or collect upon any rights which it now has or may acquire against Seller either by way of subrogation, indemnity, reimbursement or contribution for any amount paid under the Seller Guaranty or by way of any other obligations whatsoever of Seller to the Seller Affiliate, nor shall the Seller Affiliate file, assert or receive payment on any claim, whether now existing or hereafter arising, against Seller in the event of any bankruptcy, reorganiza tion, arrangement, liquidation or similar proceeding with respect to Seller.

19.6. Waiver of Defenses. The Seller Affiliate absolutely, unconditionally and irrevocably waives any and all right to assert or interpose any defense (other than the final and indefeasible payment and performance of the Seller Obligations), setoff, counterclaim or crossclaim of any nature whatsoever with respect to the Seller Guaranty or the Seller Obligations.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

SELLER:

233 BROADWAY, INC., a New York corporation

By: /s/ Gary H. Brown

Name: Gary H. Brown
Title: Vice President

PURCHASER:

233 BROADWAY OWNERS, LLC,
a New York limited liability company

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ James F. Stomber Jr.

Name: James F. Stomber Jr.
Title: Authorized signatory

FOR PURPOSES OF ARTICLE XVII HEREOF:

/s/ Steven C. Witkoff

Steven C. Witkoff, individually and
not in any representative capacity

CONFIDENTIAL

FOR PURPOSES OF ARTICLE XVIII HEREOF:

VENATOR GROUP, INC.

By: /s/ Gary H. Brown

Name: Gary H. Brown
Title: Vice President

The Escrow Agent hereby executes this Agreement for the sole purpose of acknowledging receipt of the Initial Deposit and its responsibilities hereunder and to evidence its consent to serve as Escrow Agent in accordance with the terms of this Agreement.

ESCROW AGENT:

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP

By: /s/ Benjamin F. Needell

Name: Benjamin F. Needell
Title: Partner

233 BROADWAY, INC.
c/o Venator Group, Inc.
233 Broadway
New York, New York 10279

September 11, 1998

233 Broadway Owners, LLC
c/o The Witkoff Group, LLC
220 East 42nd Street
New York, New York 10017

Re: Woolworth Building

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase and Sale Agree- ment, dated June 20, 1998 (the "Agreement"), by and between 233 Broadway, Inc. ("Seller"), as seller, and 233 Broadway Owners, LLC ("Purchaser"), as purchaser. All initially capitalized terms used herein without definition and which are defined in the Agreement shall have the meaning set forth for such terms in the Agreement.

This will serve to confirm and clarify that the term "CBA's", as such term is defined in Section 15.2 of the Agreement, shall, for purposes of such Section, include any rider, amendment or addendum which may be negotiated between the unions(s) and Purchaser as a condition of Purchaser entering into or becoming a party or subject to the CBA's.

In addition, the second full paragraph of Section 15.1 shall be amended so as to delete the words "Subject to Seller's Maximum Termination Responsibility, Purchaser and Seller each hereby agrees to indemnify the other and their respective affiliates against" from the beginning of the first sentence thereof and to substitute therefore the words "Subject to Seller's Maximum Termination Responsibility, Purchaser hereby agrees to indemnify Seller and its respective affiliates against".

Lastly, Seller and Purchaser have agreed to extend the date by which Seller and Purchaser are to have agreed upon the terms and conditions of the Venator Lease through September 18, 1998. Thus, the references to July 15, 1998 in Sections 18.1 and 18.2 of the Agreement are hereby replaced with references to September 18, 1998.

In all other respects, the Agreement remains in full force and effect.

Very truly yours,

233 BROADWAY, INC.

By: /s/ John H. Cannon

Acknowledged and Agreed to:

233 BROADWAY OWNERS, LLC

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ James F. Stomber Jr.

/s/ Steven C. Witkoff

Steven C. Witkoff, individually and
not in any representative capacity

VENATOR GROUP, INC.

By: /s/ John H. Cannon

Name: John H. Cannon
Title:

233 BROADWAY, INC.
VENATOR GROUP, INC.
233 Broadway
New York, New York 10279

October 13, 1998

233 Broadway Owners, LLC
and Steven C. Witkoff
c/o The Witkoff Group, LLC
220 East 42nd Street
New York, New York 10017

Re: Woolworth Building

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase and Sale Agree ment, dated June 20, 1998 (as amended by those certain letter agreements dated as of September 11, 1998 and September 18, 1998, the "Agreement"), by and between 233 Broadway, Inc. ("Seller"), as seller, and 233 Broadway Owners, LLC ("Purchaser"), as purchaser. All initially capitalized terms used herein without definition shall have the meaning set forth for such terms in the Agreement.

The Agreement is hereby amended to provide that the Closing Date shall be October 15, 1998 (time being of the essence with respect thereto). Thus, the Closing shall occur at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York or at the offices of Purchaser's lender's counsel, if requested by Purchaser's lender, at 10:00 a.m. local time on October 15, 1998 (time being of the essence with respect thereto).

In all other respects, the Agreement remains in full force and effect.

Please signify your agreement with the foregoing by signing and dating the enclosed counterpart of this letter where indicated below. This letter may be executed in one or more counterparts, all of which together shall constitute one and the same original.

Very truly yours,

233 BROADWAY, INC.

By: /s/ John H. Cannon

VENATOR GROUP, INC.

By: /s/ John H. Cannon

Acknowledged and Agreed:
- ---

233 BROADWAY OWNERS, LLC

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ Steven C. Witkoff

/s/ Steven C. Witkoff
- ---
Steven C. Witkoff, individually and
not in any representative capacity

233 BROADWAY, INC.
233 Broadway
New York, New York 10279

October 14, 1998

233 Broadway Owners, LLC and Steven C. Witkoff
c/o The Witkoff Group, LLC
220 East 42nd Street
New York, New York 10017

Re: Woolworth Building

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase and Sale Agreement, dated June 20, 1998 (as amended by those certain letter agreements dated as of September 11, 1998, September 18, 1998 and October 13, 1998, the "Agreement"), by and between 233 Broadway, Inc. ("Seller"), as seller, and 233 Broadway Owners, LLC ("Purchaser"), as purchaser. All initially capitalized terms used herein without definition shall have the meaning set forth for such terms in the Agreement. Purchaser and Seller have agreed to make certain further amendments to the Agreement as and to the extent hereinafter set forth.

1. Seller and Purchaser hereby confirm that each has agreed upon the terms and conditions of, and have finalized, the Venator Lease in the form of Exhibit A attached hereto and Seller shall concurrently herewith execute, and cause the tenant thereunder to execute, such agreed-upon Venator Lease as contemplated by Section 18.1 of the Agree ment.

2. Section 4.1.1 of the Agreement is hereby deleted in its entirety and replaced with the following new Section 4.1.1:

"4.1.1 The closing of the purchase and sale of the Property (the "Closing") shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York or at the offices of Purchaser's lender's counsel, if requested by Pur chaser's lender, at 10:00 a.m. local time on December 4, 1998 (time being of the essence with respect thereto). The date of Closing is referred to in this Agreement as the "Closing Date". "

Section 4.1.2 of the Agreement is hereby deleted in its entirety.

3. Notwithstanding Section 3.1 of the Agreement, Escrow Agent is hereby authorized and instructed to immediately release the Initial Deposit, together with all interest earned thereon to date, to or at the direction of Seller and upon such release Escrow

Agent shall be relieved and released from any liability under the Agreement. Upon consummation of the Closing, as contemplated by the Agreement, Purchaser shall be entitled to receive a credit against the Purchase Price equal to $44,370.64, such amount being one-half (50%) of the amount of interest earned through October 14, 1998 on the Initial Deposit.

4. The definition of the term "Purchase Price", as such defined term appears in Section 2.1 of the Agreement, is hereby amended so as to delete therefrom the reference to $146,500,000 and to substitute therefor a reference to $126,500,000.

5. Clause (ii) of Section 2.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

"(ii) Five Million Dollars ($5,000,000) (the "First Additional Deposit") shall be paid directly to or at the direction of the Seller by wire transfer of immediately available federal funds on or before 5:00 p.m. on October 19, 1998 (the "First Additional Deposit Payment Date") (time being of the essence with respect thereto). Two Million Five Hundred Thousand Dollars ($2,500,000) (the "Sec ond Additional Deposit") shall be paid directly to or at the direction of the Seller by wire transfer of immediately available federal funds on or before 5:00 p.m. on November 9, 1998 (the "Second Additional Deposit Payment Date") (time being of the essence with respect thereto). Seven Million Five Hundred Thousand Dollars ($7,500,000) (the "Third Additional Deposit") shall be paid directly to or at the direction of the Seller by wire transfer of immediately available federal funds on or before 5:00 p.m. on November 16, 1998 (the "Third Additional Deposit Payment Date") (time being of the essence with respect thereto). The First Additional Deposit, the Second Additional Deposit and the Third Additional Deposit are collectively referred to herein as the "Additional Deposit", and the Initial Deposit and the Additional Deposit are collectively referred to herein as the "Deposit." In the event that Purchaser shall fail for any reason to so pay any of the First Additional Deposit or the Second Additional Deposit or the Third Addi tional Deposit on the First Additional Deposit Payment Date and the Second Additional Deposit Payment Date and the Third Additional Deposit Payment Date, respectively, then Purchaser shall be in material default under this Agreement and this Agreement shall automatically terminate without further action by the parties and neither party shall have any further rights or obligations hereunder other than Purchaser's obligation to pay any remaining unpaid portion of the Deposit to Seller, which shall expressly survive any such termination. Payment of the First Additional Deposit is guaranteed by Steven C. Witkoff (the "Guarantor") in accordance with the provisions of Article XVII hereof."

Payment of the Additional Deposit shall be made pursuant to Seller's wire transfer instructions attached hereto as Exhibit D, or such other wire transfer instructions as Seller may deliver to Purchaser in accordance with Section 16.1 of the Agreement.

The provisions of Article III of the Agreement with respect to the maintenance, retention, and release of the Deposit by the Escrow Agent in escrow are hereby deleted and of no further force or effect, except that Purchaser's and Seller's indemnification obliga tions in favor of the Escrow Agent shall survive.

From and after the release of the Initial Deposit to Seller as provided hereby, references in the Agreement to payments of the Additional Deposit and/or the Deposit to or by Escrow Agent shall be deemed to be references to payments to or by Seller, as the case may be. Without limiting the foregoing, Seller agrees to deliver and apply the Deposit as provided in Section 3.2 of the Agreement.

6. (a) Steven C. Witkoff, by his signature hereto, hereby ratifies and confirms his guaranty of the payment of the First Additional Deposit (as modified pursuant to this letter agreement) in accordance with the provisions of Article XVII of the Agree ment. Notwithstanding anything to the contrary contained herein or in the Agreement, all references in Article XVII to the "Additional Deposit" shall be deemed to be references to the First Additional Deposit.

(b) Venator Group, Inc., by its signature hereto, hereby ratifies and confirms its guaranty of the Seller Obligations (as modified pursuant to this letter agree ment) in accordance with the provisions of Article XIX of the Agreement.

7. Purchaser hereby acknowledges its receipt and approval of copies of the Estoppel Certificates received by the Seller from each of the Tenants identified on Exhibit B hereto and acknowledges and agrees that the Seller's obligations under Section 8.7 and Section 9.2.3 of the Agreement have been fully satisfied (other than with respect to delivery of Estoppel Certificates from Seller and Seller's Affiliates) and that Purchaser shall have no right to terminate the Agreement, nor shall Purchaser be entitled to a reduction of the Purchase Price or otherwise be relieved from its obligations under the Agreement on account of any statement made or information contained in any such Estoppel Certificate. Without limiting the generality of the foregoing, Purchaser acknowl edges and agrees that (A) Seller shall have no basis to object to any of the Estoppel Certificates on the basis that any of the same are dated more than thirty (30) days prior to the Closing Date provided for herein and (B) Seller shall not be required to provide, and the Closing shall in no event be conditioned upon the Purchaser's receipt of, any further Estoppel Certificates from any Tenants or an Estoppel Certificate executed by Seller with

respect to Leases for any Tenants, other than Estoppel Certificates from all affiliates of Seller occupying all or any portion of the Property (including, without limitation, an Estoppel Certificate from Venator Group Inc. with respect to the Venator Lease) which Seller will cause to be delivered to Purchaser on the Closing Date, dated as of the Closing Date.

8. Exhibit C to the Agreement is hereby deleted and replaced with Exhibit C attached hereto and made a part hereof. Purchaser agrees to accept title to the Property subject to those matters set forth on, and in the manner shown on, Exhibit C attached hereto and any other matters caused, created or consented to by Purchaser.

9. Purchaser acknowledges its receipt of copies of (i) a complaint filed in the Supreme Court of the State of New York, County of New York in an action entitled Harry's at the Woolworth Building, Inc. vs. Venator Group Speciality, Inc. (f/k/a F.W. Woolworth Co.) (Index No. 98/604764) (the "Harry's Action") and (ii) a notice of appeal filed in the civil court of the City of New York, County of New York in an action entitled F.W. Woolworth Co. against Harad Realty Corp. and Harry's at the Woolworth Building, Inc. (Index No. L&T 81281/98) (the "Landlord- Tenant Action" and, collectively, with the Harry's Action, the "Harry's Litigation"). Schedules 2 and 7 of the Agreement and Seller's representations contained in Section 6.1.4(ii) are each hereby amended to refer to the Harry's Litigation, and the allegations contained therein, as well as a certain offer of settlement made by Harry's at the Woolworth Building, Inc. (the "Plaintiff") in connection therewith. Seller represents and warrants that together herewith it has delivered to Pur chaser copies of the material court filings in the Harry's Litigation and shall hereafter deliver to Purchaser any future court filings as well as such other information as Purchaser may reasonably request. Purchaser acknowledges and agrees that, at the Closing, Pur chaser shall take title to the Property subject to the pendency of and any relief afforded to the Plaintiff in the Harry's Litigation, if any, provided, however that Seller agrees that (a) it shall indemnify, defend and hold the Purchaser harmless from and against any claims or judgments for monetary damages awarded to the Plaintiff in the Harry's Litigation and reasonable out-of-pocket costs and expenses related thereto, including, without limitation, any abatement, set-off or reductions of the rent now or hereafter due and owing under the Plaintiff's lease for the period prior to the Closing Date and/or damages, or reasonable out- of-pocket costs or expenses arising out of any court-ordered modification of such lease (and Seller shall continue to defend and prosecute the Harry's Action subsequent to the Closing (if it is not sooner resolved)), (b) it shall use commercially reasonable efforts prior to the Closing to cause the eviction of the Plaintiff from the Property pursuant to the Landlord-Tenant Action, (c) it shall not modify or amend the Plaintiff's Lease or waive any default thereunder without the approval of Purchaser and (d) it shall not settle the Harry's Action or the Landlord-Tenant Action in any manner which would permit the Plaintiff to

retain occupancy of its premises subsequent to the Closing Date without Purchaser's consent. From and after the Closing Date, Purchaser shall take over and have all rights and responsibilities in, and shall take the Property subject to, the Landlord-Tenant Action and matters relating to the Plaintiff's possession of the Property and the Plaintiff's Lease, except with respect to monetary claims under the Harry's Action, which Seller shall continue to prosecute and defend (if not sooner resolved) as set forth above and monetary judgments under the Landlord-Tenant Action (to which Seller is and shall remain entitled to retain). Purchaser and Seller each agree to reasonably co-operate with the other in connection with the Harry's Action and the Landlord-Tenant Action subsequent to the Closing. The provisions of the Section 9 shall survive the Closing.

10. Section 12.1 of the Agreement is hereby amended to provide that in the event the Closing and the transactions contemplated by the Agreement (as amended by this letter agreement) do not occur as provided in the Agreement (as amended by this letter agree ment) by reason of the default of Seller, Purchaser's sole remedy shall be to terminate the Agreement and receive the Deposit from Seller. Without limiting the generality of the foregoing, Purchaser hereby irrevocably waives any right to (and agrees not to seek or prosecute any action to) enforce specific performance of, or seek other equitable relief or actions under, the Agreement in the event the Closing and the transactions contemplated thereby do not occur as provided therein by reason of the default of Seller.

11. Purchaser agrees that it shall, on or before October 23, 1998, deliver to CT Corporation for filing with the New York Secretary of State, an amendment to the Articles of Organization of Purchaser providing the following (the "Articles Amendment"):

"Notwithstanding anything to the contrary contained in these Articles, the sole business and purpose of the Company shall be the acquisition of the property located at 233 Broadway, New York, New York (the "Property") and to exercise all powers enumerated in the LLC Law necessary or convenient to the conduct, promotion or attainment of such purpose. From the date hereof through the date of the Company's acquisition of the Property, the Company shall have an independent member (the "IM"), who shall have no financial interest in the Company or affiliation (as employee, owner or otherwise) with The Witkoff Group, LLC. The IM shall be an employee of CT Corporation or shall otherwise be reasonably acceptable to 233 Broadway, Inc. ("Seller"), and any individual IM may be replaced at any time, upon request of the Company, by another individual IM employed by CT Corporation or otherwise reasonably acceptable to Seller. The Company may not commence a bankruptcy proceeding without the consent of the IM. The IM shall have no rights or interests in the Company or otherwise with respect to the Company or the Property and shall have no right to vote on any issue, other than the right to grant or withhold its consent pursuant to the immediately preceding sentence. Notwithstanding any provision hereof to the contrary, the following shall govern: When acting on matters

subject to the vote of the members, notwithstanding that the Company is not then insol vent, all of the members shall take into account the interest of the Company's creditors, as well as those of the members. The terms of this paragraph shall be null and void from and after the date of the Company's acquisition of the Property or on any earlier date with Seller's consent (which may be granted or withheld in Seller's sole and absolute discre tion)."

Seller agrees to act reasonably and promptly in granting its written consent to an IM and to any replacement IM. At the Closing, upon the request of Purchaser, Seller shall execute any confirmation reasonably requested by Purchaser in order to amend its Articles to delete the Articles Amendment. In the event that (i) Purchaser fails to deliver the Articles Amendment as set forth above on or before October 25, 1998; or (ii) Purchaser amends its Articles to modify or remove the Articles Amendment prior to Closing without Seller's consent; or (iii) Purchaser breaches the Articles Amendment, then (x) Purchaser shall be in material default under the Agreement and the Additional Deposit shall be immediately due and payable to or at the direction of Seller and, when paid, shall be non-refundable and (y) if such failure, modification or breach shall continue for two (2) business days after notice from Seller, then Seller shall be entitled to terminate the Agreement and neither party shall have any further rights or obligations thereunder, other than Purchaser's obligation to pay any remaining unpaid portion of the Deposit to Seller.

12. The second and third grammatical sentences of Section 8.1 of the Agreement are hereby deleted and replaced with the following:

"Subsequent to the Closing, Purchaser has the right, but not the obligation, to undertake certain repairs to the facade of the Improvements substantially in accordance with the specifications attached hereto as Exhibit F (the "Facade Repairs"). Seller agrees that subsequent to Closing Purchaser may make any and all repairs it desires to the Improve ments and, if all or any portion of the Facade Repairs are made by Purchaser, Seller shall promptly after written request reimburse Purchaser for one-half (1/2) of the amounts actually expended by Purchaser in connection with such Facade Repairs, up to a maximum of $450,000 ("Seller's Share"). The provisions of the Section 8.1 shall survive the Closing."

13. The second grammatical sentence of Section 4.2.6 of the Agreement is hereby amended to restate the proviso at the end thereof as follows: "provided, however, that Seller shall not apply any Security Deposits to cure any non-monetary Tenant defaults", it being expressly agreed that Seller may apply any Security Deposits in accordance with the terms of the Leases during the thirty (30) days prior to the Closing to cure monetary Tenant defaults.

14. Intentionally omitted.

15. (a) Purchaser and Steven C. Witkoff hereby jointly and severally represent and warrant to Seller that the execution, delivery and performance by the Purchaser of this agreement and all actions taken by Purchaser hereunder have each been duly authorized, executed and delivered by Purchaser, that this agreement is the legal, valid and binding obligation of Purchaser, and that neither this agreement nor any of the actions taken by Purchaser hereunder violate any provision of any agreement or judicial order to which Purchaser is a party or to which Purchaser or any of its constituent members is subject. Without limiting the generality of the foregoing, Purchaser and Steven C. Witkoff each jointly and severally specifically represent and warrant to Seller that no consent, approval, waiver or other authorization which has not been obtained by Purchaser and is in full force and effect on the date hereof is required to be obtained by Purchaser in connec tion with the execution, delivery and/or performance by Purchaser of its obligations hereunder and under the Agreement.

(b) Seller hereby represents and warrants to Purchaser that the execu tion, delivery and performance by the Seller of this agreement and all actions taken by Seller hereunder have each been duly authorized, executed and delivered by Seller, that this agreement is the legal, valid and binding obligation of Seller, and that neither this agree ment nor any of the actions taken by Seller hereunder violate any provision of any agreement or judicial order to which Seller is a party or to which Seller is subject. Without limiting the generality of the foregoing, Seller represents and warrants to Purchaser that no consent, approval, waiver or other authorization which has not been obtained by Seller and is in full force and effect on the date hereof is required to be obtained by Seller in connec tion with the execution, delivery and/or performance by Seller of its obligations hereunder and under the Agreement.

16. (a) Purchaser hereby confirms that, as of the date hereof, it has no knowledge of any defenses, personal or otherwise, offsets or counterclaims to all or any of the obligations of the Purchaser hereunder or under the Agreement and, to the extent that any of the same are known to the Purchaser, Purchaser hereby waives and releases the same.

(b) Seller hereby confirms that, as of the date hereof, it has no knowl edge of any defenses, personal or otherwise, offsets or counterclaims to all or any of the obligations of the Seller hereunder or under the Agreement and, to the extent that any of the same are known to the Seller, Seller hereby waives and releases the same.

17. In all other respects, the Agreement remains in full force and effect and is hereby ratified and affirmed by the parties as modified hereby.

Please signify your agreement with the foregoing by signing and dating the enclosed counterpart of this letter where indicated below. This letter may be executed in one or more counterparts, all of which together shall constitute one and the same original.

Very truly yours,

233 BROADWAY, INC.

By: /s/ John E. DeWolf III

FOR PURPOSES OF SECTION 6(b) HEREOF:

VENATOR GROUP, INC.

By: /s/ John E. DeWolf III

Acknowledged and Agreed:
- ---

233 BROADWAY OWNERS, LLC

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ James F. Stomber Jr.

FOR PURPOSES OF SECTION 6(a) and SECTION 15(a) HEREOF:

/s/ Steven C. Witkoff
- ---
Steven C. Witkoff, individually and
not in any representative capacity

EXHIBIT A

FORM OF VENATOR LEASE

See Attached.

EXHIBIT B
ACCEPTED ESTOPPEL CERTIFICATES

1. Steve Golfarb and Arthur Greenberg
2. The Southmont Foundation
3. Tellerman, Paticoff & Greenberg
4. Joseph Cella
5. Mel Sachs
6. The Bank of New York
7. Friedland, Fisbein, Laifer & Robbins
8. Friedland, Fisbein, Laifer & Robbins
9. William M. Kimball
10. Stuart Shestack, Hayes Young, Michael Wofson and John Carroll
11. Jack Goldstein and Donald Wallman
12. The Basket Shop
13. BDB Development Enterprise Corp.
14. Madison Newstand VIII, Inc.
15. Russell Guba
16. Schneider, Kleinick, Weitz, Damashek, Godosky & Gentile
17. Schneider, Kleinick, Weitz, Damashek, Godosky & Gentile
18. Staat Personnel, Inc.
19. Paragon Process Service
20. Robert T. Schumpert
21. Dick Dunphy Advertising Specialties, Inc.
22. Panken, Besterman, Winer, Becker & Sherman, LLP
23. Basichas & Sherman, P.C.
24. Franklin Gould, Norman Reimer & Robert Gottfried
25. Thomas O'Rourke & Ronald Degen
26. Fasulo, Freidson & Joyce
27. Gargiulo & Co
28. Engitech Resources, Inc.
29. Revinson & Reis
30. Sheila Dugan
31. Superior Officers Council
32. Lionard Drexler
33. Mark E. Seitelman
34. Mark E. Seitelman
35. Isidore R. Tucker
36. Irving Fein, Peter Jakab, Jay B. Ringel and John M. Paige
37. Daniel McCarthy
38. Marvin Salenger and Robert Sack
39. Doar Devorkin & Rieck
40. Doar Devorkin & Rieck
41. Serving by Irving, Inc.

42. Eisenberg, Margolis, Friedman & Basichas
43. Stanley Young
44. William S. Hocking Realty
45. Electronic Instrument Co.
46. Fromme, Schwartz, Newman & Cornicello, LLP
47. Hanley Goble & Dennis LLP
48. Richard A. Deinst and Allan G. Serrins
49. Melito & Adolfsen, P.C.
50. Dudley Gaffin
51. Jeffrey T. Schwartz
52. Associated Commodity Corp.
53. Bruce Clark
54. Stuart Perry & David Schwarz
55. Solomon Pearl Blum & Quinn LLP
56. Melvyn Jacknowitz
57. Marcel Weisman
58. DeBlasio & Alton, P.C.
59. Downing & Mehrtens, P.C.
60. Seymour Ostrow
61. Kramer, Dillof
62. Theobald J. Dengler
63. Iannuzzi and Iannuzzi, John Nicholas Iannuzzi
64. Kaplan, Ostheimer & Kuflik (Lamb & Lerch)
65. Ginsburg, Becker & Weaver, LLP

EXHIBIT C
PRO FORMA TITLE POLICY

(See Attached)

EXHIBIT D
WIRE TRANSFER INSTRUCTIONS

Bank:	M&I Marshall & Ilsley Bank, Milwaukee, WI Abbreviated Name: MARSHALL MILW
	ABA: 075000051
Credit:	The Chicago Trust Company Account No. 01-24-2202
Further Credit to:	Trust Number: 385600010
	Trust Name: 233 Broadway, Inc./CDEC
Telephone Confirmation:	Chicago Deferred Exchange Commission 1-312-223-2931 or 1-800-621-1919 ext. 2931 Attn: Mary Cunningham

EXHIBIT E

INTENTIONALLY OMITTED

EXHIBIT F

FACADE REPAIR SPECIFICATIONS

(See Attached)

233 BROADWAY, INC.
233 Broadway
New York, New York 10279

as of November 9, 1998

233 Broadway Owners, LLC and Steven C. Witkoff
c/o The Witkoff Group, LLC
220 East 42nd Street
New York, New York 10017

Re: Woolworth Building

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase and Sale Agreement, dated June 20, 1998 (as amended by those certain letter agreements dated as of September 11, 1998, September 18, 1998, October 13, 1998 and October 14, 1998, the "Agreement"), by and between 233 Broadway, Inc. ("Seller"), as seller, and 233 Broadway Owners, LLC ("Purchaser"), as purchaser. All initially capitalized terms used herein without definition shall have the meaning set forth for such terms in the Agreement. Purchaser and Seller have agreed to make certain further amendments to the Agreement as and to the extent hereinafter set forth.

1. Seller and Purchaser hereby confirm that clause (ii) of Section 2.1 of the Agreement (as such clause appears in Section 5 of the October 14, 1998 amendment to the Agreement) is hereby amended so as to delete therefrom the references to November 9, 1998 and November 16, 1998 and to substitute therefor, in each case, a reference to November 19, 1998. Thus, the Second Additional Deposit Payment Date and the Third Additional Payment Date shall be, and each of the Second Additional Deposit and the Third Additional Deposit shall be due on, November 19, 1998 (time being of the essence with respect thereto).

2. Purchaser hereby acknowledges and agrees that the Venator Lease, the form of which is attached as Exhibit A to the October 14, 1998 amendment to the Agreement, shall be amended in the following respects:

(a) the reference, in the second (2nd) sentence of Section 28A, to 6:00 p.m. shall be deleted and a reference to 7:00 p.m. substituted in lieu thereof; and

(b) the third (3rd) sentence of Section 28A shall be deleted in its entirety as the following substituted therefor:

> Tenant shall have the additional right, without additional charge (except as hereinafter expressly provided), (i) to exclusively use not less than (1) of the freight elevators (such freight elevator(s) to be designated by Tenant) at any time during the Term on ten (10) Business Days advance notice to Landlord (which may be telephonic) in order to relocate from the 1998 Office Space, the 1999 Office Space, the Retail Space and/or the Kinney Storage Space to the Office Space and shall pay for any such freight elevator usage on or after July 1, 1999 at an hourly rate equal to $75.00 during Overtime Periods, (ii) to exclusively use two (2) of the four (4) passenger elevators serving the "tower floors" of the Woolworth Building during Overtime Periods in order to relocate from the 1998 Office Space and 1999 Office Space located on such "tower floors" of the Woolworth Building to the Office Space and (iii) to up to one-half (1/2) hour of reserved freight elevator service each Business Day for the moving of fixtures and equipment using a freight elevator to be designated by Tenant.

3. In all other respects, the Agreement remains in full force and effect and is hereby ratified and affirmed by the parties as modified hereby.

Please signify your agreement with the foregoing by signing and dating the enclosed counterpart of this letter where indicated below. This letter may be executed in one or more counterparts, all of which together shall constitute one and the same original.

Very truly yours,

233 BROADWAY, INC.

By: /s/ Gary H. Brown

ACKNOWLEDGED AND AGREED:
- ----------

233 BROADWAY OWNERS, LLC

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ James F. Stomber Jr.

/s/ Steven C. Witkoff
- ----------
Steven C. Witkoff, individually and
not in any representative capacity

VENATOR GROUP, INC.

By: /s/ Gary H. Brown

253036.04-New YorkS4A

233 BROADWAY, INC.
233 Broadway
New York, New York 10279

November 19, 1998

233 Broadway Owners, LLC and Steven C. Witkoff
c/o The Witkoff Group, LLC
220 East 42nd Street
New York, New York 10017

Re: Woolworth Building

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase and Sale Agreement, dated June 20, 1998 (as amended by those certain letter agreements dated as of September 11, 1998, September 18, 1998, October 13, 1998, October 14, 1998 and November 9, 1998, the "Agreement"), by and between 233 Broadway, Inc. ("Seller"), as seller, and 233 Broadway Owners, LLC ("Purchaser"), as purchaser. All initially capitalized terms used herein without definition shall have the meaning set forth for such terms in the Agreement. Purchaser and Seller have agreed to reinstate the Old Agreement and make certain further amendments to the Agreement as and to the extent hereinafter set forth.

1. Seller and Purchaser hereby agree that, notwithstanding the termination of the Agreement on November 19, 1998 in accordance with Section 2.1(ii) of the Agreement, the Agreement is hereby reinstated on the terms and conditions set forth therein and herein.

2. Seller and Purchaser hereby confirm that clause (ii) of Section 2.1 of the Agreement (as such clause appears in Section 5 of the October 14, 1998 amendment to the Agreement and was amended in Section 1 of the November 9, 1998 amendment to the Agreement) is hereby amended and restated in its entirety to read as follows:

"(ii) Five Million Dollars ($5,000,000) (the "First Additional Deposit") shall be paid directly to or at the direction of the Seller by wire transfer of immediately

available federal funds on or before 5:00 p.m. on October 19, 1998 (the "First Additional Deposit Payment Date") (time being of the essence with respect thereto). Five Million Dollars ($5,000,000) (the "Second Additional Deposit") shall be paid directly to or at the direction of the Seller by wire transfer of immedi ately available federal funds on November 20, 1998 (the "Second Additional Deposit Payment Date") (time being of the essence with respect thereto). The First Additional Deposit and the Second Additional Deposit are collectively referred to herein as the "Additional Deposit", and the Initial Deposit and the Additional Deposit are collectively referred to herein as the "Deposit." Purchaser shall initiate the wire transfer of the Second Additional Deposit and advise Seller and its counsel in writing as to reference number applicable thereto (which advice may be given by telecopy only) on or before 12:00 noon on the Second Additional Deposit Payment Date. In the event that Purchaser shall fail for any reason to so pay any of the First Additional Deposit or the Second Additional Deposit on the First Additional Deposit Payment Date and the Second Additional Deposit Pay ment Date, respectively, and to advise the Seller as to the reference number applicable to the Second Additional Deposit, then Purchaser shall be in material default under this Agreement and this Agreement shall automatically terminate without further action by the parties and neither party shall have any further rights or obligations hereunder other than Purchaser's obligation to pay any remaining unpaid portion of the Deposit to Seller, which shall expressly survive any such termination. Payment of the First Additional Deposit is guaranteed by Steven C. Witkoff (the "Guarantor") in accordance with the provisions of Article XVII hereof."

3. Purchaser hereby confirms that, as of the date hereof, it has no knowledge of any defenses, personal or otherwise, offsets or counterclaims to all or any of the obligations of the Purchaser hereunder or under the Agreement and, to the extent that any of the same are known to the Purchaser, Purchaser hereby waives and releases the same.

4. Purchaser and Seller each hereby confirm that the Agreement, as reinstated and amended by this letter agreement, constitutes the entire and final agreement between the parties with respect to the subject matter thereof and hereof and that there are no other agreements, written or oral, with respect thereto or hereto. This letter agreement may not be changed, terminated or otherwise varied, except by a writing duly executed by the parties hereto.

5. In all other respects, the Agreement remains in full force and effect and is hereby reinstated, ratified and affirmed by the parties as modified hereby.

Please signify your agreement with the foregoing by signing and dating the enclosed counterpart of this letter where indicated below. This letter may be executed in one or more counterparts, all of which together shall constitute one and the same original.

Very truly yours,

233 BROADWAY, INC.

By: /s/ John H. Cannon

ACKNOWLEDGED AND AGREED:
- ---

233 BROADWAY OWNERS, LLC

By: 233 Broadway Next Generation LLC,
its managing member

By: /s/ James F. Stomber Jr.

/s/ Steven c. Witkoff
- ---
Steven C. Witkoff, individually and
not in any representative capacity

VENATOR GROUP, INC.

By: /s/ John H. Cannon

EXHIBIT 15

Accountants' Acknowledgment

Venator Group, Inc.
New York, New York

Board of Directors:

Re: Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832, 333- 07215, 333-21131 and 333-62425 on Form S-8 and Numbers 33-43334 and 33-86300 on Form S-3

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated November 19, 1998 related to our review of interim financial information.

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

/s/ KPMG Peat Marwick LLP
New York, New York
December 14, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE NINE MONTHS ENDED October 31, 1998 AND THE CONSOLIDATED BALANCE SHEET AS OF October 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

9-MOS
JAN-30-1999
FEB-1-1998
OCT-31-1998
147
0
0
0
1,112
1,615
0
0
3,145
1,260
508
0
0
0
1,002
3,145
3,223
3,223
2,324
2,324
89
0
35
(52)
(26)
(26)
(147)
0
0
(173)
(1.27)
(1.27)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE NINE MONTHS ENDED October 25, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF October 25, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

9-MOS
JAN-31-1998
JAN-26-1997
OCT-25-1997
17
0
0
0
886
1,649
0
0
2,815
652
510
0
0
0
1,154
2,815
3,198
3,198
2,167
2,167
90
0
25
172
65
107
(232)
0
0
(125)
(0.93)
(0.92)

EXHIBIT 99

Independent Accountants' Review Report

The Board of Directors and Shareholders
Venator Group, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Venator Group, Inc. (formerly Woolworth Corporation) and subsidiaries as of October 31, 1998 and October 25, 1997, and the related condensed consolidated statements of operations, comprehensive income (loss), retained earnings, and cash flows for the thirteen and thirty-nine week periods ended October 31, 1998 and October 25, 1997. These condensed consolidated financial statements are the responsibility of Venator Group Inc.'s management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Venator Group, Inc. and subsidiaries as of January 31, 1998, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 11, 1998, 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, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG Peat Marwick LLP
New York, New York
November 19, 1998