

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 2, 2003

Commission file no. 1-10299

FOOT LOCKER, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation
or organization)

13-3513936

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

112 W. 34th Street, New York, New York

(Address of principal executive offices)

10120

(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). YES X NO

Number of shares of Common Stock outstanding at September 5, 2003: 142,300,188

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except shares)

	August 2, 2003 ----- (Unaudited)	August 3, 2002 ----- (Unaudited)	February 1, 2003 ----- *
ASSETS			
Current assets			
Cash and cash equivalents	\$ 332	\$ 307	\$ 357
Merchandise inventories	948	887	835
Assets of discontinued operations	2	3	2
Other current assets	98	110	90
	-----	-----	-----
	1,380	1,307	1,284
Property and equipment, net	621	626	636
Deferred taxes	256	247	240
Goodwill and intangible assets	223	202	216
Assets of business transferred under contractual arrangement (note receivable)	--	12	--
Other assets	109	69	110
	-----	-----	-----
	\$ 2,589	\$ 2,463	\$ 2,486
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 339	\$ 389	\$ 251
Accrued liabilities	259	203	296
Current portion of repositioning and restructuring reserves ..	4	3	3
Current portion of reserve for discontinued operations	17	21	18
Liabilities of discontinued operations	2	4	3
Current portion of long-term debt and obligations under capital leases	--	31	1
	-----	-----	-----
	621	651	572
Long-term debt and obligations under capital leases	348	363	356
Liabilities of business transferred under contractual arrangement	--	12	--
Other liabilities	428	360	448
Shareholders' equity			
Common stock and paid-in capital: 142,262,025; 141,036,379 and 141,180,455 shares, respectively	385	373	378
Retained earnings	1,012	848	946
Accumulated other comprehensive loss	(204)	(144)	(213)
Less: Treasury stock at cost: 66,124; 70,220 and 105,220 shares, respectively	(1)	--	(1)
	-----	-----	-----
Total shareholders' equity	1,192	1,077	1,110
	-----	-----	-----
	\$ 2,589	\$ 2,463	\$ 2,486
	=====	=====	=====

See Accompanying Notes to Condensed Consolidated Financial Statements.

* The balance sheet at February 1, 2003 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's Annual Report on Form 10-K for the year ended February 1, 2003.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003 ----	Aug. 3, 2002 ----	Aug. 2, 2003 ----	Aug. 3, 2002 ----
Sales	\$ 1,123	\$ 1,085	\$ 2,251	\$ 2,175
Costs and Expenses				
Cost of sales	792	773	1,575	1,543
Selling, general and administrative expenses	233	220	474	440
Depreciation and amortization	38	38	75	74
Restructuring charge (income)	1	(1)	1	(1)
Interest expense, net	4	7	9	14
Other income	--	(3)	--	(3)
	-----	-----	-----	-----
	1,068	1,034	2,134	2,067
	-----	-----	-----	-----
Income from continuing operations before income taxes	55	51	117	108
Income tax expense	18	18	41	37
	-----	-----	-----	-----
Income from continuing operations	37	33	76	71
	-----	-----	-----	-----
Loss on disposal of discontinued operations, net of income tax benefit of \$1, respectively	(1)	(2)	(1)	(20)
Cumulative effect of accounting change, net of income tax of \$-	--	--	(1)	--
	-----	-----	-----	-----
Net income	\$ 36	\$ 31	\$ 74	\$ 51
	=====	=====	=====	=====
Basic earnings per share:				
Income from continuing operations	\$ 0.26	\$ 0.23	\$ 0.54	\$ 0.50
Loss from discontinued operations	(0.01)	(0.01)	(0.01)	(0.14)
Cumulative effect of accounting change	--	--	--	--
	-----	-----	-----	-----
Net income	\$ 0.25	\$ 0.22	\$ 0.53	\$ 0.36
	=====	=====	=====	=====
Weighted-average common shares outstanding	141.3	140.7	141.2	140.4
Diluted earnings per share:				
Income from continuing operations	\$ 0.25	\$ 0.22	\$ 0.52	\$ 0.48
Loss from discontinued operations	(0.01)	(0.01)	(0.01)	(0.13)
Cumulative effect of accounting change	--	--	--	--
	-----	-----	-----	-----
Net income	\$ 0.24	\$ 0.21	\$ 0.51	\$ 0.35
	=====	=====	=====	=====
Weighted-average common shares assuming dilution	152.1	151.0	151.7	150.9

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003 ----	Aug. 3, 2002 ----	Aug. 2, 2003 ----	Aug. 3, 2002 ----
Net income	\$ 36	\$ 31	\$ 74	\$ 51
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments arising during the period	3	15	8	25
Change in fair value of derivatives accounted for as hedges, net of deferred tax benefit of \$-	(1)	(1)	1	(1)
Comprehensive income	<u>\$ 38</u> =====	<u>\$ 45</u> =====	<u>\$ 83</u> =====	<u>\$ 75</u> =====

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Twenty-six weeks ended	
	Aug. 2, 2003	Aug. 3, 2002
	-----	-----
From Operating Activities:		
Net income	\$ 74	\$ 51
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Cumulative effect of accounting change, net of tax	1	--
Restructuring charge (income)	1	(1)
Loss on disposal of discontinued operations, net of tax	1	20
Depreciation and amortization	75	74
Real estate gains	--	(3)
Deferred income taxes	(14)	3
Change in assets and liabilities:		
Merchandise inventories	(107)	(84)
Accounts payable and other accruals	55	92
Repositioning and restructuring reserves	--	(2)
Pension funding liability	(50)	--
Other, net	18	3
	-----	-----
Net cash provided by operating activities of continuing operations	54	153
	-----	-----
From Investing Activities:		
Proceeds from disposal of real estate	--	6
Lease acquisition costs	(9)	(8)
Capital expenditures	(59)	(63)
	-----	-----
Net cash used in investing activities of continuing operations	(68)	(65)
	-----	-----
From Financing Activities:		
Reduction in long-term debt and capital lease obligations	--	(4)
Dividends paid	(8)	--
Issuance of common stock	5	9
	-----	-----
Net cash (used in) provided by financing activities of continuing operations .	(3)	5
	-----	-----
Net Cash used in Discontinued Operations	(3)	(6)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	(5)	5
	-----	-----
Net change in Cash and Cash Equivalents	(25)	92
Cash and Cash Equivalents at beginning of year	357	215
	-----	-----
Cash and Cash Equivalents at end of interim period	\$ 332	\$ 307
	=====	=====
Cash paid during the period:		
Interest	\$ 13	\$ 14
Income taxes	\$ 39	\$ 20

See Accompanying Notes to Condensed Consolidated Financial Statements.

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 February 1, 2003, as filed with the Securities and Exchange Commission (the "SEC") on May 19, 2003. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the twenty-six weeks ended August 2, 2003 are not necessarily indicative of the results expected for the year.

Stock-Based Compensation

The Registrant accounts for stock-based compensation by applying APB No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). In accordance with APB No. 25, compensation expense is not recorded for options granted if the option price is not less than the quoted market price at the date of grant. Compensation expense is also not recorded for employee purchases of stock under the 1994 Stock Purchase Plan. The plan, which is compensatory as defined in SFAS No. 123, is non-compensatory as defined in APB No. 25. SFAS No. 123 requires disclosure of the impact on earnings per share if the fair value method of accounting for stock-based compensation is applied for companies electing to continue to account for stock-based plans under APB No. 25.

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123," which was issued in December 2002, provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation and requires more prominent disclosure of the pro forma impact on earnings per share. As the Registrant has continued to account for stock - based compensation under APB No. 25, such disclosures are now required quarterly for interim periods beginning in 2003. Accounting for the Registrant's stock-based compensation, in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
	----	----	----	----
(in millions, except per share amounts)				
Net income, as reported:	\$ 36	\$ 31	\$ 74	\$ 51
Add: Stock-based employee compensation expense included in reported net income, net of income tax benefit	--	--	1	--
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of income tax benefit	1	2	2	3
Pro forma net income	\$ 35	\$ 29	\$ 73	\$ 48
	=====	=====	=====	=====
Basic earnings per share:				
As reported	\$ 0.25	\$ 0.22	\$ 0.53	\$ 0.36
Pro forma	\$ 0.25	\$ 0.21	\$ 0.51	\$ 0.34
Diluted earnings per share:				
As reported	\$ 0.24	\$ 0.21	\$ 0.51	\$ 0.35
Pro forma	\$ 0.24	\$ 0.21	\$ 0.50	\$ 0.34

The fair values of the issuance of the stock-based compensation pursuant to the Company's various stock option and purchase plans were estimated at the grant date using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options, and because the Registrant's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

Goodwill and Intangible Assets

The Registrant adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective February 3, 2002, which requires that goodwill and intangible assets with indefinite lives no longer be amortized but reviewed for impairment if impairment indicators arise and, at a minimum, annually. Accordingly, the Registrant stopped amortizing goodwill in the first quarter of 2002. During the first quarter of 2003, the Registrant completed its annual review of goodwill, which did not result in an impairment charge.

Goodwill (in millions)	August 2, 2003	August 3, 2002	February 1, 2003
Athletic Stores	\$ 56	\$ 55	\$ 56
Direct-to-Customers	80	80	80
	<u>\$ 136</u>	<u>\$ 135</u>	<u>\$ 136</u>

Intangible Assets (in millions)	August 2, 2003	August 3, 2002	February 1, 2003
Intangible assets not subject to amortization	\$ 2	\$ --	\$ 2
Intangible assets subject to amortization, net of accumulated amortization of \$42 million, \$37 million and \$36 million, respectively	85	67	78
	<u>\$ 87</u>	<u>\$ 67</u>	<u>\$ 80</u>
Total ...	<u>\$ 223</u>	<u>\$ 202</u>	<u>\$ 216</u>

Finite life intangible assets comprise lease acquisition costs, which are required to secure prime lease locations and other lease rights, primarily in Europe. The weighted-average amortization period as of August 2, 2003 was approximately 11.5 years. Amortization expense for lease acquisition costs was approximately \$3 million and \$5 million for the thirteen and twenty-six weeks ended August 2, 2003, respectively. For the thirteen and twenty-six weeks ended August 3, 2002, amortization expense was approximately \$2 million and \$4 million, respectively. Annual estimated amortization expense for lease acquisition costs is expected to be approximately \$10 million for 2003, \$11 million for 2004 and \$10 million for 2005 and each of the succeeding two years.

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

Derivative Financial Instruments

During the twenty-six weeks ended August 2, 2003 and August 3, 2002, ineffectiveness related to cash flow hedges recorded to earnings was not material.

Accumulated comprehensive income was decreased by approximately \$1 million after-tax due to changes in fair value of derivative financial instruments designated as hedges during the second quarter of 2003 and 2002.

The fair value of derivative contracts outstanding at August 2, 2003 comprised current assets of \$1 million, current liabilities of \$11 million and non-current liabilities of \$8 million.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant impact on financial position and results of operations.

Asset Retirement Obligations

The Registrant adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") as of February 2, 2003. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate can be made. The carrying amount of the related long-lived asset shall be increased by the same amount as the liability and that amount will be amortized over the useful life of the underlying long-lived asset. The difference between the fair value and the value of the ultimate liability will be accreted over time using the credit-adjusted risk-free interest rate in effect when the liability is initially recognized. Asset retirement obligations of the Registrant may at any time include structural alterations to store locations and equipment removal costs from distribution centers required by certain leases. On February 2, 2003, the Registrant recorded a liability of \$2 million for the expected present value of future retirement obligations, increased property and equipment by \$1 million and recognized a \$1 million after tax charge for the cumulative effect of the accounting change. There were no additions recorded during the first quarter of 2003 and additional asset retirement obligations recorded during the second quarter of 2003 were not material. The amortization and accretion expenses recorded during these periods were also not material. Pro forma effects for the thirteen and twenty-six weeks ended August 3, 2002, assuming adoption of SFAS No. 143 as of February 3, 2002, were not material to the liability, the net earnings or the per share amounts, and therefore, have not been presented.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss was comprised of the following:

	August 2, 2003 -----	August 3, 2002 -----	February 1, 2003 -----
Foreign currency translation adjustments	\$ (7)	\$ (28)	\$ (15)
Minimum pension liability adjustment	(198)	(115)	(198)
Changes in the fair value of derivatives designated as hedges	1	(1)	--
	----- \$(204) =====	----- \$(144) =====	----- \$(213) =====

Discontinued Operations

On January 23, 2001, the Registrant announced that it was exiting its 694 store Northern Group segment. The Registrant recorded a charge to earnings of \$252 million before-tax, or \$294 million after-tax, in 2000 for the loss on disposal of the segment. Major components of the charge included expected cash outlays for lease buyouts and real estate disposition costs of \$68 million, severance and personnel related costs of \$23 million and operating losses and other exit costs from the measurement date through the expected date of disposal of \$24 million. Non-cash charges included the realization of a \$118 million currency translation loss, resulting from the movement in the Canadian dollar during the period the Registrant held its investment in the segment and asset write-offs of \$19 million. The Registrant also recorded a tax benefit for the liquidation of the Northern U.S. stores of \$42 million, which was offset by a valuation allowance of \$84 million to reduce the deferred tax assets related to the Canadian operations to an amount that is more likely than not to be realized.

In the first quarter of 2001, the Registrant recorded a tax benefit of \$5 million as a result of the implementation of tax planning strategies related to the discontinuance of the Northern Group. During the second quarter of 2001, the Registrant completed the liquidation of the 324 stores in the United States and recorded a charge to earnings of \$12 million before-tax, or \$19 million after-tax. The charge comprised the write-down of the net assets of the Canadian business to their net realizable value pursuant to the then pending transaction, which was partially offset by reduced severance costs as a result of the transaction and favorable results from the liquidation of the U.S. stores and real estate disposition activity. On September 28, 2001, the Registrant completed the stock transfer of the 370 Northern Group stores in Canada, through one of its wholly-owned subsidiaries for approximately CAD\$59 million (approximately US\$38 million), which was paid in the form of a note (the "Note"). The purchaser agreed to obtain a revolving line of credit with a lending institution, satisfactory to the Registrant, in an amount not less than CAD\$25 million (approximately US\$17 million). Another wholly-owned subsidiary of the Registrant was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The Registrant also entered into a credit agreement with the purchaser to provide a revolving credit facility to be used to fund its working capital needs, up to a maximum of CAD\$5 million (approximately US\$3 million). The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note, approximately US\$18 million. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E "Accounting for Divestiture of a Subsidiary or Other Business Operation," ("SAB Topic 5:E") as a "transfer of assets and liabilities under contractual arrangement" as no cash proceeds were received and the consideration comprised the Note, the repayment of which is dependent on the future successful operations of the business. The assets and liabilities related to the former operations were presented under the balance sheet captions as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement."

In the fourth quarter of 2001, the Registrant further reduced its estimate for real estate costs by \$5 million based on then current negotiations, which was completely offset by increased severance, personnel and other disposition costs.

The Registrant recorded a charge of \$18 million in the first quarter of 2002 reflecting the poor performance of the Northern Group stores in Canada since the date of the transaction. There was no tax benefit recorded related to the \$18 million charge, which comprised a valuation allowance in the amount of the operating losses incurred by the purchaser and a further reduction in the carrying value of the net amount of the assets and liabilities of the former operations to zero, due to greater uncertainty with respect to the collectibility of the Note. This charge was recorded pursuant to SAB Topic 5:E, which requires accounting for the Note in a manner somewhat analogous to equity accounting for an investment in common stock.

In the third quarter of 2002, the Registrant recorded a charge of approximately \$1 million before-tax for lease exit costs in excess of previous estimates. In addition, the Registrant recorded a tax benefit of \$2 million, which also reflected the impact of the tax planning strategies implemented related to the discontinuance of the Northern Group.

On December 31, 2002, the Registrant-provided revolving credit facility expired, without having been used. Furthermore, the operating results of Northern Canada had significantly improved during the year such that the Registrant had reached an agreement in principle to receive CAD\$5 million (approximately US\$3 million) cash consideration in partial prepayment of the Note and accrued interest due and agreed to reduce the face value of the Note to CAD\$17.5 million (approximately US\$12 million). Based upon the improved results of the Northern Canada business, the Registrant believes there is no substantial uncertainty as to the amount of the future costs and expenses that could be payable by the Registrant. As indicated above, as the assignor of the Northern Canada leases, a wholly-owned subsidiary of the Registrant remains secondarily liable under those leases. As of August 2, 2003, the Registrant estimates that its gross contingent lease liability is between CAD\$76 to \$82 million (approximately US\$53 to \$59 million). Based upon its assessment of the risk of having to satisfy that liability and the resultant possible outcomes of lease settlement, the Registrant currently estimates the expected value of the lease liability to be approximately US\$2 million. The Registrant believes that it is unlikely that it would be required to make such contingent payments, and further, such contingent obligations would not be expected to have a material effect on the Registrant's consolidated financial position, liquidity or results of operations. As a result of the aforementioned developments, during the fourth quarter of 2002 circumstances changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture.

During the fourth quarter of 2002, as a result of the accounting divestiture, the Note was recorded in the financial statements at its estimated fair value of CAD\$16 million (approximately US\$10 million). The Registrant, with the assistance of an independent third party, determined the estimated fair value by discounting expected cash flows at an interest rate of 18 percent. This rate was selected considering such factors as the credit rating of the purchaser, rates for similar instruments and the lack of marketability of the Note. As the net assets of the former operations were previously written down to zero, the fair value of the Note was recorded as a gain on disposal within discontinued operations. There was no tax expense recorded related to this gain. The Registrant ceased presenting the assets and liabilities of Northern Canada as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement," and has recorded the Note initially at its estimated fair value. On May 6, 2003, the amendments to the Note were executed and a cash payment of CAD\$5.2 million (approximately US\$3.5 million) was received representing principal and interest through the date of the amendment. After taking into account this payment, the remaining principal due under the Note was reduced to CAD\$17.5 million (approximately US\$12 million). Under the terms of the renegotiated Note, a principal payment of CAD\$1 million is due January 15, 2004. An accelerated principal payment of CAD\$1 million may be due if certain events occur. The remaining amount of the Note is required to be repaid upon the occurrence of "payment events," as defined in the purchase agreement, but no later than September 28, 2008. Interest is payable semiannually and began to accrue on May 1, 2003 at a rate of 7.0 percent per annum. At August 2, 2003 and February 1, 2003, US\$1 million and US\$4 million, respectively, are classified as a current receivable, with the remainder classified as long term within other assets in the accompanying Condensed Consolidated Balance Sheet.

Future adjustments, if any, to the carrying value of the Note will be recorded pursuant to SEC Staff Accounting Bulletin Topic 5:Z:5, "Accounting and Disclosure Regarding Discontinued Operations," which requires changes in the carrying value of assets received as consideration from the disposal of a discontinued operation to be classified within continuing operations. Interest and accretion income will also be recorded within continuing operations. The Registrant will recognize an impairment loss when, and if, circumstances indicate that the carrying value of the Note may not be recoverable. Such circumstances would include a deterioration in the business, as evidenced by significant operating losses incurred by the purchaser or nonpayment of an amount due under the terms of the Note.

As the stock transfer on September 28, 2001 was accounted for in accordance with SAB Topic 5:E, a disposal was not achieved pursuant to APB No. 30. If the Registrant had applied the provisions of Emerging Issues Task Force 90-16, "Accounting for Discontinued Operations Subsequently Retained" ("EITF 90-16"), prior reporting periods would not be restated, accordingly reported net income would not have changed. However, the results of operations of the Northern business segment in all prior periods would have been

reclassified from discontinued operations to continuing operations. The incurred loss on disposal at September 28, 2001 would continue to be classified as discontinued operations, however, the remaining accrued loss on disposal at this date, of US\$24 million, primarily relating to the lease liability of the Northern U.S. business, would have been reversed as part of discontinued operations. Since the liquidation of this business was complete, this liability would have been recorded in continuing operations in the same period pursuant to EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." With respect to Northern Canada, the business was legally sold as of September 28, 2001 and thus operations would no longer be recorded, but instead the business would be accounted for pursuant to SAB Topic 5:E. In the first quarter of 2002, the \$18 million charge recorded within discontinued operations would have been classified as continuing operations. Similarly, the \$1 million benefit recorded in the third quarter of 2002 would also have been classified as continuing operations. Having achieved divestiture accounting in the fourth quarter of 2002 and applying the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Registrant would have then reclassified all prior periods' results of the Northern Group to discontinued operations. Reported net income in each of the periods would not have changed and therefore the Registrant did not amend any of its prior filings.

The remaining reserve balance of \$8 million at August 2, 2003 is expected to be utilized within twelve months.

NORTHERN GROUP (in millions)

	Balance 2/1/2003	Net Usage (1)	Charge/ (Income)	Balance 8/2/2003
	-----	-----	-----	-----
Real estate & lease liabilities ..	\$ 6	\$ 1	\$ --	\$ 7
Other costs	1	--	--	1
	-----	-----	-----	-----
Total	\$ 7	\$ 1	\$ --	\$ 8
	=====	=====	=====	=====

(1) Includes payments of \$1 million offset by an increase of \$2 million resulting from foreign currency fluctuations.

In 1998, the Registrant exited both its International General Merchandise and Specialty Footwear segments. In 1997, the Registrant announced that it was exiting its Domestic General Merchandise segment. The successor-assignee of the leases of a former business included in the Domestic General Merchandise segment filed a petition in bankruptcy during 2002, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Registrant. There are currently several actions pending against this subsidiary by former landlords for the lease obligations. In the fourth quarter of 2002, the Registrant recorded a charge of \$1 million after-tax and in the second quarter of 2003 recorded an additional after-tax charge of \$1 million, related to certain actions. The Registrant estimates the gross contingent lease liability related to the remaining actions to be approximately \$6 million. The Registrant believes that it may have valid defenses, however, given the current procedural status of these cases, their outcome cannot be predicted with any degree of certainty.

The remaining reserve balances for these three discontinued segments totaled \$17 million as of August 2, 2003, \$9 million of which is expected to be utilized within twelve months and the remaining \$8 million thereafter.

Disposition activity related to the reserves is presented below:

(in millions)

INTERNATIONAL GENERAL MERCHANDISE

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 8/2/2003
	-----	-----	-----	-----
Woolco	\$ 1	\$ (1)	\$ --	\$ --
The Bargain! Shop ..	6	--	--	6
	-----	-----	-----	-----
Total	\$ 7	\$ (1)	\$ --	\$ 6
	=====	=====	=====	=====

(in millions)
SPECIALTY FOOTWEAR

	Balance 2/1/2003 -----	Net Usage -----	Charge/ (Income) -----	Balance 8/2/2003 -----
Real estate & lease liabilities ..	\$ 2	\$ --	\$ --	\$ 2
Other costs	1	(1)	--	--
Total	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ --</u>	<u>\$ 2</u>

DOMESTIC GENERAL MERCHANDISE

	Balance 2/1/2003 -----	Net Usage -----	Charge/ (Income) -----	Balance 8/2/2003 -----
Real estate & lease liabilities ..	\$ 7	\$ (1)	\$ --	\$ 6
Legal and other costs	3	(2)	2	3
Total	<u>\$ 10</u>	<u>\$ (3)</u>	<u>\$ 2</u>	<u>\$ 9</u>

The following is a summary of the assets and liabilities of discontinued operations:

(in millions) -----	NORTHERN GROUP -----	SPECIALTY FOOTWEAR -----	DOMESTIC GENERAL MERCHANDISE -----	TOTAL -----
8/2/2003				
Assets	\$ --	\$ --	\$ 2	\$ 2
Liabilities	--	--	2	2
Net liabilities of discontinued operations ..	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
8/3/2002				
Assets	\$ --	\$ 1	\$ 2	\$ 3
Liabilities	2	--	2	4
Net liabilities of discontinued operations ..	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ --</u>	<u>\$ (1)</u>
2/1/2003				
Assets	\$ --	\$ --	\$ 2	\$ 2
Liabilities	1	--	2	3
Net liabilities of discontinued operations ..	<u>\$ (1)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1)</u>

The Northern Group assets and liabilities of discontinued operations primarily comprised the Northern Group stores in the U.S. The net assets of the Specialty Footwear and Domestic General Merchandise segments consist primarily of fixed assets and accrued liabilities.

Restructuring Programs
1999 Restructuring

Total restructuring charges of \$96 million before-tax were recorded in 1999 for the Registrant's restructuring program to sell or liquidate non-core businesses. The restructuring plan also included an accelerated store-closing program in the United States and Asia, corporate headcount reduction and a distribution center shutdown. The disposition of all non-core businesses was completed by November 2001. The remaining reserve balance at August 2, 2003 totaled \$2 million, which is expected to be utilized within twelve months.

The Registrant sold The San Francisco Music Box Company ("SFMB") in 2001; however, the Registrant remains as an assignor or guarantor of leases of SFMB related to a distribution center and five store locations. In May 2003, SFMB filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. During July and August 2003, SFMB rejected five of the leases and assumed one of the store leases in the bankruptcy proceedings. As of August 2, 2003, the Registrant estimates its gross contingent lease liability for these leases to be approximately \$5 million. During the second quarter of 2003, the Registrant recorded a charge of \$1 million, primarily related to the distribution center lease, representing the expected costs to exit these leases.

1993 Repositioning and 1991 Restructuring

The Registrant recorded charges of \$558 million in 1993 and \$390 million in 1991 to reflect the anticipated costs to sell or close under-performing specialty and general merchandise stores in the United States and Canada. Under the 1993 repositioning program, approximately 970 stores were identified for closing. Approximately 900 stores were closed under the 1991 restructuring program. The remaining reserve balance of \$2 million at August 2, 2003 comprises future lease obligations and is expected to be substantially utilized within twelve months. Disposition activity related to the reserves within the restructuring programs is presented below.

1999 Restructurings
(in millions)

	Balance 2/1/2003 -----	Net Usage -----	Charge/ (Income) -----	Balance 8/2/2003 -----
Real estate ..	\$ 1 =====	\$ -- =====	\$ 1 =====	\$ 2 =====

1993 Repositioning and 1991 Restructuring
(in millions)

	Balance 2/1/2003 -----	Net Usage -----	Charge/ (Income) -----	Balance 8/2/2003 -----
Real estate	\$ 1	\$ --	\$ --	\$ 1
Other disposition costs ..	1	--	--	1
Total	\$ 2 =====	\$ -- =====	\$ -- =====	\$ 2 =====

Total Restructuring Reserves
(in millions)

	Balance 2/1/2003 -----	Net Usage -----	Charge/ (Income) -----	Balance 8/2/2003 -----
Real estate	\$ 2	\$ --	\$ 1	\$ 3
Other disposition costs ...	1	--	--	1
Total	\$ 3 =====	\$ -- =====	\$ 1 =====	\$ 4 =====

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options and the conversion of convertible long-term debt. The following table reconciles the numerator and denominator used to compute basic and diluted earnings per share for continuing operations.

(in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003 ----	Aug. 3, 2002 ----	Aug. 2, 2003 ----	Aug. 3, 2002 ----
Numerator:				
Income from continuing operations	\$ 37	\$ 33	\$ 76	\$ 71
Effect of Dilution:				
Convertible debt	1	1	2	2
Income from continuing operations assuming dilution	\$ 38 =====	\$ 34 =====	\$ 78 =====	\$ 73 =====
Denominator:				
Weighted-average common shares outstanding	141.3	140.7	141.2	140.4
Effect of Dilution:				
Stock options and awards	1.3	0.8	1.0	1.0
Convertible debt	9.5	9.5	9.5	9.5
Weighted-average common shares assuming dilution	152.1 =====	151.0 =====	151.7 =====	150.9 =====

Options to purchase 4.0 million and 4.1 million shares of common stock were not included in the computation for the thirteen weeks ended August 2, 2003 and August 3, 2002, respectively. Options to purchase 5.7 million and 3.5 million shares of common stock were not included in the computation for the twenty-six weeks ended August 2, 2003 and August 3, 2002, respectively. These amounts were not included because the exercise price of the options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Segment Information

Sales and operating results for the Registrant's reportable segments for the thirteen and twenty-six weeks ended August 2, 2003 and August 3, 2002, respectively, are presented below. Operating profit before corporate expense, net reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

Sales:

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003	Aug. 3, 2002	Aug. 2, 2003	Aug. 3, 2002
(in millions)				
Athletic Stores.....	\$ 1,050	\$ 1,016	\$ 2,091	\$ 2,022
Direct-to-Customers.....	73	69	160	153
Total Sales.....	<u>\$ 1,123</u>	<u>\$ 1,085</u>	<u>\$ 2,251</u>	<u>\$ 2,175</u>

Operating results:

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003	Aug. 3, 2002	Aug. 2, 2003	Aug. 3, 2002
(in millions)				
Athletic Stores.....	\$ 68	\$ 62	\$ 143	\$ 131
Direct-to-Customers.....	8	6	17	14
All Other (1).....	76	68	160	145
	(1)	1	(1)	1
Total operating profit before corporate expense, net.....	75	69	159	146
Corporate expense.....	16	14	33	27
Operating profit.....	59	55	126	119
Non-operating income.....	-	(3)	-	(3)
Interest expense, net.....	4	7	9	14
Income from continuing operations before income taxes.....	<u>\$ 55</u>	<u>\$ 51</u>	<u>\$ 117</u>	<u>\$ 108</u>

(1) The disposition of all other formats presented as "All Other" was completed in 2001. Both 2003 periods presented include restructuring charges of \$1 million. Both periods in 2002 include a reduction in restructuring charges of \$1 million.

Recently Issued Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Among other things, the statement does not affect the classification or measurement of convertible bonds, puttable stock, or other outstanding shares that are conditionally redeemable. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of

the first interim period beginning after June 15, 2003. The statement is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The Registrant does not expect that the adoption of SFAS No. 150 will have a significant impact on its financial position and results of operations.

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

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

RESULTS OF OPERATIONS

Sales of \$1,123 million for the second quarter of 2003 increased 3.5 percent from sales of \$1,085 million for the second quarter of 2002. For the twenty-six weeks ended August 2, 2003, sales of \$2,251 million increased 3.5 percent from sales of \$2,175 million for the twenty-six weeks ended August 3, 2002. Excluding the impact of foreign currency fluctuations, sales decreased 0.8 percent and 0.4 percent for the second quarter and year-to-date periods of 2003, respectively, as compared with the corresponding prior-year periods. These changes included comparable-store sales decreases of 4.4 percent and 3.5 percent, respectively, while benefiting from the Registrant's closing of under-performing stores and the continuation of the new store opening program.

Gross margin, as a percentage of sales, of 29.5 percent and 30.0 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, improved as compared with 28.8 percent and 29.1 percent, respectively, in the corresponding prior-year periods. These improvements were primarily driven by better merchandise purchasing, including increased vendor allowances, which improved gross margin, as a percentage of sales, by 110 basis points and 70 basis points for the second quarter and year-to-date periods, respectively. Inventory levels at August 2, 2003 are in line with the Registrant's plan.

Selling, general and administrative expenses ("SG&A") of \$233 million increased by 5.9 percent for the second quarter of 2003 as compared with the second quarter of 2002. SG&A for the twenty-six weeks ended August 2, 2003 of \$474 million increased by 7.7 percent as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, the increase in SG&A was 1.6 percent and 4.1 percent for the thirteen and twenty-six weeks in 2003, respectively, as compared with the corresponding prior-year periods. These 2003 increases in the second quarter and year-to-date periods primarily related to new store openings across several formats. SG&A, as a percentage of sales, increased to 20.7 percent and 21.1 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared with 20.3 percent and 20.2 percent, respectively in the corresponding prior-year periods.

Depreciation and amortization of \$38 million remained flat for the second quarter of 2003 and increased by \$1 million to \$75 million for the first half of 2003 as compared with the corresponding prior-year periods.

Net interest expense of \$4 million and \$9 million for the thirteen and twenty-six weeks ended August 2, 2003, declined by 42.9 percent and 35.7 percent, respectively, as compared with the corresponding prior-year periods. These decreases were primarily related to savings obtained from the \$100 million of interest rate swaps that the Registrant entered into during the fourth quarter of 2002 and the first and second quarters of 2003, to convert the fixed interest rate on the 8.5 percent debentures to a lower rate instrument. The decreases were also attributed to the repayment in October 2002 of the remaining \$32 million of the \$40 million 7.0 percent medium-term notes. Interest income remained flat at \$2 million for the second quarters of 2003 and

2002. Interest income increased to \$4 million for the twenty-six weeks ended August 2, 2003 from \$3 million in the corresponding prior-year period. The increase in 2003 was primarily related to the recognition of interest and accretion income related to the Northern Note.

The Registrant's effective tax rates for the thirteen and twenty-six weeks ended August 2, 2003 were approximately 33 percent and 35 percent, respectively, as compared with 34 percent for both corresponding prior-year periods. The effective tax rate during 2003 was lower than expected due to the impact of state tax law changes, the implementation of tax planning strategies and a higher proportion of earnings being attributed to lower tax jurisdictions. During the second quarter of 2003 and the first quarter of 2002, the Registrant recorded \$2 million and \$3 million, respectively, of tax benefits related to multi-state tax planning strategies. These tax planning strategies resulted in a reduction in the valuation allowance. The Registrant expects its effective tax rate to approximate 37 percent for the remainder of 2003.

Income from continuing operations of \$37 million, or \$0.25 per diluted share, for the thirteen weeks ended August 2, 2003, improved by \$0.03 per diluted share from \$33 million, or \$0.22 per diluted share, for the thirteen weeks ended August 3, 2002. Income from continuing operations of \$76 million, or \$0.52 per diluted share, for the twenty-six weeks ended August 2, 2003 improved by \$0.04 per diluted share from \$71 million in the prior year. A restructuring charge of \$1 million was included in income from continuing operations for the second quarter and the first half of 2003 as compared with restructuring income of \$1 million for the thirteen and twenty-six weeks ended August 3, 2002. Other income of \$3 million was included in both periods of 2002 related to the disposition of real estate. For the quarter ended August 2, 2003, the Registrant reported net income of \$36 million, or \$0.24 per diluted share, which included a \$1 million, after-tax, loss on the disposal of discontinued operations, or \$0.01 per diluted share, compared with net income of \$31 million, or \$0.21 per diluted share, for the corresponding prior-year period. The quarter ended August 3, 2002 included an after-tax loss of \$2 million, or \$0.01 per diluted share, for discontinued operations. For the year-to-date periods, the Registrant reported net income of \$74 million, or \$0.51 per diluted share, for 2003, as compared with net income of \$51 million, or \$0.35 per diluted share, in 2002. The 2003 and 2002 year-to-date periods included after-tax losses related to discontinued operations of \$1 million, or \$0.01 per diluted share, and \$20 million, or \$0.13 per diluted share, respectively. The twenty-six weeks ended August 2, 2003 also included a \$1 million after-tax charge for the cumulative effect of the adoption of SFAS No. 143 during the first quarter.

STORE COUNT

At August 2, 2003, the Registrant operated 3,608 stores as compared with 3,625 at February 1, 2003. During the first half of the year, the Registrant opened 55 stores, remodeled or relocated 178 stores and closed 72 stores.

SALES

The following table summarizes sales by segment.

Sales:

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003	Aug. 3, 2002	Aug. 2, 2003	Aug. 3, 2002
(in millions)				
Athletic Stores.....	\$ 1,050	\$ 1,016	\$ 2,091	\$ 2,022
Direct-to-Customers.....	73	69	160	153
Total Sales.....	<u>\$ 1,123</u>	<u>\$ 1,085</u>	<u>\$ 2,251</u>	<u>\$ 2,175</u>

The increase in total sales was primarily driven by Foot Locker Europe's strong sales performance. Sales in the primarily mall-based U.S. Foot Locker formats declined primarily due to the continued weak retail environment. Comparable-store sales declined by 4.4 percent for the second quarter of 2003 and by 3.5 percent for the first half of 2003.

Athletic Stores sales increased by 3.3 percent and 3.4 percent, respectively, for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared with the corresponding prior-year periods. Excluding the effect of foreign currency fluctuations, sales decreased by 1.3 percent and 0.8 percent, respectively, for the thirteen and twenty-six weeks ended August 2, 2003, as compared to the corresponding periods of the prior year. Comparable-store sales decreased by 5.0 percent and 4.0 percent, respectively, for the thirteen and twenty-six week periods ended August 2, 2003. Most of the international formats, Foot Locker Europe in particular, continued to achieve strong sales during the second quarter and first half of 2003 and produced mid-single digit comparable-store sales increases. During the first half of 2003, the continuing current trend of classic shoes led footwear sales across most of the Athletic Store formats. Apparel sales, including both licensed and private label categories were particularly strong during both the thirteen and twenty-six weeks ended August 2, 2003. Sales for the prior-year periods ended August 3, 2002 were primarily led by footwear, basketball in particular.

Management expects the current trend of classic footwear and licensed apparel to continue to be strong performers throughout the balance of 2003 and into 2004. The Registrant accelerated the receipt of inventory during the second quarter of 2003 to accommodate this expected continuing trend as well as to support the growth of Foot Locker Europe and to meet the back-to-school demand.

The Registrant purchases the largest portion of its merchandise from Nike, Inc. ("Nike"). The Registrant had previously estimated that approximately 32 to 38 percent of its 2003 merchandise purchases would be made from Nike. Based upon its current understanding, the Registrant currently estimates that its 2003 purchases of Nike products could reach to between 38 percent and 40 percent of total purchases.

Direct to Customers sales increased by 5.8 percent and by 4.6 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared with the corresponding prior-year periods. Internet sales of \$38 million and \$80 million for the thirteen and twenty-six weeks ended August 2, 2003, respectively, increased by 56.2 percent and by 40.8 percent, as compared with the corresponding prior-year periods. This increase in Internet sales was substantially offset by a decline in catalog sales, reflecting the continuing trend of the Registrant's customers to browse and select products through its catalogs and then make their purchases via the Internet. During the first quarter of 2003, the Registrant entered into an arrangement with the NBA and Amazon.com whereby Foot Locker will provide the fulfillment services for NBA licensed products sold over the Internet at NBAstore.com and the NBA store on Amazon.com.

OPERATING RESULTS

Operating profit before corporate expense, net reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense. The following table reconciles operating profit before corporate expense, net by segment to income from continuing operations before income taxes.

Operating results:

	Thirteen weeks ended		Twenty-six weeks ended	
	Aug. 2, 2003	Aug. 3, 2002	Aug. 2, 2003	Aug. 3, 2002
(in millions)				
Athletic Stores.....	\$ 68	\$ 62	\$ 143	\$ 131
Direct-to-Customers.....	8	6	17	14
	-----	-----	-----	-----
	76	68	160	145
Restructuring income (charge).....	(1)	1	(1)	1
	-----	-----	-----	-----
Operating profit before corporate expense, net	75	69	159	146
Corporate expense.....	16	14	33	27
	-----	-----	-----	-----
Operating profit.....	59	55	126	119
Non-operating income.....	-	(3)	-	(3)
Interest expense, net.....	4	7	9	14
	-----	-----	-----	-----
Income from continuing operations before income taxes.....	\$ 55	\$ 51	\$ 117	\$ 108
	=====	=====	=====	=====

Athletic Stores operating profit before corporate expense, net increased by 9.7 percent and by 9.2 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared with the corresponding prior-year periods. These improvements were primarily driven by better merchandise purchasing and increased vendor allowances, which improved gross margin, as a percentage of sales, by 110 basis points and 70 basis points for the second quarter and year-to-date periods, respectively. The corresponding periods in 2002 reflected an increase in markdowns taken to sell slow-moving marquee product, which were offset, in part, by operating expense reductions. Operating profit before corporate expense, net as a percentage of sales, increased to 6.5 percent and 6.8 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared to 6.1 percent and 6.5 percent in the corresponding prior-year periods.

The Registrant initiated changes to Lady Foot Locker's management team in the third quarter of 2002 and is continuing the process of developing various merchandising initiatives in an effort to improve its performance. However, operating results during the first half of 2003 were less than anticipated. Management expects to continue to monitor the progress of the format and will assess, if necessary, the impact of these initiatives on the projected performance of the division, which may include an analysis of the recoverability of store long-lived assets pursuant to SFAS No. 144.

Direct to Customers operating profit before corporate expense, net increased by \$2 million for the thirteen weeks ended August 2, 2003 and increased by \$3 million for the twenty-six weeks ended August 2, 2003 as compared with the corresponding periods ended August 3, 2002. Operating profit before corporate expense, net, as a percentage of sales, increased to 11.0 percent and 10.6 percent for the thirteen and twenty-six weeks ended August 2, 2003, respectively, as compared to 8.7 percent and 9.2 percent in the corresponding prior-year periods.

STRATEGIC DISPOSITIONS AND REPOSITIONING

Discontinued operations

On January 23, 2001, the Registrant announced that it was exiting its 694 store Northern Group segment. The Registrant recorded a charge to earnings of \$252 million before-tax, or \$294 million after-tax, in

2000 for the loss on disposal of the segment. Major components of the charge included expected cash outlays for lease buyouts and real estate disposition costs of \$68 million, severance and personnel related costs of \$23 million and operating losses and other exit costs from the measurement date through the expected date of disposal of \$24 million. Non-cash charges included the realization of a \$118 million currency translation loss, resulting from the movement in the Canadian dollar during the period the Registrant held its investment in the segment and asset write-offs of \$19 million. The Registrant also recorded a tax benefit for the liquidation of the Northern U.S. stores of \$42 million, which was offset by a valuation allowance of \$84 million to reduce the deferred tax assets related to the Canadian operations to an amount that is more likely than not to be realized.

In the first quarter of 2001, the Registrant recorded a tax benefit of \$5 million as a result of the implementation of tax planning strategies related to the discontinuance of the Northern Group. During the second quarter of 2001, the Registrant completed the liquidation of the 324 stores in the United States and recorded a charge to earnings of \$12 million before-tax, or \$19 million after-tax. The charge comprised the write-down of the net assets of the Canadian business to their net realizable value pursuant to the then pending transaction, which was partially offset by reduced severance costs as a result of the transaction and favorable results from the liquidation of the U.S. stores and real estate disposition activity. On September 28, 2001, the Registrant completed the stock transfer of the 370 Northern Group stores in Canada, through one of its wholly-owned subsidiaries for approximately CAD\$59 million (approximately US\$38 million), which was paid in the form of a note (the "Note"). The purchaser agreed to obtain a revolving line of credit with a lending institution, satisfactory to the Registrant in an amount not less than CAD\$25 million (approximately US\$17 million). Another wholly owned subsidiary of the Registrant was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The Registrant also entered into a credit agreement with the purchaser to provide a revolving credit facility to be used to fund its working capital needs, up to a maximum of CAD\$5 million (approximately US\$ 3 million). The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note, approximately US\$18 million. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E "Accounting for Divestiture of a Subsidiary or Other Business Operation," ("SAB Topic 5:E") as a "transfer of assets and liabilities under contractual arrangement" as no cash proceeds were received and the consideration comprised the Note, the repayment of which is dependent on the future successful operations of the business. The assets and liabilities related to the former operations were presented under the balance sheet captions as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement."

In the fourth quarter of 2001, the Registrant further reduced its estimate for real estate costs by \$5 million based on then current negotiations, which was completely offset by increased severance, personnel and other disposition costs.

The Registrant recorded a charge of \$18 million in the first quarter of 2002 reflecting the poor performance of the Northern Group stores in Canada since the date of the transaction. There was no tax benefit recorded related to the \$18 million charge, which comprised a valuation allowance in the amount of the operating losses incurred by the purchaser and a further reduction in the carrying value of the net amount of the assets and liabilities of the former operations to zero, due to greater uncertainty with respect to the collectibility of the Note. This charge was recorded pursuant to SAB Topic 5:E, which requires accounting for the Note in a manner somewhat analogous to equity accounting for an investment in common stock.

In the third quarter of 2002, the Registrant recorded a charge of approximately \$1 million before-tax for lease exit costs in excess of previous estimates. In addition, the Registrant recorded a tax benefit of \$2 million, which also reflected the impact of the tax planning strategies implemented related to the discontinuance of the Northern Group.

On December 31, 2002, the Registrant-provided revolving credit facility expired, without having been used. Furthermore, the operating results of Northern Canada had significantly improved during the year such that the Registrant had reached an agreement in principle to receive CAD\$5 million (approximately US\$3 million) cash consideration in partial prepayment of the Note and accrued interest due and agreed to reduce the

face value of the Note to CAD\$17.5 million (approximately US\$12 million). Based upon the improved results of the Northern Canada business, the Registrant believes there is no substantial uncertainty as to the amount of the future costs and expenses that could be payable by the Registrant. As indicated above, as the assignor of the Northern Canada leases, a wholly-owned subsidiary of the Registrant remains secondarily liable under those leases. As of August 2, 2003, the Registrant estimates that its gross contingent lease liability is between CAD\$76 to \$82 million (approximately US\$53 to \$59 million). Based upon its assessment of the risk of having to satisfy that liability and the resultant possible outcomes of lease settlement, the Registrant currently estimates the expected value of the lease liability to be approximately US\$2 million. The Registrant believes that it is unlikely that it would be required to make such contingent payments, and further, such contingent obligations would not be expected to have a material effect on the Registrant's consolidated financial position, liquidity or results of operations. As a result of the aforementioned developments, during the fourth quarter of 2002 circumstances changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture.

During the fourth quarter of 2002, as a result of the accounting divestiture, the Note was recorded in the financial statements at its estimated fair value of CAD\$16 million (approximately US\$10 million). The Registrant, with the assistance of an independent third party, determined the estimated fair value by discounting expected cash flows at an interest rate of 18 percent. This rate was selected considering such factors as the credit rating of the purchaser, rates for similar instruments and the lack of marketability of the Note. As the net assets of the former operations were previously written down to zero, the fair value of the Note was recorded as a gain on disposal within discontinued operations. There was no tax expense recorded related to this gain. The Registrant ceased presenting the assets and liabilities of Northern Canada as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement," and has recorded the Note initially at its estimated fair value. On May 6, 2003, the amendments to the Note were executed and a cash payment of CAD\$5.2 million (approximately US\$3.5 million) was received representing principal and interest through the date of the amendment. After taking into account this payment, the remaining principal due under the Note was reduced to CAD\$17.5 million (approximately US\$12 million). Under the terms of the renegotiated Note, a principal payment of CAD\$1 million is due January 15, 2004. An accelerated principal payment of CAD\$1 million may be due if certain events occur. The remaining amount of the Note is required to be repaid upon the occurrence of "payment events," as defined in the purchase agreement, but no later than September 28, 2008. Interest is payable semiannually and began to accrue on May 1, 2003 at a rate of 7.0 percent per annum. At August 2, 2003 and February 1, 2003, US\$1 million and US\$4 million, respectively, are classified as a current receivable, with the remainder classified as long term within other assets in the accompanying Condensed Consolidated Balance Sheet. The remaining reserve balance of US\$8 million at August 2, 2003 is expected to be utilized within twelve months.

Future adjustments, if any, to the carrying value of the Note will be recorded pursuant to SEC Staff Accounting Bulletin Topic 5:Z:5, "Accounting and Disclosure Regarding Discontinued Operations," which requires changes in the carrying value of assets received as consideration from the disposal of a discontinued operation to be classified within continuing operations. Interest and accretion income will also be recorded within continuing operations. The Registrant will recognize an impairment loss when, and if, circumstances indicate that the carrying value of the Note may not be recoverable. Such circumstances would include a deterioration in the business, as evidenced by significant operating losses incurred by the purchaser or nonpayment of an amount due under the terms of the Note.

In 1998, the Registrant exited both its International General Merchandise and Specialty Footwear segments. In 1997, the Registrant announced that it was exiting its Domestic General Merchandise segment. The successor-assignee of the leases of a former business included in the Domestic General Merchandise segment filed a petition in bankruptcy during 2002, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Registrant. There are currently several actions pending against this subsidiary by former landlords for the lease obligations. In the fourth quarter of 2002, the Registrant recorded a charge of \$1 million after-tax and in the second quarter of 2003 recorded an additional after-tax charge of \$1 million, related to certain actions. The Registrant estimates the gross contingent lease liability related to the remaining actions to be approximately \$6 million. The Registrant believes that it may have valid defenses, however, given the

current procedural status of these cases, as these actions are in the preliminary stage of proceedings, their outcome cannot be predicted with any degree of certainty.

The remaining reserve balances for these three discontinued segments totaled \$17 million as of August 2, 2003, \$9 million of which is expected to be utilized within twelve months and the remaining \$8 million thereafter.

1999 Restructuring

Total restructuring charges of \$96 million before-tax were recorded in 1999 for the Registrant's restructuring program to sell or liquidate non-core businesses. The restructuring plan also included an accelerated store-closing program in the United States and Asia, corporate headcount reduction and a distribution center shutdown. The disposition of all non-core businesses was completed by November 2001. The remaining reserve balance at August 2, 2003 totaled \$2 million, which is expected to be utilized within twelve months.

The Registrant sold The San Francisco Music Box Company ("SFMB") in 2001; however, the Registrant remains as an assignor or guarantor of leases of SFMB related to a distribution center and five store locations. In May 2003, SFMB filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. During July and August 2003, SFMB rejected five of the leases and assumed one of the store leases in the bankruptcy proceedings. As of August 2, 2003, the Registrant estimates its gross contingent lease liability for these leases to be approximately \$5 million. During the second quarter of 2003, the Registrant recorded a charge of \$1 million, primarily related to the distribution center lease, representing the expected costs to exit these leases.

1993 Repositioning and 1991 Restructuring

The Registrant recorded charges of \$558 million in 1993 and \$390 million in 1991 to reflect the anticipated costs to sell or close under-performing specialty and general merchandise stores in the United States and Canada. Under the 1993 repositioning program, approximately 970 stores were identified for closing. Approximately 900 stores were closed under the 1991 restructuring program. The remaining reserve balance of \$2 million at August 2, 2003 comprises future lease obligations and is expected to be substantially utilized within twelve months.

LIQUIDITY AND CAPITAL RESOURCES

Generally, the Registrant's primary source of cash is from operations. The Registrant has a revolving credit facility which was amended on July 30, 2003. As a result of the amendment, the credit facility was increased by \$10 million to \$200 million and the maturity date was extended to July 2006 from June 2004. The amendment also provided for a lower pricing structure and increased covenant flexibility. Other than \$22 million reserved to meet stand-by letter of credit requirements, this revolving credit facility was not used during the twenty-six weeks ended August 2, 2003. The Registrant generally finances real estate with operating leases. The principal uses of cash have been to finance inventory requirements, capital expenditures related to store openings, store remodelings and management information systems, and to fund other general working capital requirements.

Operating activities of continuing operations provided cash of \$54 million for the twenty-six weeks ended August 2, 2003 as compared with \$153 million for the twenty-six weeks ended August 3, 2002. These amounts reflect income from continuing operations adjusted for non-cash items and working capital changes. The decrease in cash from operations was primarily due to working capital changes. The Registrant made a \$50 million contribution to its U.S. qualified retirement plan in February 2003, in advance of ERISA funding requirements. The remaining decrease resulted in a net cash outflow for merchandise inventories and accounts

payable and accrued liabilities in the first half of 2003 whereas the increase in merchandise inventories for the first half of 2002 was more than offset by the increase in accounts payable and accrued liabilities.

Net cash used in investing activities of continuing operations of \$68 million and \$65 million for the first half of 2003 and 2002, respectively, primarily reflected capital expenditures for store remodelings and new stores and lease acquisition costs. The Registrant currently anticipates capital expenditures of \$149 million for 2003. Anticipated capital expenditures comprise \$85 million for new store openings and modernizations of existing stores, \$46 million for the development of information systems and other support facilities and lease acquisition costs of \$18 million related to the Registrant's European operations. The Registrant has the ability to further revise and reschedule the anticipated capital expenditure program should the Registrant's financial position require it. Proceeds from disposal of real estate of \$6 million for the twenty-six weeks ended August 3, 2002 primarily related to the condemnation of a part-owned and part-leased property in the second quarter of 2002. Real estate proceeds during the current period were not material.

Financing activities for the Registrant's continuing operations used cash of \$3 million for the twenty-six weeks ended August 2, 2003 as compared with cash provided by financing activities of \$5 million for the corresponding prior-year period. The Registrant declared and paid \$0.03 per share dividends in both the first and second quarters of 2003 totaling \$4 million and \$8 million, for the thirteen and twenty-six week periods, respectively. Management believes that operating cash flows and current credit facilities will be adequate to finance its working capital requirements, to make scheduled pension contributions for the Registrant's retirement plans, to fund quarterly dividend payments and support the development of its short-term and long-term strategies.

Net cash used in discontinued operations includes the change in assets and liabilities of the discontinued segments and disposition activity charged to the reserves for both periods presented.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Registrant adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" as of February 2, 2003. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate can be made. The carrying amount of the related long-lived asset shall be increased by the same amount as the liability and that amount will be amortized over the useful life of the underlying long-lived asset. The difference between the fair value and the value of the ultimate liability will be accreted over time using the credit-adjusted risk-free interest rate in effect when the liability is initially recognized. Asset retirement obligations of the Registrant may at any time include structural alterations to store locations and equipment removal costs from distribution centers required by certain leases. On February 2, 2003, the Registrant recorded a liability of \$2 million for the expected present value of future retirement obligations, increased property and equipment by \$1 million and recognized a \$1 million after tax charge for the cumulative effect of the accounting change. There were no additions recorded during the first quarter of 2003 and additional asset retirement obligations recorded during the second quarter of 2003 were not material. The amortization and accretion expenses recorded during these periods were also not material. Pro forma effects for the thirteen and twenty-six weeks ended August 3, 2002, assuming adoption of SFAS No. 143 as of February 3, 2002, were not material to the liability, the net earnings or the per share amounts, and therefore, have not been presented.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant impact on financial position and results of operations.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Among other things, the statement does not affect the classification or measurement of convertible bonds, puttable stock, or other outstanding shares that are conditionally redeemable. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The statement is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The Registrant does not expect that the adoption of SFAS No. 150 will have a significant impact on its financial position and results of operations.

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

Item 4. Controls and Procedures

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

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

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

- (a) The Registrant's annual meeting of shareholders was held on June 25, 2003, in New York, New York. Proxies were solicited by management of the Registrant pursuant to Regulation 14A under the Securities Exchange Act of 1934; there was no solicitation in opposition to management's nominees as listed in the Notice of 2003 Annual Meeting and Proxy Statement, both dated May 22, 2003.
- (b) Each of Jarobin Gilbert Jr., David Y. Schwartz and Cheryl N. Turpin was elected as a director in Class III for a three-year term ending at the annual meeting of shareholders of the Registrant in 2006. All of such individuals previously served as directors of the Registrant. J. Carter Bacot, Purdy Crawford, Nicholas DiPaolo, Philip H. Geier Jr., James E. Preston, Matthew D. Serra, Christopher A. Sinclair, and Dona D. Young, having previously been elected directors of the Registrant for terms continuing beyond the 2003 annual meeting of shareholders, continue in office as directors.
- (c) The matters voted upon and the results of the voting were as follows:

(1) Election of Directors:

Name	Votes For	Votes Withheld	Abstentions and Broker Non-Votes
----	-----	-----	-----
Jarobin Gilbert Jr.	96,136,502	30,968,473	0
David Y. Schwartz	96,826,107	30,278,868	0
Cheryl N. Turpin	92,161,690	34,943,285	0

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

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
124,581,444	2,450,276	73,255	0

(3) Proposal to approve the Foot Locker 2003 Stock Option and Award Plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
98,770,834	28,016,022	318,119	0

(4) Proposal to approve the 2003 Foot Locker Employees Stock Purchase Plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
122,828,553	4,186,338	90,084	0

- (5) Proposal to approve the Foot Locker Annual Incentive Compensation Plan, as amended and restated:

Votes For -----	Votes Against -----	Abstentions -----	Broker Non-Votes -----
121,129,951	5,681,747	293,277	0

At the close of business on the record date of May 1, 2003, there were outstanding 141,800,896 shares of the Registrant's Common Stock, par value \$0.01 per share ("Common Stock"). There were represented at the meeting, in person or by proxy, 127,104,975 shares of Common Stock. Such shares represented 89.64 percent of the total number of shares of such class of stock outstanding on the record date.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

(b) Reports on Form 8-K

Form 8-K, dated May 8, 2003, under Items 7, 9 and 12, reporting the Registrant's sales results for the first quarter of 2003.

Form 8-K, dated May 19, 2003, under Items 7, 9 and 12, reporting that the Company had filed its Annual Report on Form 10-K for the 2002 fiscal year.

Form 8-K, dated May 22, 2003, under Items 7, 9 and 12, reporting the Registrant's operating results for the first quarter of 2003.

Form 8-K, dated May 23, 2003, under Item 9, reporting additional information with regard to certain statements made in response to analysts' questions on the Registrant's 2003 first quarter conference call held on May 22, 2003.

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.

FOOT LOCKER, INC.
(Registrant)

Date: September 15, 2003

/s/ Bruce L. Hartman

BRUCE L. HARTMAN
Executive Vice President
and Chief Financial Officer

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

Exhibit No. in Item 601 of Regulation S-K -----	Description -----
10.1	Fourth Amended and Restated Credit Agreement dated as of April 9, 1997, amended and restated as of July 30, 2003.
10.2	Foot Locker 2003 Stock Option and Award Plan.
10.3	Foot Locker Annual Incentive Compensation Plan, as Amended and Restated.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Letter re: Unaudited Interim Financial Statements.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	Independent Accountants' Review Report.

\$200,000,000

FOURTH AMENDED AND RESTATED
CREDIT AGREEMENT
dated as of
April 9, 1997,
and
amended and restated as of
July 30, 2003,

among

Foot Locker, Inc.

The Subsidiaries Party Hereto

The Banks Party Hereto

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

BNY Capital Markets, Inc.
Banc of America Securities LLC,
as Co-Lead Arrangers and Joint Book Runners

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

and

Wachovia Bank, National Association
Fleet National Bank,
as Co-Documentation Agents

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Exhibit G Form of Pledge Agreement
Exhibit H Form of Guarantee Agreement

Exhibit I Form of Assignment and Assumption Agreement

Exhibit J Form of Notice of Committed Borrowing

Exhibit K Form of Confirmation Agreement

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 9, 1997 and amended and restated as of July 30, 2003 among FOOT LOCKER, INC., the SUBSIDIARIES party hereto, the BANKS party hereto, THE BANK OF NEW YORK, as Administrative Agent, LC Agent and Swingline Bank and the CO-LEAD ARRANGERS party hereto.

WHEREAS, the Company, the banks party thereto (the "EXISTING BANKS"), the co-agents party thereto, Bank of America, N.A. (formerly known as Bank of America National Trust & Savings Association), as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, and the Lead Arrangers party thereto are parties to a Third Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 and further amended as of July 1, 2002 and November 22, 2002 (as in effect immediately prior to the effectiveness of this Amended Agreement (as defined in Section 1.01 below), the "EXISTING CREDIT AGREEMENT");

WHEREAS, the parties to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement as provided in this Amended Agreement subject to the terms and conditions set forth in Section 3.01 hereof;

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

ARTICLE 1

DEFINITIONS

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

"ABSOLUTE RATE AUCTION" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"ADJUSTED LONDON INTERBANK OFFERED RATE" has the meaning set forth in Section 2.07(b).

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

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

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

"AGENTS" means the LC Agent, the Co-Documentation Agents, the Co-Syndication Agents and the Administrative Agent.

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

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

"AMENDED AGREEMENT" means this Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of July 30, 2003.

"ANNUAL RENT EXPENSE" means, as of the end of each Fiscal Year (the "RELEVANT FISCAL YEAR") and the end of each of the first three Fiscal Quarters of the next Fiscal Year, the total rent expense (net of sublease income) of the Company and its Consolidated Subsidiaries for the Relevant Fiscal Year, calculated in the same manner as the \$505,000,000 amount shown as such total rent expense (net of sublease income) for Fiscal Year 2002 under the heading "LEASES" on page 44 of the Company's 2002 Annual Report to its shareholders.

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

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

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

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

"BANK PARTIES" means the Banks, the Swingline Bank, the Agents and the Co-Lead Arrangers.

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

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

"BASE RATE MARGIN" has the meaning set forth in Section 2.07(a).

"BORROWER" means the Company or any Subsidiary Borrower, as the context may require, and their respective successors, and "BORROWERS" means all of the foregoing. When used in connection with a particular Loan or Swingline Loan or Letter of Credit, the term "BORROWER" means the borrower (or proposed borrower) of such Loan or Swingline Loan or the borrower on whose request such

Letter of Credit is (or is proposed to be) issued. As the context may require, the terms "BORROWER" and "BORROWERS" includes the Company in its capacity as guarantor of the obligations of the Subsidiary Borrowers hereunder.

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

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

"CO-DOCUMENTATION AGENTS" means Wachovia Bank, National Association and Fleet National Bank, each in its capacity as a co-documentation agent for the credit facility provided hereunder.

"CO-LEAD ARRANGERS" means BNY Capital Markets, Inc. and Banc of America Securities LLC, each in its capacity as a co-lead arranger for the credit facility provided hereunder.

"CO-SYNDICATION AGENTS" means Bank of America, N.A. and JPMorgan Chase Bank, each in its capacity as a co-syndication agent for the credit facility provided hereunder.

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

"COLLATERAL DOCUMENTS" means the Security Agreement, the Pledge Agreement, each mortgage entered into pursuant to Section 5.18 and any additional security agreements, pledge agreements, mortgages or other agreements required to be delivered pursuant to the Loan Documents to secure the obligations of the Obligors under the Loan Documents (including without limitation any additional pledge agreements delivered by any Obligor pursuant to the provisions of the Pledge Agreement), and any instruments of assignment or other instruments or agreements executed pursuant to the foregoing.

"COLLATERAL TRIGGER DATE" means the first date on or after the date on which the Investment Grade Condition is satisfied on which the Company's

senior unsecured long-term debt securities are not rated at least (i) BBB- by S&P and (ii) Baa3 by Moody's.

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

"COMMITMENT SCHEDULE" means the Commitment Schedule attached hereto.

"COMMITTED LOAN" means a loan made or to be made by a Bank pursuant to Section 2.01 or Section 2.17(f); provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "COMMITTED LOAN" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"COMPANY" means Foot Locker, Inc. (formerly known as Venator Group, Inc.), a New York corporation, and its successors.

"COMPANY'S 2002 FORM 10-K" means the Company's annual report on Form 10-K for the 2002 Fiscal Year, as filed with the SEC pursuant to the Exchange Act.

"CONFIRMATION AGREEMENT" means the Confirmation Agreement to be entered into among the Company, the Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit K, as amended from time to time.

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

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

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

"CONSOLIDATED TANGIBLE NET WORTH" means at any date the consolidated shareholders' equity of the Company and its Consolidated Subsidiaries as of such date less their consolidated goodwill as of such date, adjusted to exclude the effect of any changes after February 1, 2003 in the cumulative foreign currency translation adjustments.

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

"CREDIT EXPOSURE" means, as to any Bank at any time:

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

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

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

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

Debt of another Person (each such Guarantee to constitute Debt in an amount equal to the maximum amount of such other Person's Debt Guaranteed thereby).

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

"DOMESTIC BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that, when used in Section 2.16 with respect to any action to be taken by or with respect to the LC Agent, the term "DOMESTIC BUSINESS DAY" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the LC Office of the LC Agent is located.

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

"DOMESTIC LOANS" means Base Rate Loans.

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

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

"EFFECTIVE DATE" has the meaning set forth in Section 3.01.

"ENVIRONMENTAL LAWS" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, injunctions, permits, licenses and agreements relating to the

protection of the environment, to the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes or the clean-up or other remediation thereof.

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

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

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

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

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

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

"EURO-DOLLAR MARGIN" has the meaning set forth in Section 2.07(b).

"EURO-DOLLAR RATE" means a rate of interest determined pursuant to Section 2.07(b) on the basis of an Adjusted London Interbank Offered Rate.

"EURO-DOLLAR REFERENCE BANKS" means the principal London offices of The Bank of New York, Bank of America, N.A., and JPMorgan Chase Bank.

"EURO-DOLLAR RESERVE PERCENTAGE" has the meaning set forth in Section 2.07(b).

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

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

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

"EUROPEAN RESTRUCTURING" means the transfer by the Company of (i) all the capital stock or other equity interests of the European Entities to FLE Holdings, B.V., and (ii) the European Entities Foreign Specified Trademarks to FL Europe Holdings, in each case substantially on the terms described by the Company to the Banks prior to November 22, 2002.

"EVENT OF DEFAULT" has the meaning set forth in Section 6.01.

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

"EXTENSION OF CREDIT" means the making of a Loan or a Swingline Loan or the issuance or extension of a Letter of Credit.

"FACILITY FEE RATE" has the meaning set forth in Section 2.09.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by

the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to The Bank of New York on such day on such transactions as determined by the Administrative Agent.

"FISCAL QUARTER" means a fiscal quarter of the Company.

"FISCAL YEAR" means a fiscal year of the Company. A Fiscal Year is identified by the calendar year which includes approximately eleven months of such Fiscal Year (e.g., Fiscal Year 2000 refers to the Fiscal Year that ended on February 3, 2001).

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

"FIXED RATE LOAN" means any loan except a Loan that bears interest at the Base Rate.

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

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

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

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

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

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

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

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

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

"GUARANTOR" means the Company, in respect of its obligations under Article 10, and any Subsidiary Guarantor, and "Guarantors" means all of them.

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

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

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

"INTEREST EXPENSE" means, for any period, the consolidated interest expense (net of interest income) of the Company and its Consolidated Subsidiaries for such period, calculated in the same manner as the amounts shown as "INTEREST EXPENSE, NET" under the heading "INTEREST EXPENSE" on page 19 of the Company's annual report incorporated by reference in the Company's 2002 Form 10-K.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"INVITATION FOR MONEY MARKET QUOTES" means an Invitation for Money Market Quotes substantially in the form of Exhibit D hereto.

"LC AGENT" means The Bank of New York in its capacities as letter of credit agent in connection with the letter of credit facility provided hereunder and

as the issuer of the letters of credit issued or to be issued hereunder, and its successors in such capacities.

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

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

"LC FEE RATE" has the meaning set forth in the Pricing Schedule.

"LC INDEMNITEES" has the meaning set forth in Section 2.16(m).

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

"LETTER OF CREDIT" means a letter of credit issued or to be issued hereunder by the LC Agent.

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

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

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

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

"LONDON INTERBANK OFFERED RATE" has the meaning set forth in Section 2.07(b).

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

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

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

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

"MONEY MARKET ABSOLUTE RATE" has the meaning set forth in Section 2.03(d).

"MONEY MARKET ABSOLUTE RATE LOAN" means a loan made or to be made by a Bank pursuant to an Absolute Rate Auction.

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

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

"MONEY MARKET LOAN" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"MONEY MARKET MARGIN" has the meaning set forth in Section 2.03(d).

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

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

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

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

"NET CASH PROCEEDS" means, with respect to any Asset Sale (including for this purpose any disposition that would be an Asset Sale but for clause (iii) of the definition of Asset Sale), an amount equal to the cash proceeds received by the Company or any of its Subsidiaries from or in respect of such Asset Sale (including any cash proceeds received as income or other proceeds of any noncash proceeds of such Asset Sale or any amounts described in clause (z) in excess of amounts actually paid pursuant to post-closing purchase price adjustments), less

(w) any expenses reasonably incurred by such Person in respect of such Asset Sale, (x) the amount of any Debt secured by a Lien on any asset disposed of in such Asset Sale and discharged from the proceeds thereof (and required to be so discharged by the terms of such Debt), (y) any taxes actually paid or to be payable by such Person (as estimated by a senior financial or accounting officer of the Company, giving effect to the overall tax position of the Company and its Subsidiaries) in respect of such Asset Sale and (z) any amounts constituting post-closing purchase price adjustments in respect of such Asset Sale, to the extent a reserve has been established with respect thereto in accordance with GAAP.

"NOTES" means promissory notes of a Borrower, substantially in the form of Exhibit A hereto, evidencing such Borrower's obligation to repay the Loans made to it, and "NOTE" means any one of such promissory notes issued hereunder.

"NOTICE OF BORROWING" means a Notice of Committed Borrowing or a Notice of Money Market Borrowing.

"NOTICE OF COMMITTED BORROWING" has the meaning set forth in Section 2.02.

"NOTICE OF INTEREST RATE ELECTION" has the meaning set forth in Section 2.08.

"NOTICE OF MONEY MARKET BORROWING" has the meaning set forth in Section 2.03(f).

"NOTICE OF SWINGLINE BORROWING" has the meaning set forth in Section 2.17(b).

"OBLIGOR" means any Borrower or any Subsidiary Guarantor, and "OBLIGORS" means all of them.

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

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

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

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

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

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

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

"PRICING SCHEDULE" means the Pricing Schedule attached hereto.

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

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

"PROPERTY INSURANCE POLICY" means any insurance policy maintained by the Company or any of its Subsidiaries covering losses with respect to tangible real or personal property or improvements, but excluding coverage for losses from business interruption.

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

"REIMBURSEMENT OBLIGATION" means any obligation of a Borrower to reimburse the LC Agent pursuant to Section 2.16 for amounts paid by the LC Agent in respect of drawings under Letters of Credit issued upon the request and for the account of such Borrower, including any portion of any such obligation to which a Bank has become subrogated pursuant to paragraph (1) of Section 2.16(j).

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

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

"RESPONSIBLE OFFICER" means, with respect to any Obligor, its chief financial officer, its general counsel, its treasurer, any assistant treasurer or any other officer whose duties include the administration of this Agreement.

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

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

"SEC" means the Securities and Exchange Commission.

"SECURITY AGREEMENT" means the Security Agreement entered into among the Company, the Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit F, as amended from time to time.

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

"SUBSIDIARY BORROWERS" means Footlocker.com, Inc., a Delaware corporation, Foot Locker Retail, Inc., a New York corporation, Team Edition Apparel, Inc., a Florida corporation, Foot Locker Stores, Inc., a Delaware corporation, Foot Locker Specialty, Inc., a New York corporation, Foot Locker Europe B.V., a Netherlands corporation, Foot Locker Australia, Inc., a Delaware corporation and Foot Locker Canada Corporation, a Canadian corporation.

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

"SWINGLINE BANK" means The Bank of New York, in its capacity as the Swingline Bank under the swingline facility described in Section 2.17, and its successors in such capacity.

"SWINGLINE COMMITMENT" means the obligation of the Swingline Bank to make Swingline Loans in an aggregate principal amount at any one time outstanding not to exceed \$50,000,000.

"SWINGLINE LOAN" means a loan made by the Swingline Bank pursuant to Section 2.17(a).

"SWINGLINE LOAN AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the Swingline Maturity Date.

"SWINGLINE MATURITY DATE" means the day that is 30 days before the Termination Date.

"SWINGLINE NOTE" means a promissory note of a Borrower, substantially in the form of Exhibit B hereto, evidencing the obligation of such Borrower to repay the Swingline Loans made to it.

"TARGET DATE" means the first date on which the Loans to the Company are expressly rated at least BBB- by S&P and at least Baa3 by Moody's.

"TEMPORARY CASH INVESTMENT" means any Investment in (i) direct obligations of the United States or any agency thereof or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A-

1 by S&P and at least P-1 by Moody's, (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any Bank or any bank or trust company which is organized or licensed under the laws of the United States or any State thereof and has capital, surplus and undivided profits aggregating at least \$1,000,000,000, (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) in the case of Investments made by a Foreign Subsidiary, Investments substantially similar to those described in clauses (i) through (iv) and denominated in the local currency of the jurisdiction in which such Foreign Subsidiary conducts its operations; provided in each case that such Investment matures within one year after it is acquired by the Company or a Subsidiary.

"TERMINATION DATE" means July 30, 2006, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day.

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

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

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

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

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

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements

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

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

ARTICLE 2

THE CREDITS

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

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

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

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

Each Base Rate Borrowing under this Section shall be in an aggregate principal amount of \$2,500,000 or any larger multiple of \$1,000,000, and each Euro-Dollar Borrowing shall be in an aggregate principal amount of \$5,000,000 or any larger multiple of \$1,000,000; provided that (x) any such Borrowing may be in an aggregate amount equal to the aggregate unused amount of the Commitments and (y) if such Borrowing is made on the Swingline Maturity Date, such Borrowing may be in the aggregate amount of the Swingline Loans outstanding on such date. Each such Borrowing shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits and subject to Section 2.11, the Borrowers may borrow under this Section, prepay Loans to the extent permitted by Section 2.13, and reborrow under this Section at any time prior to the Termination Date.

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

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

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

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

(iv) if such Borrowing is a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

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

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

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

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

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

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

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

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

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d)

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

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

(A) the proposed date of Borrowing,

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

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

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the

"MONEY MARKET ABSOLUTE RATE") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

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

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

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

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

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

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

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

(f) Acceptance and Notice by Borrower. Not later than 10:30 A.M. (New York City time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed

date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "NOTICE OF MONEY MARKET BORROWING") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; provided that:

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

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

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

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

(v) immediately after such Money Market Borrowing is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans and Swingline Loans), (1) the Total Usage shall not exceed the Total Commitments and (2) the aggregate outstanding principal amount of Loans to the Company shall not exceed \$50,000,000.

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

Determinations by the Administrative Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

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

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

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.04 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.05. Evidence of Debt. (a) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Bank resulting from each Loan made by such Bank, including the amounts of principal and interest payable and paid to such Bank from time to time.

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

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

(d) No Notes are required, and the failure by any Bank to request a Note shall not affect the obligations of any Borrower under any Loan Documents. Any Bank may, by notice to a Borrower, request that such Borrower's obligation to repay such Bank's Loans, or such Bank's Loans of a particular type, to such Borrower be evidenced by a Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications if it evidences solely Loans of the relevant type. Each reference in this Agreement to the "NOTE" of such Borrower payable to the order of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require. Each Bank may record the date and amount of each Loan made by it to each Borrower on its Note of such Borrower and the date and amount of each payment of principal made with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note of any Borrower, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each of its Loans to such Borrower then outstanding; provided that neither the failure by any Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of any such Borrower under any Loan Documents. Each Bank is hereby irrevocably authorized by each Borrower so to endorse such Borrower's Note payable to the order of such Bank and to

attach to and make a part of such Note a continuation of any such schedule as and when required.

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

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

(c) To the extent the terms of any Debt issued by the Company or any of its Subsidiaries after March 19, 1999 would otherwise require the prepayment or repurchase (or offer to repurchase) of such Debt upon receipt by the Company or any of its Subsidiaries of cash proceeds of any Asset Sales (or any disposition of assets excluded from the definition of Asset Sale pursuant to clauses (i) through (iv) thereof) or any Major Casualty Proceeds (or any proceeds excluded from the definition of Major Casualty Proceeds pursuant to clauses (i) or (ii) thereof) but for the provisions of this subsection (c), upon receipt by the Company or any of its Subsidiaries of such cash proceeds, the Borrowers will prepay Loans and cash collateralize Letters of Credit in an amount equal to the amount that is necessary in order to excuse the Company or any of its Subsidiaries from prepaying or repurchasing (or offering to repurchase) such Debt.

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

(e) The prepayments and the cash collateralization (if applicable) to be made pursuant to subsections (c) and (d) shall be effected as follows: first, the Company shall prepay any Swingline Loans then outstanding, until all Swingline Loans have been paid in full, second, the Borrowers shall prepay any Committed Loans then outstanding, until all Committed Loans have been paid in full, third, the Borrowers shall deposit immediately available funds in the LC Collateral Account, until an amount equal to the then Aggregate LC Exposure has been

deposited in the LC Collateral Account and fourth, the Borrowers shall prepay any Money Market Loans then outstanding (in the order in which they were made), until all Money Market Loans have been paid in full. Each Borrower making a prepayment pursuant to this subsection (e) shall give the Agent at least three Euro-Dollar Business Days' notice of such prepayment required.

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

"BASE RATE MARGIN" means a rate per annum determined in accordance with the Pricing Schedule.

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

"EURO-DOLLAR MARGIN" means a rate per annum determined in accordance with the Pricing Schedule.

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

The "LONDON INTERBANK OFFERED RATE" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before

the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

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

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

(d) Subject to Section 8.01, each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(b) as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market

Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day.

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

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

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

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

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

Each such election shall be made by delivering a notice (a "NOTICE OF INTEREST RATE ELECTION") to the Administrative Agent at least three Euro-Dollar Business

Days before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be converted from Domestic Loans to Domestic Loans of the other type or continued as Domestic Loans of the same type for an additional Interest Period, in which case such notice shall be delivered to the Administrative Agent at least three Domestic Business Days before such conversion or continuation is to be effective). A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each \$2,500,000 or any larger multiple of \$1,000,000 in the case of a Base Rate Borrowing or \$5,000,000 or any larger multiple of \$1,000,000 in the case of a Euro-Dollar Borrowing.

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

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

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

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

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

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

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

(d) The Borrower shall not be entitled to elect to convert any Committed Loans to, or continue any Committed Loans for an additional Interest Period as,

Euro-Dollar Loans if a Default shall have occurred and be continuing when the Borrower delivers notice of such election to the Administrative Agent or when such conversion or continuation would otherwise be effective.

SECTION 2.09. Facility Fees. The Company shall pay to the Administrative Agent for the account of each Bank a facility fee, calculated for each day at the Facility Fee Rate for such day, on the amount of such Bank's Credit Exposure on such day. Such facility fees shall accrue for each day from and including the Effective Date to but excluding the day on which the Credit Exposures are reduced to zero and shall be payable quarterly in arrears on each June 19, September 19, December 19 and March 19 and on the day on which the Credit Exposures are reduced to zero. Upon any termination or reduction of the Commitments under Section 2.10, the Borrower shall pay to the Administrative Agent for the account of the Banks ratably in accordance with their respective Pro Rata Shares, facility fees accrued to the date of such termination or reduction on the terminated or reduced portion of the Commitments.

"FACILITY FEE RATE" means a rate per annum determined daily in accordance with the Pricing Schedule.

SECTION 2.10. Optional Termination or Reduction of Commitments. (a) The Company may, without premium or penalty, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time, if no Bank has an Outstanding Committed Amount at such time or (ii) ratably reduce the Commitments from time to time, in each case by an aggregate amount of at least \$5,000,000 or any larger multiple of \$1,000,000; provided that immediately after such reduction:

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

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

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

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

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

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

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

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

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

(iv) in connection with any prepayment of Committed Loans or Swingline Loans on such date, the Company complies with the requirements of subsections (a) and (b) of Section 2.12, Section 2.14 and subsection (d) of Section 2.17 in all respects except the timing of definitive notice of such prepayment; and

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

SECTION 2.11. Mandatory Termination of Commitments. (a) The Commitments shall terminate on the Termination Date and any Committed Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

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

SECTION 2.12. Optional and Mandatory Prepayments. (a) The Borrower may upon at least one Domestic Business Day's notice to the Administrative Agent, prepay the Base Rate Loans (or any Money Market Borrowing bearing interest at the Base Rate by reason of clause (a) of Section 8.01) in whole at any

time, or from time to time in part in amounts aggregating \$5,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Base Rate Loans of the several Banks (or the Money Market Loans included in such Money Market Borrowing).

(b) Subject to Section 2.14, the Borrower may, upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, 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 \$1,000,000 (or \$5,000,000, in the case of a Group of Base Rate Loans) or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Group.

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

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

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

SECTION 2.13. General Provisions as to Payments. (a) The Borrowers shall make (i) each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01 and (ii) each payment of Reimbursement Obligations and any other amounts payable in connection with the Letters of Credit in accordance with the provisions of Section 2.16, and in each case such payment shall be made without any set-off, counterclaim or deduction whatsoever. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or Swingline Loans or of fees or of Reimbursement Obligations shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next

succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, any Euro-Dollar Loans or Money Market LIBOR Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, any Money Market Absolute Rate Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal or any Reimbursement Obligation is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

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

SECTION 2.14. Funding Losses. If a Borrower makes any payment of principal with respect to any Fixed Rate Loan or any such Loan is converted to a Base Rate Loan (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(c), or if a Borrower fails to borrow or prepay any Fixed Rate Loans or fails to continue any Euro-Dollar Loans for an additional Interest Period or fails to convert any outstanding Loans to Euro-Dollar Loans, in each case after notice of such borrowing, prepayment, continuation or conversion has been given to any Bank in accordance with Section 2.04(a), 2.06(f), 2.08(c) or 2.12(e), such Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, continue or convert, provided that such Bank shall have delivered to such Borrower a certificate as to the amount of such

loss or expense, which certificate shall be conclusive in the absence of manifest error.

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

SECTION 2.16. Letters of Credit.

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

(i) the Aggregate LC Exposure shall not exceed \$80,000,000 (of which the aggregate amount attributable to standby Letters of Credit will not exceed \$30,000,000);

(ii) the aggregate face amount of all Letters of Credit issued for the account of the Company (other than Letters of Credit with respect to which any Subsidiary Borrower is a co-account party) will not exceed \$60,000,000;

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

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

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

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

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

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

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

(d) Conditions to Issuance. The LC Agent shall not issue any Letter of Credit unless:

(i) such Letter of Credit shall be satisfactory in form and reasonably satisfactory in substance to the LC Agent,

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

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

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

(e) Notice of Proposed Extensions of Expiry Dates. The LC Agent shall give the Administrative Agent at least one Domestic Business Day's notice prior to extending the expiry date of any Letter of Credit (or, in the case of an "evergreen" Letter of Credit, allowing it to be extended), specifying (i) the date

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

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

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

(h) Drawings. Upon receipt from the beneficiary of any Letter of Credit of a demand for payment under such Letter of Credit, the LC Agent shall determine in accordance with the terms of such Letter of Credit whether such demand for payment should be honored. If the LC Agent determines that any such demand for payment should be honored, the LC Agent shall make available

to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing under such Letter of Credit. The LC Agent shall thereupon notify the Borrower of the amount of such drawing paid by it.

(i) Reimbursement and Other Payments by the Borrower. (1) If any amount is drawn under any Letter of Credit, the Borrower irrevocably and unconditionally agrees to reimburse the LC Agent for all amounts paid by the LC Agent upon such drawing, together with any and all reasonable charges and expenses which the LC Agent may pay or incur relative to such drawing and interest on the amount drawn at the Federal Funds Rate for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (x) at or before 1:00 P.M. (New York City time) on the date the LC Agent notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (New York City time) on such date, or (y) at or before 10:00 A.M. (New York City time) on the first Domestic Business Day after the date such notice is given, if such notice is given after 10:00 A.M. (New York City time) on such date; provided that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (New York City time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the LC Agent, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (New York City time) on such day and such payment is actually made at or before 3:00 P.M. (New York City time) on such day.

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

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

(j) Payments by Banks with Respect to Letters of Credit. (1) If the Borrower fails to reimburse the LC Agent as and when required by subsection (i) above for all or any portion of any amount drawn under a Letter of Credit, the LC Agent may notify each Bank of such unreimbursed amount and request that each Bank reimburse the LC Agent for such Bank's Pro Rata Share thereof. Upon receiving such notice from the LC Agent, each Bank shall make available to the LC Agent, at its address referred to in Section 9.01, an amount equal to such

Bank's share of such unreimbursed amount as set forth in such notice, in Federal or other funds immediately available to the LC Agent, by 3:00 P.M. (New York City time) on the Domestic Business Day following such Bank's receipt of such notice from the LC Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Bank at the Federal Funds Rate for such day. Upon payment in full thereof, such Bank shall be subrogated to the rights of the LC Agent against the Borrower to the extent of such Bank's Pro Rata Share of the related Reimbursement Obligation (including interest accrued thereon). Nothing in this subsection (j) shall affect any rights any Bank may have against the LC Agent for any action or omission for which the LC Agent is not indemnified under subsection (n) of this Section.

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

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

(k) Exculpatory Provisions. Each Borrower's obligations under this Section shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Agent, any Bank, the beneficiary of any Letter of Credit or any other Person. The Borrower assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. To the fullest extent permitted under applicable law, none of the LC Agent, the Banks and their respective officers, directors, employees and agents shall be responsible for, and the obligations of each Bank to make payments to the LC Agent and of the Borrower to reimburse the LC Agent for drawings pursuant to this Section (other than obligations resulting solely from the gross negligence or willful misconduct of the LC Agent) shall not be excused or affected by, among other things, (i) the use which may be made of any Letter of

Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (ii) the validity, sufficiency or genuineness of documents presented under any Letter of Credit or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged (and notwithstanding any assertion to such effect by the Borrower); (iii) payment by the LC Agent against presentation of documents to it which do not comply with the terms of the relevant Letter of Credit; (iv) any dispute between or among the Borrower or the Company or any of its other Subsidiaries, the beneficiary of any Letter of Credit or any other Person or any claims or defenses whatsoever of the Borrower or any other Person against the beneficiary of any Letter of Credit; (v) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower or the Company and its Subsidiaries taken as a whole; (vi) any breach of this Agreement by any party hereto (except, in the case of the LC Agent, a breach resulting solely from its gross negligence or willful misconduct); (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; (viii) the fact that a Default shall have occurred and be continuing; or (ix) the fact that the Termination Date shall have passed or the Commitments shall have terminated. The LC Agent shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. To the fullest extent permitted under applicable law, any action taken or omitted by the LC Agent or any Bank under or in connection with any Letter of Credit and the related drafts and documents, if done without willful misconduct or gross negligence, shall be binding upon the Borrower and shall not place the LC Agent or any Bank under any liability to the Borrower.

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

(m) Indemnification by the Borrower. The Borrower agrees to indemnify and hold harmless each Bank and the LC Agent (collectively, the "LC INDEMNITEES") from and against any and all claims and damages, losses,

liabilities, costs or expenses (including, without limitation, the reasonable fees and disbursements of counsel) which any such LC Indemnitee may reasonably incur (or which may be claimed against any such LC Indemnitee by any Person whatsoever) by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit or any actual or proposed use of any Letter of Credit, including any claims, damages, losses, liabilities, costs or expenses which the LC Agent may incur by reason of or in connection with the failure of any Bank to fulfill or comply with its obligations to the LC Agent hereunder; provided that the Borrower shall not be required to indemnify the LC Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Agent in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the LC Agent's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit (unless such payment is enjoined or otherwise prevented by order of a court or other governmental authority). Nothing in this subsection (m) is intended to change the obligations of the Borrower under any other provision of this Section.

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

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

SECTION 2.17. Swingline Loans. (a) Swingline Commitment. The Swingline Bank agrees, on the terms and conditions set forth in this Agreement, to make loans to the Company pursuant to this Section from time to time during the Swingline Loan Availability Period; provided that immediately after each such loan is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans):

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

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

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

Each loan under this Section shall (x) be in a principal amount not less than \$1,000,000 and shall be in a multiple of \$1,000,000 and (y) bear interest on the outstanding principal amount thereof for each day from the date such loan is made until it becomes due at such rate or rates per annum (which shall in no event be greater than the rate applicable to Base Rate Loans for such day), and be payable on such dates, as shall be agreed upon from time to time by the Company and the Swingline Bank. Within the foregoing limits and subject to Section 2.11(d), the Company may borrow under this Section, repay Swingline Loans and reborrow under this Section at any time during the Swingline Loan Availability Period. If the Swingline Bank and the Company are unable, for any reason, to agree on the interest rate or interest payment date or dates applicable to any Swingline Loan, the Swingline Bank shall not be obligated to make, and the Company shall not be obligated to borrow, such Swingline Loan. The Swingline Loans shall be evidenced by the Swingline Note.

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

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

(d) Optional Prepayment of Swingline Loans. The Company may prepay the Swingline Loans in whole at any time, or from time to time in part in a

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

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

(f) Refunding Unpaid Swingline Loans. The Swingline Bank may at any time, by notice to the Banks (including the Swingline Bank, in its capacity as a Bank), require each Bank to pay to the Swingline Bank an amount equal to such Bank's Pro Rata Share of the aggregate unpaid principal amount of the Swingline Loans then outstanding. Such notice shall specify the date on which such payments are to be made, which shall be the first Domestic Business Day after such notice is given. Not later than 12:00 Noon (New York City time) on the date so specified, each Bank shall pay the amount so notified to it to the Swingline Bank at its address referred to in Section 9.01, in Federal or other funds immediately available in New York City. The amount so paid by each Bank shall constitute a Base Rate Loan to the Company; provided that, if the Banks are prevented from making such Loans to the Company by the provisions of the United States Bankruptcy Code or otherwise, the amount so paid by each Bank shall constitute a purchase by it of a participation in the unpaid principal amount of the Swingline Loans (and interest accruing thereon after the date of such payment). Each Bank's obligation to make such payment to the Swingline Bank under this subsection (f) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank or any other Person may have against the Swingline Bank or the Company, (ii) the occurrence or continuance of a Default or the termination of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Company or any other Person, (iv) any breach of this Agreement by any Obligor or any other Bank or (v) any other circumstance, happening or event whatsoever, whether or not

similar to any of the foregoing; provided that no Bank shall be obligated to make any payment to the Swingline Bank under this subsection (f) with respect to a Swingline Loan made by the Swingline Bank at a time when the Swingline Bank has determined that a Default had occurred and was continuing.

ARTICLE 3

CONDITIONS

SECTION 3.01. Effective Date. This Agreement shall become effective on the date (the "EFFECTIVE DATE") on which all of the conditions set forth below shall have been satisfied. The Administrative Agent shall promptly notify the Company and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

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

(b) receipt by the Administrative Agent of executed counterparts of a Confirmation Agreement substantially in the form of Exhibit K signed by the Company, each Subsidiary Guarantor and the Administrative Agent (or facsimile or other written confirmation satisfactory to the Administrative Agent that each such party has signed a counterpart thereof);

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

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

(e) (i) the fact that the representations and warranties set forth in Article 4 and the other Loan Documents shall be true and correct on and as of the date hereof and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Company and each Subsidiary Borrower so certifying;

(f) (i) the fact that no Default shall have occurred and be continuing and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Company so certifying;

(g) receipt by the Administrative Agent of (i) an updated Perfection Certificate (as defined in the Security Agreement), dated as of the Effective Date, of the Company and each Subsidiary Guarantor, and (ii) updated schedules to the Pledge Agreement, each setting forth the applicable information as of the Effective Date; and

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

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

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

(c) On and after the Effective Date, the rights and obligations of the parties hereto shall be governed by the provisions hereof. The rights and obligations of the parties to the Existing Credit Agreement with respect to the period before the Effective Date shall continue to be governed by the provisions thereof as in effect before the Effective Date.

SECTION 3.03. Extensions of Credit. The obligation (i) of any Bank to make a Loan on the occasion of any Borrowing (other than a Loan pursuant to Section 2.17(f)), (ii) of the Swingline Bank to make any Swingline Loan and (iii) of the LC Agent to issue or extend (or allow the extension of) the expiry date of any Letter of Credit are each subject to the satisfaction of the following conditions:

(a) the fact that the Effective Date shall have occurred;

(b) receipt (i) by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, (ii) by the Swingline Bank of a Notice of Swingline Borrowing as required by Section 2.17(b) or (iii) by the LC Agent of a notice of proposed issuance or extension as required by Section 2.16(c) or (e), as the case may be;

(c) the fact that, immediately after such Extension of Credit, the applicable limitations in Section 2.01, 2.03(f), 2.16(a) or 2.17(a), as the case may be, shall not be exceeded;

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

(e) the fact that each of the representations and warranties of the Obligors contained in the Loan Documents shall be true on and as of the date of such Extension of Credit.

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

SECTION 3.04. Amendment of Security Agreement. Effective on the Effective Date, the reference in Section 5(a) of the Security Agreement to "Section 2.06(f)" is hereby changed to "Section 2.06(e)".

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants that:

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

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

SECTION 4.03. Binding Effect. Each Loan Document to which such Borrower is a party (other than its Notes and its Swingline Note) constitutes a valid and binding agreement of such Borrower and each of its Notes and its Swingline Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of such Borrower, in each case enforceable in accordance with its terms.

SECTION 4.04. Financial Statements. (a) The consolidated balance sheet of the Company and its Consolidated Subsidiaries as of February 1, 2003 and the related consolidated statements of operations, cash flows and shareholders' equity for the Fiscal Year then ended, reported on by KPMG LLP and set forth in the Company's 2002 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

(b) Since February 1, 2003 there has been no material adverse change in the business, financial position, results of operations or prospects of the Company and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting, the

Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

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

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

SECTION 4.08. Environmental Matters. To the knowledge of such Borrower, (i) the Company and its Subsidiaries are in material compliance with all applicable Environmental Laws, (ii) there are no claims, demands or investigations against the Company or any of its Subsidiaries by any governmental authority or other person or entity that may reasonably be expected to result in material liability for the clean up of materials that have been released into the environment and (iii) there are no conditions that are reasonably likely to result in such claims, demands or investigations against the Company or any of its Subsidiaries, except for failures to comply and liabilities which, in the aggregate, are unlikely to result in a Material Adverse Effect.

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

and reserves on the books of the Company and its Subsidiaries in respect of taxes or other governmental charges are, in the reasonable opinion of the Company, adequate.

SECTION 4.10. Subsidiaries. (a) Each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all requisite power and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(a) The Subsidiary Guarantors are all of the Subsidiaries of the Company on the Effective Date, other than Foreign Subsidiaries and Immaterial Subsidiaries.

SECTION 4.11. Not an Investment Company. Such Borrower is not an "INVESTMENT COMPANY" within the meaning of the Investment Company Act of 1940, as amended.

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

SECTION 4.13. Ranking. The Secured Obligations, as defined in the Security Agreement, of such Borrower rank (i) so long as the Investment Grade Condition is not met, senior to any other Debt of such Borrower with respect to the Collateral pledged by such Borrower, (ii) pari passu with other unsecured Debt of such Borrower (other than any such Debt described in clause (iii)) with respect to any assets of such Borrower (other than the Collateral pledged by such

Borrower) and (iii) senior to any other Debt of such Borrower which by its terms is subordinated thereto.

ARTICLE 5

COVENANTS

The Company agrees that, so long as any Bank has any Credit Exposure hereunder, the Swingline Commitment remains in effect or any amount payable under the Swingline Note remains unpaid:

SECTION 5.01. Information. The Company will deliver to each of the Banks:

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

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

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the Company's chief

financial officer or chief accounting officer (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.06 to 5.10, inclusive, and Sections 5.13 to 5.15, inclusive, on the date of such financial statements, (ii) setting forth (x) if such certificate is being delivered together with each set of financial statements referred to in clause (a) above, the names of each Subsidiary of the Company that is an Immaterial Subsidiary as of the last day of the Fiscal Year with respect to which such financial statements relate and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (y) if such certificate is being delivered together with each set of financial statements referred to in clause (b) above for any Fiscal Quarter of any Fiscal Year, the names of each Subsidiary of the Company that is an Immaterial Subsidiary as of the last day of the Fiscal Quarter with respect to which such financial statements relate and which was not listed as an Immaterial Subsidiary on previous certificates delivered by the Company pursuant to this subsection (c) together with financial statements for previous Fiscal Quarters of such Fiscal Year and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

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

(e) as soon as practicable and in any event within 60 days after the first day of each Fiscal Year, the Company's operating plans and financial forecasts, including cash flow projections covering proposed fundings, repayments, additional advances, investments, capital expenditures and other cash receipts and disbursements, for such Fiscal Year;

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

(g) within ten Domestic Business Days after any Responsible Officer of the Company obtains knowledge of the commencement of an action, suit or

proceeding against the Company or any Subsidiary before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of any Loan Document, a certificate of a Responsible Officer of the Company setting forth the nature of such pending or threatened action, suit or proceeding and such additional information with respect thereto as may be reasonably requested by any Bank;

(h) within ten Domestic Business Days after any Responsible Officer of the Company obtains knowledge of any actual or proposed material change in any material contract arrangements between the Company or any of its Subsidiaries and any material vendors or suppliers, a certificate of a Responsible Officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

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

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

(k) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "REPORTABLE EVENT" defined in PBGC Regulations Sections 2615.11(a), .12(a), .14(a), .16(a), .17(a), .21(a), .22(a) or .23(a) with respect to any Plan, or, with respect to any Plan, gives or is required to give notice to the PBGC under Section 4043(b)(3) of ERISA or would be required to give notice under such Section but for the provisions of Section 4043(b)(2) of ERISA or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC, or that would be required to be given but for the provisions of Section 4043(b)(2); (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of

such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or makes any amendment to any Plan or which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax-qualified status of such Plan, a certificate of the Company's chief financial officer or chief accounting officer setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group has taken or proposes to take; and

(1) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Administrative Agent, at the request of any Bank, may reasonably request.

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

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

SECTION 5.03. Conduct of Business and Maintenance of Existence. The Company will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Company and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where failures to possess such rights, privileges and franchises could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect; provided that nothing in this Section shall prohibit (i) any merger or consolidation permitted

under Section 5.11 or (ii) the termination of the existence of any Immaterial Subsidiary if the Company in good faith determines that such termination is in the best interests of the Company and is not materially disadvantageous to the Banks.

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

SECTION 5.05. Inspection of Property, Books and Records. The Company will keep, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to permit, representatives of any Bank at such Bank's expense, upon reasonable prior notice, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.06. Negative Pledge. (a) Neither the Company nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except (subject to the last sentence of this subsection (a)):

(i) Liens existing on the Effective Date securing (i) any Debt described in clause (iv) of the definition of Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding \$50,000,000 and listed on Schedule 5.06 and (ii) other Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding \$10,000,000;

(ii) any Lien on any asset (or improvement thereon) securing Debt (including without limitation any Debt described in clause (iv) of the definition of Debt) incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or improvement thereon), provided that (x) such Lien attaches to such asset (or

improvement thereon) concurrently with or within 90 days after the acquisition thereof and (y) the aggregate principal or face amount of Debt secured by Liens incurred in reliance on this clause (ii) shall not exceed \$50,000,000;

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

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

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

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

(vii) Liens not securing Debt and consisting of (i) zoning restrictions, easements, covenants and other restrictions on the use of any interest of real property, minor irregularities or defects of title and similar encumbrances on any interest in real property incurred or suffered in the ordinary course of business, (y) statutory or contractual Liens of landlords, Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens, in each case incurred in the ordinary course of business for sums not yet due or the payment of which is not delinquent or which are being contested in good faith by appropriate proceedings and (z) Liens consisting of a mortgage on Store 1127 located in Miami, Florida and a mortgage on the Champs office located in Bradenton, Florida, in each case securing obligations of the Borrower outstanding on the Effective Date;

(viii) Liens (other than Liens described in clause (vii)) arising in the ordinary course of its business which (x) do not secure Debt, (y) do not secure any single obligation or series of related obligations in an amount exceeding \$5,000,000 and (z) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business; and

(ix) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt of any Subsidiary (other than a Subsidiary Borrower) permitted under Section 5.09; provided that the aggregate principal or face amount of Debt of all Subsidiaries secured by Liens incurred in reliance on this clause (ix) shall not exceed \$10,000,000.

Neither the Company nor any Subsidiary will create, assume or suffer to exist any Lien on any Collateral (or any asset that will constitute "Collateral" upon execution of the Collateral Documents), except as permitted by the Collateral Documents or any inventory now owned or hereafter acquired by it, other than (1) any Lien arising by operation of law and permitted by subsections (a)(vii) and (a)(viii) and (2) solely with respect to any Collateral, the Lien created under the Collateral Document pursuant to which such Collateral is purportedly pledged.

(b) Neither the Company nor any of its Subsidiaries will enter into any agreement with any Person which prohibits or limits the ability of the Company or any Subsidiary to create, incur, assume or suffer to exist any Lien securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired (any such agreement, a "NEGATIVE PLEDGE") and which is more restrictive than the Negative Pledge set forth in the Indenture; provided that nothing in this subsection (b) shall be construed to prohibit the Company or any of its Subsidiaries from entering in the ordinary course of business into supply contracts, purchase contracts and leaseholds with respect to real property containing in each case customary non-assignment provisions.

SECTION 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth will at no time be less than the sum of (i) \$828,000,000 plus (ii) for each Fiscal Quarter ended at or prior to such time (but after February 1, 2003), 50% of the consolidated net income of the Company and its Consolidated Subsidiaries for such Fiscal Quarter (if greater than zero).

SECTION 5.08. Leverage Ratio. On any date, the ratio of (i) Consolidated Debt on such date to (ii) EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to such date, shall not exceed the ratio set forth below opposite the period in which such date falls:

FISCAL YEAR	MAXIMUM RATIO
Effective Date through and including the last day of Fiscal Year 2003	1.70:1

Fiscal Year 2004	1.60:1
Fiscal Year 2005	1.50:1
Fiscal Year 2006	1.40:1

SECTION 5.09. Limitation on Debt of Subsidiaries. The total Debt of all Subsidiaries (excluding (i) Debt owed to the Company or to another Subsidiary, (ii) Debt under the Guarantee Agreement, (iii) Debt of any Subsidiary Guarantor consisting of a Guarantee of non-contingent reimbursement obligations of the Company under trade letters of credit (other than any Letter of Credit) which reimbursement obligations are outstanding no more than one Domestic Business Day, (iv) Debt of any Subsidiary Guarantor consisting of a Guarantee of any unsecured Debt of the Company outstanding at February 1, 2003 and reflected on the balance sheet of the Company at February 1, 2003, so long as the obligations of such Subsidiary Guarantor under such Guarantee are subordinated to the obligations of such Subsidiary Guarantor under the Loan Documents on customary capital markets terms approved by the bank affiliate of each Co-Lead Arranger and (v) the Loans and the Swingline Loans made to any Subsidiary Borrower and the Reimbursement Obligations of any Subsidiary Borrower) will not at any time exceed \$50,000,000.

SECTION 5.10. Fixed Charge Coverage Ratio. At the end of each Fiscal Quarter during each Fiscal Year listed below, the Fixed Charge Coverage Ratio will not be less than the ratio set forth below opposite such period:

FISCAL YEAR	MINIMUM RATIO
2003	1.70:1
2004	1.75:1
2005	1.80:1
2006	1.85:1

SECTION 5.11. Consolidations, Mergers and Sales of Assets. The Company will not, and will not permit any of its Subsidiaries to, consolidate or merge with or into any other Person; provided that (i) the Company may merge with another Person if (x) the Company is the corporation surviving such merger and (y) unless such other Person was a Subsidiary Guarantor immediately prior to giving effect to such merger, immediately after giving effect to such merger no Default shall have occurred and be continuing and (ii) any Subsidiary may merge

with another Person if (x) a Subsidiary is the survivor to such merger, (y) if such Subsidiary was a Subsidiary Guarantor immediately prior to giving effect to such merger, the survivor to such merger is a Subsidiary Guarantor (and, if the survivor was not a Subsidiary Guarantor immediately prior to giving effect to such merger and is a Foreign Subsidiary, the Administrative Agent shall have received evidence reasonably satisfactory to it that the obligations of such Subsidiary Guarantor under the Guarantee Agreement shall be enforceable in the jurisdictions in which such Subsidiary Guarantor holds assets and conducts its operations) and (z) if such Subsidiary was a Subsidiary Borrower immediately prior to giving effect to such merger, such Subsidiary Borrower is the survivor to such merger. The Company and its Subsidiaries will not sell, lease or otherwise transfer, directly or indirectly (1) all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any other Person, (2) any assets of the Company or any Subsidiary Guarantor to any Subsidiary that is not a Subsidiary Guarantor, except in the ordinary course of business or (3) all or any substantial part of the Foot Locker Business or the Champs Business to any other Person; provided that the foregoing limitations shall not apply to sales of inventory or sales and other dispositions of surplus assets, in each case in the ordinary course of business. For purposes of this Section 5.11, "FOOT LOCKER BUSINESS" means the operations of the Company and its Subsidiaries conducted in North America under the names "Foot Locker", "Lady Foot Locker", "Kids Foot Locker" and "World Foot Locker" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary) and "CHAMPS BUSINESS" means the operations of the Company and its Subsidiaries conducted in North America under the name "Champs Sports" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary).

SECTION 5.12. Use of Proceeds. The proceeds of the Loans and the Swingline Loans made under this Agreement will be used by the Borrowers (i) to finance their working capital; (ii) to finance Consolidated Capital Expenditures to the extent permitted under Section 5.13; and (iii) for general corporate purposes. No part of the proceeds of any Loans and Swingline Loans will be used, directly or indirectly, for any purpose that entails a violation of any of the regulations of the Board of Governors of the Federal Reserve System, including without limitation Regulations U and X.

SECTION 5.13. Limitation on Capital Expenditures. Consolidated Capital Expenditures will not, for any Fiscal Year, exceed the sum of (i) \$185,000,000 (the "BASE AMOUNT") plus (ii) the unused portion (the "CARRY-OVER AMOUNT"), if any, of the Base Amount for the immediately preceding Fiscal Year (and for purposes of this Section 5.13, any Consolidated Capital Expenditures made in any

Fiscal Year shall reduce first the Base Amount for such Fiscal Year until the Base Amount is \$0, and thereafter the Carry-Over Amount (if any) for such Fiscal Year).

SECTION 5.14. Investments and Business Acquisitions. Neither the Company nor any Subsidiary will hold, make or acquire any Investment in any Person or make any Business Acquisition other than:

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

(b) (i) any Investment in Persons which are Subsidiaries immediately prior to the making of such Investment and (ii) any Investment in the Company; provided that any Investment by the Company or a Subsidiary Guarantor in a Subsidiary that is not a Subsidiary Guarantor shall be permitted pursuant to this clause (b) only if consummated in the ordinary course of business;

(c) Temporary Cash Investments;

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

(e) any Investment not otherwise permitted by the foregoing clauses of this Section and any Business Acquisition if (x) the aggregate amount of any single such Investment or Business Acquisition (or series of related Investments or Business Acquisitions) does not exceed \$40,000,000, (y) immediately after any such Investment or Business Acquisition is made or acquired, the aggregate amount (without duplication) of all Investments and Business Acquisitions made in reliance on this clause (e) since the Effective Date does not exceed \$75,000,000, and (z) solely with respect to any Business Acquisition, immediately after giving effect to such Business Acquisition, (1) the Company would be in pro forma compliance with the covenants set forth in Sections 5.08, 5.09, 5.10 and 5.13 (calculated giving effect to any Debt to be incurred or assumed by the Company and its Subsidiaries in connection with such Business Acquisition and assuming that such Business Acquisition was consummated in the first day of the most recent fiscal period with respect to which each covenant is calculated) and (2) together with the delivery of the financial statements pursuant to Section 5.01(c) with respect to the month in which such Business Acquisition was consummated, the Company shall have delivered to the Administrative Agent a certificate of a Responsible Officer certifying such pro forma compliance and showing in reasonable detail the calculation thereof.

SECTION 5.15. Restricted Payments. Neither the Company nor any Subsidiary will declare or make any Restricted Payment on any date (with respect to any proposed Restricted Payment, a "MEASUREMENT DATE") unless (i) immediately before and after giving effect thereto, no Default has occurred and is continuing, (ii) the Fixed Charge Coverage Ratio for the period of four consecutive Fiscal Quarters most recently ended prior to the relevant Measurement Date and with respect to which the Company has delivered the financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), as the case may be, is at least 2.0:1 and (iii) the aggregate amount of Restricted Payments made does not exceed 35% of the consolidated net income from continuing operations of the Company and its Consolidated Subsidiaries for the then most recently ended Fiscal Year with respect to which the Company has delivered the financial statements described in Section 5.01(a); provided that regardless of whether the conditions set forth in clauses (i) through (iii) are satisfied, the Company may make Restricted Payments consisting of (1) repurchases of its common stock pursuant to employee stock plans in an aggregate amount not to exceed \$2,000,000 in any Fiscal Year; and (2) payments in respect of shareholders rights plans in an aggregate amount not to exceed \$1,750,000.

SECTION 5.16. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, directly or indirectly, (i) pay any funds to or for the account of any Affiliate, (ii) make any investment in any Affiliate (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Debt, or otherwise), (iii) lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to any Affiliate, or (iv) participate in, or effect, any transaction with any Affiliate, except in each case on an arms-length basis on terms at least as favorable to the Company or such Subsidiary as could have been obtained from a third party that was not an Affiliate; provided that the foregoing provisions of this Section shall not prohibit any such Person from declaring or paying any lawful dividend or other payment ratably in respect of all its capital stock of the relevant class so long as, after giving effect thereto, no Default shall have occurred and be continuing (including without limitation pursuant to Section 5.15).

SECTION 5.17. Additional Guarantors. The Company shall cause (x) any Person which becomes a Subsidiary (other than, subject to clause (z), any Foreign Subsidiary or any Immaterial Subsidiary) after the date hereof, (y) any Immaterial Subsidiary (other than, subject to clause (z), any Foreign Subsidiary) that ceases to be an Immaterial Subsidiary after the date hereof and (z) any Foreign Subsidiary and any Immaterial Subsidiary that has entered into, or is proposing to enter into, a Guarantee of any other Debt of the Company or any of its Subsidiaries, including without limitation any Debt of the Company described in clause (v) of

the parenthetical set forth in Section 5.09 (other than, with respect to any Foreign Subsidiary, any Guarantee of any Debt of any of its Subsidiaries that is a Foreign Subsidiary) to (i) enter into the Guarantee Agreement, (ii) become bound by the Pledge Agreement and the Security Agreement and, if applicable, enter into such additional agreements or instruments, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant a perfected first priority interest upon all of the Collateral purportedly pledged by such Subsidiary pursuant to the Pledge Agreement and the Security Agreement (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)) and (iii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent, in each case within (x) ten days after the date on which the relevant event described in clauses (x), (y) or (z) occurs, in the case of entering into the Guarantee Agreement and becoming bound by the Pledge Agreement and the Security Agreement and (y) within 30 days after the date on which the relevant event described in clauses (x), (y) or (z) occurs, in the case of the other actions described in this Section.

SECTION 5.18. Collateral Documents; Release of Liens. (a) If at any time after the Effective Date the Company or any of its Subsidiaries (other than any Foreign Subsidiary) acquires any ownership interest (other than a leasehold interest) in real property with a fair market value in excess of \$2,000,000, the Company will, or will cause such Subsidiary to, enter into a mortgage and such other agreements, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on such ownership interest (subject to Liens on Collateral permitted by the last sentence of Section 5.06(a)); provided that neither the Company nor any of its Subsidiaries shall be required to grant any Lien pursuant to this Section so long as doing so would trigger a requirement to equally and ratably secure securities issued under the Indenture. Together with the execution of any mortgage pursuant to this subsection, the Company will, or will cause its Subsidiaries to, deliver such real property surveys, certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(b) The Borrowers and the Banks agree that, upon satisfaction of the Investment Grade Condition, the security interests granted pursuant to the Collateral Documents shall terminate and the Liens on the Collateral created by

the Collateral Documents shall be automatically released and the Administrative Agent will execute and deliver to the Company such documents as the Company shall reasonably request to evidence such termination and release. If at any time after the Investment Grade Condition has been satisfied, the Collateral Trigger Date shall occur, then, within 30 days after the occurrence thereof, the Company will, and will cause each Subsidiary Guarantor to, grant Liens on their respective assets of the same type as the assets that are Collateral (as such term is defined in the Collateral Documents in effect immediately prior to the satisfaction of the Investment Grade Condition) such Liens to have terms and conditions substantially the same as those in the Collateral Documents in effect immediately prior to the satisfaction of the Investment Grade Condition, and will cause each Subsidiary Guarantor to, execute such Collateral Documents to evidence such Liens, and deliver such other certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

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

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

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

ARTICLE 6

DEFAULTS

SECTION 6.01. Events of Defaults. If one or more of the following events ("EVENTS OF DEFAULT") shall have occurred and be continuing:

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

(b) the Company shall fail to observe or perform any covenant contained in Sections 5.03 (as it relates to maintenance of existence) and Section 5.06 to 5.19, inclusive;

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

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

(e) the Company and/or any of its Subsidiaries shall fail to pay, when due or within any applicable grace period, any amount payable in respect of any Material Debt;

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

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

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

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan (except for any termination under Section 4041(b) of ERISA) shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Material Plan; or a condition shall exist by reason of

which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$10,000,000;

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

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

(l) the Guarantee granted by any Subsidiary Guarantor pursuant to the Guarantee Agreement or the Guarantee granted by the Company pursuant to Article 10 hereof shall cease for any reason to be in full force and effect (other than a result of the release of such Guarantee with respect to any Subsidiary Guarantor or the Company, as the case may be, pursuant to the release provisions contained therein), or any Obligor shall so assert in writing; or

(m) (i) any Lien created by any Collateral Document shall at any time on or after such Collateral Document has been executed fail to constitute a valid and perfected Lien on all the Collateral purported to be subject thereto, securing the obligations purported to be secured thereby (other than (x) to the extent attributable to the failure of the Administrative Agent to maintain possession of any Collateral possession of which is necessary in order to perfect such Lien or (y) a result of the release of such Lien with respect to any Collateral pursuant to the release provisions contained in the relevant Collateral Document or as a result of the satisfaction of the Investment Grade Condition) or (ii) any Obligor shall so assert in writing;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Company terminate the Commitments and the Swingline Commitment and

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

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

SECTION 6.03. Cash Cover. The Borrowers agree, in addition to the provisions of Section 6.01, that upon the occurrence and during the continuance of any Event of Default, they shall, if requested by the LC Agent upon the instruction of the Required Banks, deposit in the LC Collateral Account an amount in immediately available funds equal to the aggregate amount available for drawing under all Letters of Credit then outstanding at such time, provided that, upon the occurrence of any Event of Default specified in clause (g) or (h) of Section 6.01 with respect to any Borrower, each Borrower shall deposit such amount forthwith without any notice or demand or any other act by the LC Agent or the Banks.

ARTICLE 7

THE ADMINISTRATIVE AGENT, CO-LEAD ARRANGERS, CO-DOCUMENTATION

AGENTS AND CO-SYNDICATION AGENTS

SECTION 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent and the Co-Lead Arrangers to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent or the Co-Lead Arrangers by the terms thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. Agents and Affiliates. Each Bank acting as an Agent, Co-Lead Arranger or Swingline Bank in connection with the Loan Documents or the credit facility provided hereby shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not so acting. Each Bank so acting, and each of their respective affiliates, may accept deposits from, lend money to, and generally engage in any kind of business with, the Company or any Subsidiary or affiliate of the Company as if it were not so acting.

SECTION 7.03. Obligations of the Co-Documentation Agents and Co-Syndication Agents. The Co-Documentation Agents and Co-Syndication Agents, in their capacities as such, shall have no duties, obligations or liabilities of any kind hereunder.

SECTION 7.04. Obligations of Administrative Agent and Co-Lead Arrangers. The obligations of the Administrative Agent, the Co-Lead Arrangers and the affiliates of each Co-Lead Arranger under the Loan Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

SECTION 7.05. Consultation with Experts. The Administrative Agent, each Co-Lead Arranger, the LC Agent and the affiliates of each Co-Lead Arranger may consult with legal counsel (who may be counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.06. Liability of Agents and Co-Lead Arrangers. None of the Co-Documentation Agents, Co-Syndication Agents, the Administrative Agent, any Co-Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be liable for any action taken or not taken in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. None of the Co-Documentation Agents, Co-Syndication Agents, the Administrative Agent, any Co-Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with any Loan Document or any Extension of Credit; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article 3 except, in the case of the Administrative Agent, receipt of items required to be delivered to it; (iv) the validity, effectiveness or genuineness of any Loan Document or any other

instrument or writing furnished in connection therewith; or (v) the existence, validity or sufficiency of any Collateral. The LC Agent shall not incur any liability by acting in reliance upon information supplied by the Administrative Agent as to the Total Usage at any time (including Loans to be made pursuant to Notices of Borrowing theretofore received by the Administrative Agent). The Administrative Agent shall not incur any liability by acting in reliance upon (i) information supplied to it by the LC Agent as to the Aggregate LC Exposure at any time or (ii) any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.07. Indemnification. The Banks shall, ratably in accordance with their respective Credit Exposures, indemnify the Administrative Agent and the Co-Lead Arrangers and their respective affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Obligors) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with the Loan Documents or any action taken or omitted by such indemnitees thereunder.

SECTION 7.08. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Co-Lead Arrangers or any Bank Party, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Co-Lead Arrangers or any Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.09. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Company, such resignation to be effective when a successor Administrative Agent is appointed pursuant to this Section and accepts such appointment. Upon receiving any such notice of resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the approval of the Company (unless an Event of Default shall have occurred and be continuing at the time of such appointment, in which case the Company's approval will not be required). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the other Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or

licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

SECTION 7.10. Administrative Agent's Fees. The Company shall pay to the Administrative Agent for its account, fees in the amounts and at the times previously agreed upon between the Company and the Administrative Agent.

ARTICLE 8

CHANGE IN CIRCUMSTANCES

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

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

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

the Administrative Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Administrative Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans, or to continue such Loans for an additional Interest Period, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be

converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any affected Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such affected Borrowing is a Euro-Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such affected Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans to any Borrower and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans to such Borrower, to continue Euro-Dollar Loans to such Borrower for an additional Interest Period or to convert outstanding Loans of such Borrower into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding to such Borrower shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 8.03. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or Swingline Loan or Letter of Credit or any obligation to make Committed Loans or Swingline Loans or participate in Letters of Credit or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or

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

(b) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the LC Agent with any request or directive (whether or not having the force of law) made on or after the date of this Agreement by any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against any Letter of Credit issued by the LC Agent or shall impose on the LC Agent any

other condition affecting its Letters of Credit or its obligation to issue Letters of Credit and the result of any of the foregoing is to increase the cost to the LC Agent of issuing any Letter of Credit or to reduce the amount of any sum received or receivable by the LC Agent under this Agreement with respect thereto, by an amount deemed by the LC Agent to be material, then, within 15 days after demand by the LC Agent (with a copy to the Administrative Agent), the relevant Borrower shall pay to the LC Agent such additional amount or amounts as will compensate the LC Agent for such increased cost or reduction.

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

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

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

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

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

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

"OTHER TAXES" means any present or future stamp, documentary or mortgage recording taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to the Loan Documents or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

(b) Each payment by a Borrower to or for the account of any Bank Party under any Loan Document shall be made without deduction for any Taxes or Other Taxes; provided that, if a Borrower shall be required by law to deduct any Taxes or Other Taxes from any such payment, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such

Bank Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions, (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The relevant Borrower agrees to indemnify each Bank Party for the full amount of any Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, provided that such Borrower shall not indemnify any Bank Party for any penalties or interest on any Taxes or Other Taxes accrued during the period between the 15th day after such Bank Party has received a notice from the jurisdiction asserting such Taxes or Other Taxes and such later day on which such Bank Party has informed such Borrower of the receipt of such notice. This indemnification shall be paid within 15 days after such Bank Party makes demand therefor.

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

(e) For any period with respect to which a Bank Party has failed to provide the Company with the appropriate form as required by Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank Party shall not be entitled to indemnification under Section 8.04(b) or (c) with respect to Taxes (including penalties, interest and expenses) imposed by the United States; provided that if a Bank Party, which is otherwise

exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Bank Party shall reasonably request to assist such Bank Party to recover such Taxes.

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

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

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

SECTION 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04, the Company shall have the right, with the assistance of the Administrative Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to replace such Bank. Any substitution under this Section 8.06 may be accomplished, at the Company's option, either (i) by the replaced Bank assigning its rights and obligations hereunder to the replacement bank or banks pursuant to Section 9.06(c) at a mutually agreeable price or (ii) by the Company prepaying all outstanding Loans from the replaced Bank and terminating its Commitment on a date specified in a notice delivered to the Administrative Agent and the replaced Bank at least three Euro-Dollar Business Days before the date so specified (and compensating such Bank for any resulting funding losses as provided in Section 2.14) and concurrently the replacement bank or banks assuming a Commitment in an amount equal to the Commitment being terminated and making Loans in the same aggregate amount and having the same maturity date or dates, respectively, as the Committed Loans being prepaid, all pursuant to documents reasonably satisfactory to the Administrative Agent (and in the case of any document to be signed by the replaced Bank, reasonably satisfactory to such Bank). No such substitution shall relieve the Borrowers of their obligation to compensate and/or indemnify the replaced Bank as required by Sections 8.03 and 8.04 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing to the replaced Bank hereunder.

ARTICLE 9

MISCELLANEOUS

SECTION 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of any Borrower, the LC Agent, the Swingline Bank or the Administrative Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (b) in the case of any Co-Lead Arranger or its affiliate, at its address, facsimile number or telex number set forth on the signature pages hereof, (c) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (d) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for such purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by telex,

when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, three Domestic Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Administrative Agent under Article 2 or Article 8 and notices to the LC Agent or the Swingline Bank under Article 2 shall not be effective until received.

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

SECTION 9.03. Expenses; Indemnification. (a) The Company shall pay (i) all reasonable out-of-pocket expenses of the Co-Lead Arrangers and their affiliates, including reasonable fees and disbursements of special counsel, in connection with the negotiation and preparation of the Loan Documents, (ii) all reasonable out-of-pocket expenses of the Co-Lead Arrangers, the Administrative Agent and the affiliates of each Co-Lead Arranger, including reasonable fees and disbursements of special counsel and reasonable fees and disbursements of accountants and any other advisors to the Co-Lead Arrangers, the Administrative Agent and the affiliates of each Co-Lead Arranger, in connection with the administration of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Co-Lead Arrangers and each Bank Party including (without duplication) the fees and disbursements of special counsel and the allocated cost of internal counsel and the fees and disbursements of accountants and any other advisors to the Co-Lead Arrangers or any Bank Party, in connection with any collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify each Bank Party, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "INDEMNITEE") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the

Loan Documents or any actual or proposed use of proceeds of Loans or Letters of Credit hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

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

(b) Each Bank further agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by it or for its account which is greater than the proportion received in respect of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of any other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the other Banks, and such other adjustments shall be made, as may be required so that all such payments of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the Banks shall be shared by them pro rata.

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

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

SECTION 9.05. Amendments and Waivers. (a) Any provision of this Agreement, the Notes or the Swingline Note may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrowers and the Required Banks (and, if the rights or duties of the Administrative Agent, the LC Agent, the Swingline Bank, or the Co-Lead Arrangers and their affiliates are affected thereby, by the Administrative Agent, the LC Agent, the Swingline Bank, or the Co-Lead Arrangers and their affiliates, as the case may be); provided that no such amendment or waiver shall, unless signed by all the Banks affected thereby, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or Swingline Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or Swingline Loan or any fees hereunder or for the termination of any Commitment, (iv) reduce the principal of or rate of interest on any Reimbursement Obligation, (v) postpone the date fixed for payment by the Borrower of any Reimbursement Obligation or extend the expiry date of any Letter of Credit to a date later than the fifth Domestic Business Day prior to the Termination Date, (vi) unless signed by the Swingline Bank, increase the Swingline Commitment, postpone the date fixed for termination of the Swingline Commitment or otherwise affect any of its rights and obligations, (vii) release the Company from its obligations under Article 10 hereof, or (viii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement (including without limitation subsection (b) of this Section 9.05).

(b) Any provision of the Collateral Documents or the Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor party thereto and the Administrative Agent with the consent of the Required Banks; provided that no such amendment or waiver shall, unless signed by each Obligor party thereto and the Administrative Agent with the consent of all the Banks, (i) effect or permit a release of all or substantially all of the Collateral, or (ii) release all or substantially all of the Obligors from their obligations under the Guarantee Agreement or permit termination of the Guarantee Agreement, except in each case as expressly permitted by the terms thereof and, in the case of clause (i) of this proviso, Section 5.18(b).

SECTION 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that no Borrower may assign or otherwise transfer any of its rights under this Agreement without the prior written

consent of each Bank, the LC Agent and the Swingline Bank; provided that (x) upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of this Agreement and consisting of the disposition of all of the capital stock of a Subsidiary Borrower (any such transaction, a "SUBSIDIARY BORROWER ASSET SALE"), (y) release of such Subsidiary Borrower from its obligations under any Guarantee of any other Debt of the Company or any of its Subsidiaries (including without limitation any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 of this Agreement) (or automatic termination of the obligations of such Subsidiary Borrower under any such Guarantee) and (z) repayment in full of all outstanding Loans made to such Subsidiary Borrower and all Reimbursement Obligations owed by such Subsidiary Borrower and cancellation or termination of all Letters of Credit issued for its account (or the assumption on the terms set forth in this Agreement by the Company or any other Borrower under the Credit Agreement of the reimbursement obligations with respect to such Letters of Credit), such Subsidiary Borrower shall be released from its obligations hereunder (and such release shall not require the consent of any Bank Party).

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "PARTICIPANT") participating interests in its Commitment or any or all of its Loans or all or any part of its LC Exposure. If any Bank grants a participating interest to a Participant, whether or not upon notice to any of the Borrowers or the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, such Bank shall remain the holder of its Loans or LC Exposure, as the case may be, and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrowers hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii), (iv) or (v) of Section 9.05(a) or clause (i) or (ii) of Section 9.05(b) without the consent of the Participant. Each Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other institutions (each an "ASSIGNEE") all, or a proportionate part (equivalent to an initial Commitment of not less than \$5,000,000) of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit I hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consents of the Company, the LC Agent, the Swingline Bank and the Administrative Agent (which consents shall not be unreasonably withheld); provided that (i) such consents shall not be required if the Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment or if, at the time of the proposed assignment, an Event of Default has occurred and is continuing; (ii) such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans and (iii) the \$5,000,000 minimum amount specified above for a partial assignment of the transferor Bank's rights and obligations shall not apply if the Assignee was a Bank immediately prior to such assignment. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder (and its Commitment shall be reduced) to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Administrative Agent and the Borrowers shall make appropriate arrangements so that, if required, new Notes are issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of \$3,500; provided that the Company shall pay such administrative fee if such assignment is required by the Company pursuant to Section 8.06. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

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

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

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

SECTION 9.08. Governing Law; Submission to Jurisdiction. (a) Each Letter of Credit and Section 2.16 shall be subject to the UCP, and, to the extent not inconsistent therewith, the laws of the State of New York.

(b) SUBJECT TO CLAUSE (a) OF THIS SECTION, EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

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

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR TRANSACTIONS CONTEMPLATED THEREBY.

SECTION 9.11. Judgment Currency. If for the purposes of enforcing the obligations of any Borrower hereunder it is necessary to convert a sum due from such Person in U.S. dollars ("dollars") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent and the Banks could purchase dollars with such currency at or about 11:00 A.M. (New York City time) on the Domestic Business Day preceding that on which final judgment is given. The obligations in respect of any sum due to the Agent and the Banks hereunder shall, notwithstanding any adjudication expressed in a currency other than dollars, be discharged only to the extent that on the Domestic Business Day following receipt by the Agent and the Banks of any sum adjudged to be so due in such other currency the Agent and the Banks may in accordance with normal banking procedures purchase dollars with such other currency; if the amount of dollars so purchased is less than the sum originally due to the Agent and the Banks in dollars, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such adjudication, to indemnify the Agent and the Banks against such loss, and if the amount of dollars so purchased exceeds the sum originally due to the Agent and the Banks, it shall remit such excess to such Borrower.

ARTICLE 10

GUARANTY

SECTION 10.01. The Guaranty. The Company hereby unconditionally guarantees the full and punctual payment when due (whether at stated maturity, upon acceleration or otherwise) of the principal of and interest on each Loan made to any Subsidiary Borrower pursuant to this Agreement, and the full and punctual payment of all other amounts payable by any Subsidiary Borrower under the Loan Documents to which it is a party. Upon failure by any Subsidiary Borrower to pay punctually any such amount when due, the Company shall forthwith on demand pay the amount not so paid at the place and in the manner specified in this Agreement.

SECTION 10.02. Guaranty Unconditional. The obligations of the Company under this Article 10 shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Subsidiary Borrower under the Loan Documents to which it is a party, by operation of law or otherwise;

(b) any modification or amendment of or supplement to any Loan Document;

(c) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of any Subsidiary Borrower under any Loan Document to which it is a party;

(d) any change in the corporate existence, structure or ownership of any Subsidiary Borrower, or any bankruptcy, insolvency, reorganization or other similar proceeding affecting any Subsidiary Borrower or its assets or any resulting release or discharge of any obligation of any Subsidiary Borrower contained in any Loan Document to which it is a party;

(e) the existence of any claim, set-off or other rights which the Company may have at any time against any Subsidiary Borrower, the Administrative Agent, any Bank or any other Person, whether in connection with the Loan Documents or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(f) any invalidity or unenforceability relating to or against any Subsidiary Borrower for any reason of any Loan Document to which it is a party, or any provision of applicable law or regulation purporting to prohibit the payment by any Subsidiary Borrower of the principal of or interest on any of its Notes or any other amount payable by it under any Loan Document to which it is a party; or

(g) any other act or omission to act or delay of any kind by any Subsidiary Borrower, the Administrative Agent, any Bank or any other Person or any other circumstance whatsoever which might, but for the provisions of this Section, constitute a legal or equitable discharge of the Company's obligations hereunder.

SECTION 10.03. Discharge Only Upon Payment In Full; Reinstatement In Certain Circumstances. The Company's obligations under this Article 10 shall remain in full force and effect until the Commitments shall have terminated, all Letters of Credit shall have terminated or been canceled (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to

the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent) and the principal of and interest on the Loans and the Swingline Loans made to each Subsidiary Borrower, the Reimbursement Obligations of each Subsidiary Borrower and all other amounts payable by each Subsidiary Borrower under the Loan Documents shall have been paid in full. If at any time any payment of the principal of or interest on any Loan or Swingline Loan made to any Subsidiary Borrower or any Reimbursement Obligation of such Subsidiary Borrower or other amount payable by such Subsidiary Borrower under the Loan Documents is rescinded or must be otherwise restored or returned upon the bankruptcy, insolvency or reorganization of such Subsidiary Borrower or otherwise, the Company's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

SECTION 10.04. Waiver by the Company. The Company irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Subsidiary Borrower or any other Person.

SECTION 10.05. Subrogation. Upon making full payment with respect to any obligation of any Subsidiary Borrower under this Article 10, the Company shall be subrogated to the rights of the payee against such Subsidiary Borrower with respect to such obligation; provided that the Company shall not enforce any payment by way of subrogation against such Subsidiary Borrower so long as (i) any Bank has any Commitment hereunder, (ii) any Letter of Credit is outstanding or (iii) any amount payable by any Subsidiary Borrower hereunder remains unpaid.

SECTION 10.06. Stay of Acceleration. If acceleration of the time for payment of any amount payable by any Subsidiary Borrower under the Loan Documents is stayed upon any bankruptcy, insolvency or reorganization of such Subsidiary Borrower or otherwise, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by the Company hereunder forthwith on demand by the Administrative Agent made at the request of the Required Banks.

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

FOOT LOCKER, INC.

By: /s/ Peter D. Brown

Title: Vice President - Investor
Relations and Treasurer

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

FOOTLOCKER.COM, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

FOOT LOCKER RETAIL, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

TEAM EDITION APPAREL, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

FOOT LOCKER STORES, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

FOOT LOCKER SPECIALTY, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

FOOT LOCKER EUROPE B.V.

By: /s/ Peter D. Brown

Title: Attorney-in-Fact

FOOT LOCKER AUSTRALIA, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

FOOT LOCKER CANADA
CORPORATION

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

THE BANK OF NEW YORK

By: /s/ Randolph Medrano

Title: Vice President

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

By: /s/ Dan M. Killian

Title: Managing Director

FLEET NATIONAL BANK

By: /s/ Beth R. Halligan

Title: Managing Director

JPMORGAN CHASE BANK

By: /s/ Paul V. Phelan

Title: Vice President

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

By: /s/ Beth Rue

Title: AVP

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: /s/ Lori A. Ross

Title: Vice President

BANCO POPULAR PUERTO RICO

By: /s/ Hector J. Gonzalez

Title: Vice President

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

By: /s/ Thomas L. Bayer

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Todd S. Meller

Title: Managing Director

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

By: /s/ Randolph Medrano

Title: Vice President

BNY CAPITAL MARKETS, INC.

By: /s/ Glenn P. Autorino

Title: Managing Director

BANC OF AMERICA SECURITIES LLC

By: /s/ Thomas M. Brown

Title: Managing Director

Acknowledged and consented to by:

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

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

RETAIL COMPANY OF GERMANY, INC.

By: /s/ Peter D. Brown

Title: Vice President and Treasurer

COMMITMENT SCHEDULE

Bank -----	Commitment -----
The Bank of New York	\$ 30,000,000
Bank of America, N.A., successor by merger to Bank of America National Trust and Savings Association	\$ 30,000,000
Fleet National Bank	\$ 30,000,000
JPMorgan Chase Bank	\$ 25,000,000
Wachovia Bank, National Association	\$ 25,000,000
Wells Fargo Bank, National Association	\$ 20,000,000
Banco Popular Puerto Rico	\$ 15,000,000
U.S. Bank National Association	\$ 15,000,000
The Bank of Nova Scotia	\$ 10,000,000 -----
Total	\$200,000,000

PRICING SCHEDULE

The "EURO-DOLLAR MARGIN", "LC FEE RATE" and "FACILITY FEE RATE" for any day are the respective percentages per annum set forth in the table below in the applicable row under the column corresponding to the Pricing Level that applies on such day:

Pricing Level	Level I	Level II	Level III	Level IV	Level V

Euro-Dollar Margin and LC Fee Rate					
If Utilization is 50% or less	1.500%	1.500%	1.625%	1.625%	1.750%
If Utilization exceeds 50%	1.750%	1.750%	1.875%	1.875%	2.00%

Facility Fee Rate	0.250%	0.375%	0.500%	0.625%	0.750%
=====					

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

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

"FIXED CHARGE COVERAGE RATIO" means, as of any day, the ratio, at the last day of the most recently ended Fiscal Quarter for which financial statements have been delivered in accordance with the Amended Agreement, of (i) the sum of EBIT plus 1/3 of Annual Rent Expense, in each case for the four consecutive Fiscal Quarters then ended, to (ii) the sum of Interest Expense plus 1/3 of Annual Rent Expense, in each case for the same four consecutive Fiscal Quarters; provided that during any period when financial statements have not been delivered in accordance with the Amended Agreement, the Fixed Charge Coverage Ratio shall be deemed to be less than 1.75:1.

"LEVEL I PRICING" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.5:1.

"LEVEL II PRICING" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.25:1 and Level I Pricing does not apply.

"LEVEL III PRICING" applies on any day on which the Fixed Charge Coverage Ratio is greater than or equal to 2.00:1 and neither Level I Pricing nor Level II Pricing applies.

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

"LEVEL V PRICING" applies on any day on which no other Pricing Level applies.

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

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

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

"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%.

FOOT LOCKER 2003 STOCK OPTION AND AWARD PLAN

1. PURPOSE.

The purpose of the Foot Locker 2003 Stock Option and Award Plan (the "Plan") is to align the interests of officers and other employees of Foot Locker, Inc. and its subsidiaries (collectively, the "Company") with those of the shareholders of Foot Locker, Inc. ("Foot Locker"); to reinforce corporate, organizational and business-development goals; to promote the achievement of year-to-year and long-range financial and other business objectives; and to reward the performance of individual officers and other employees in fulfilling their personal responsibilities for long-range achievements.

2. DEFINITIONS.

The following terms, as used herein, shall have the following meanings:

(a) "AWARD" shall mean any Option, Restricted Stock, SAR or Other Stock-Based Award granted pursuant to the Plan.

(b) "AWARD AGREEMENT" shall mean any written agreement, contract, or other instrument or document between Foot Locker and a Participant evidencing an Award.

(c) "BOARD" shall mean the Board of Directors of Foot Locker.

(d) "CAUSE" shall mean, with respect to a Participant's Termination of Employment, (i) in the case where there is no employment agreement between the Company and the Participant, or where there is an employment agreement, but such agreement does not define cause (or words of like import), termination due to a Participant's dishonesty, fraud, material insubordination or refusal to perform for any reason other than illness or incapacity or materially unsatisfactory performance of his or her duties for the Company, or (ii) in the case where there is an employment agreement between the Company and the Participant, termination that is or would be deemed to be for cause (or words of like import) as defined under such employment agreement.

(e) "CHANGE IN CONTROL" shall mean the occurrence of an event described in Section 9(f) hereof.

(f) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(g) "COMMITTEE" shall mean the Compensation and Management Resources Committee of the Board, or a subcommittee thereof, appointed from time to time by the Board, which committee or subcommittee shall be intended to consist of two (2) or more non-employee directors, each of whom shall be a "non-employee director" as defined in Rule 16b-3 and an "outside director" as defined under Section 162(m) of the Code. Notwithstanding the foregoing, if and to the extent that no Committee exists which has the authority to administer the Plan, the

functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance with the requirements of Rule 16b-3 or Section 162(m) of the Code shall not affect the validity of the awards, grants, interpretations or other actions of the Committee.

(h) "COMPANY" shall mean, collectively, Foot Locker and its successors by operation of law and all of its subsidiaries now held or hereafter acquired.

(i) "DISABILITY" shall mean a disability which would qualify as such under Foot Locker's Long-Term Disability Plan.

(j) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

(k) "FAIR MARKET VALUE" of a share of Stock shall mean, as of any date, the average of the high and low prices of a share of such Stock as reported for such date on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if Stock was not traded on the New York Stock Exchange on such date, the "Fair Market Value" of a share of Stock as of such date shall be the average of the high and low prices of a share of such Stock as reported on said Composite Tape on the next preceding date on which such trades were reported on said Composite Tape.

(l) "GOOD REASON" shall mean, with respect to a Participant's Termination of Employment, (1) in the case where there is no employment agreement between the Company and the Participant, or where there is an employment agreement, but such agreement does not define good reason (or words of like import), a voluntary termination due to "good reason," as the Committee, in its sole discretion, decides to treat as a Good Reason termination; or (2) in the case where there is an employment agreement between the Company and the Participant, a termination due to "good reason" (or words of like import), as specifically provided in such employment agreement.

(m) "INCENTIVE STOCK OPTION" shall mean an Option that meets the requirements of Section 422 of the Code, or any successor provision, and that is designated by the Committee as an Incentive Stock Option.

(n) "NONQUALIFIED STOCK OPTION" shall mean an Option other than an Incentive Stock Option.

(o) "OTHER STOCK-BASED AWARD" shall mean an award, granted pursuant to this Plan, that is valued in whole or in part by reference to, or is payable in or otherwise based on Stock.

(p) "OPTION" shall mean the right, granted pursuant to this Plan, of a holder to purchase shares of Stock under the Stock Option and SAR Program at a price and upon the terms to be specified by the Committee.

(q) "PARTICIPANT" shall mean an officer or other employee of the Company who is, pursuant to Section 4 of the Plan, selected to participate herein.

(r) "PLAN" shall mean the Foot Locker 2003 Stock Option and Award Plan.

(s) "PLAN YEAR" shall mean Foot Locker's fiscal year.

(t) "RESTRICTED STOCK" shall mean any shares of Stock issued to a Participant, without payment to the Company to the extent permitted by applicable law, pursuant to Section 7(a) of the Plan.

(u) "RESTRICTION PERIOD" shall have the meaning set forth in Section 7(b)(4).

(v) "RETIREMENT" shall mean a Participant's Termination of Employment following such Participant's attainment of (i) Normal Retirement Age or, if earlier, Early Retirement Date, as such terms are defined in the Foot Locker Retirement Plan, if such Participant is a member of such plan or any successor plan thereto or any other tax-qualified, tax-registered or tax-favored retirement plan or scheme sponsored or maintained by any member of the Company, or (ii) his or her 65th birthday, if such Participant is not a member of any such plan.

(w) "RULE 16b-3" shall mean Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provisions.

(x) "SECTION 162(m) OF THE CODE" shall mean the exception for performance-based compensation under Section 162(m) of the Code and any Treasury regulations thereunder.

(y) "STOCK" shall mean shares of common stock, par value \$.01 per share, of Foot Locker.

(z) "SAR" shall mean a tandem or freestanding stock appreciation right, granted to a Participant under Section 6(a)(7) or 6(b), as the case may be, to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right.

(aa) "STOCK OPTION AND SAR PROGRAM" shall mean the program set forth in Section 6 hereof.

(bb) "TEN PERCENT SHAREHOLDER" shall mean a Participant who, at the time an Incentive Stock Option is to be granted to such Participant, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a parent corporation or subsidiary corporation within the meaning of Code Sections 424(e) or 424(f), respectively.

(cc) "TERMINATION OF EMPLOYMENT" shall mean (1) a termination of service for reasons other than a military or personal leave of absence granted by the Company or a transfer of a Participant from or among the Company and a parent corporation or subsidiary corporation, as defined under Code Sections 424(e) or 424(f), respectively; or (2) when a subsidiary, which is employing a Participant, ceases to be a subsidiary corporation, as defined under Section 424(f) of the Code.

(dd) "TRANSFER" or "TRANSFERRED" or "TRANSFERABLE" shall mean anticipate, alienate, attach, sell, assign, pledge, encumber, charge, hypothecate or otherwise transfer.

(ee) "FOOT LOCKER" shall mean Foot Locker, Inc., a New York corporation.

3. ADMINISTRATION.

(a) THE COMMITTEE. The Plan shall be administered and interpreted by the Committee. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards to be granted and the number of shares of Stock to which an Award may relate; to determine the terms, conditions, restrictions and performance criteria, not inconsistent with the terms of this Plan, relating to any Award (including, but not limited to, the share price, any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture or waiver thereof, based on such factors, if any, as the Committee shall determine in its sole discretion); to determine whether, to what extent and under what circumstances grants of Awards are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company outside this Plan; to determine whether, to what extent and under what circumstances an Award may be settled, cancelled, forfeited, exchanged or surrendered (provided that in no event shall the foregoing be construed to permit the repricing of an Option (whether by amendment, cancellation and regrant or otherwise) to a lower exercise price); to make adjustments in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Award; to determine whether to require, as a condition of the granting of any Award, a Participant to not sell or otherwise dispose of Stock acquired pursuant to the exercise of an Option or Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Option or Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Award Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

Subject to Section 9(e) hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its administrative responsibilities, as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to carry this Plan into effect but only to the extent any such action would be permitted under the applicable provisions of both Rule 16b-3 and Section 162(m) of the Code. The Committee may adopt special guidelines for persons who are residing

in, or subject to taxes of, countries other than the United States to comply with applicable tax and securities laws.

The Committee may appoint a chairperson and a secretary and may make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. All decisions, determinations and interpretations of the Committee shall be final, conclusive and binding on all persons, including the Company, the Participant (or any person claiming any rights under the Plan from or through any Participant) and any shareholder.

The Company, the Board or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligations or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

(b) DESIGNATION OF CONSULTANTS/LIABILITY. The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of this Plan and may grant authority to employees to execute agreements or other documents on behalf of the Committee.

The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of this Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any person designated pursuant to this Section 3(b) shall not be liable for any action or determination made in good faith with respect to this Plan. To the maximum extent permitted by applicable law, no current or former officer of the Company or current or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any Award granted hereunder. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance, each current or former officer and each current or former member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the current and former officers and current and former members of the Committee and of the Board may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or

Subsidiary. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under this Plan.

4. ELIGIBILITY.

Awards may be granted to officers and other employees of the Company in the sole discretion of the Committee. In determining the persons to whom Awards shall be granted and the type of Award, the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

5. STOCK SUBJECT TO THE PLAN; LIMITATION ON GRANTS.

(a) The maximum number of shares of Stock reserved for issuance pursuant to the Plan or with respect to which Awards may be granted shall be four million (4,000,000) shares, subject to adjustment as provided herein, except that the number of such shares reserved for issuance as Restricted Stock and Other Stock-Based Awards shall be one million (1,000,000) shares, subject to adjustment as provided herein. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares subject to an Award are forfeited, cancelled, exchanged or surrendered, or if an Award otherwise terminates or expires without a distribution of shares to the Participant, the shares of Stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be cancelled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Awards under the Plan. Notwithstanding any provision of this Plan to the contrary, if authorized but previously unissued shares of Stock are issued under this Plan, such shares shall not be issued for a consideration which is less than par value.

(b) During the term of this Plan, no Participant can receive Options, Restricted Stock, Other Stock-Based Awards and freestanding SARs, relating to shares of Stock which in the aggregate exceed 25 percent of the total number of shares authorized under the Plan, as adjusted pursuant to the terms hereof.

(c) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the shareholders of Foot Locker to make or authorize any adjustment, recapitalization, reorganization or other change in Foot Locker's capital structure or its business, any merger or consolidation of the Company or any part thereof, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Stock, the dissolution or liquidation of the Company or any part thereof, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

(d) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Stock or other property), recapitalization, Stock split,

reverse Stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, reclassification of any capital stock, issuance of warrants or options to purchase Stock or securities convertible into Stock, or other similar corporate transaction or event, affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (i) the number and kind of shares of Stock which may thereafter be issued in connection with Awards, (ii) the number and kind of shares of Stock issued or issuable in respect of outstanding Awards, and (iii) the exercise price, grant price or purchase price relating to any Award; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424 of the Code.

(e) Fractional shares of Stock resulting from any adjustment in Options and other Awards pursuant to this Section shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half (1/2) and rounding-up for fractions equal to or greater than one-half (1/2). No cash settlements shall be made with respect to fractional shares of Stock eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Option or other Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(f) In the event of a merger or consolidation in which Foot Locker is not the surviving entity or in the event of any transaction that results in the acquisition of substantially all of Foot Locker's outstanding Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all of Foot Locker's assets (all of the foregoing being referred to as "Acquisition Events"), then the Committee may, in its sole discretion, terminate all outstanding Options and/or any Award, effective as of the date of the Acquisition Event, by delivering notice of termination to each Participant at least twenty (20) days prior to the date of consummation of the Acquisition Event; provided, that during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of his or her Options and Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Option or Award Agreements) but contingent on occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise shall be null and void.

6. STOCK OPTION AND SAR PROGRAM.

Each Option or freestanding SAR granted pursuant to this Section 6 shall be evidenced by an Award Agreement, in such form and containing such terms and conditions as the Committee shall from time to time approve, which Award Agreement shall comply with and be subject to the following terms and conditions, as applicable:

(a) STOCK OPTIONS.

(1) NUMBER OF SHARES. Each Award Agreement shall state the number of shares of Stock to which the Option relates.

(2) TYPE OF OPTION. Each Award Agreement shall specifically state that the Option constitutes an Incentive Stock Option or a Nonqualified Stock Option. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of exercise or otherwise), such Option or portion thereof which does not qualify, shall constitute a separate Nonqualified Stock Option.

(3) OPTION PRICE. Except as set forth in Section 6(a)(8)(B) herein relating to Incentive Stock Options granted to a Ten Percent Shareholder, each Award Agreement shall state the Option price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock covered by the Option on the date of grant. The Option price shall be subject to adjustment as provided in Section 5 hereof. The date as of which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted.

(4) METHOD AND TIME OF PAYMENT. The Option price shall be paid in full, at the time of exercise, as follows: (i) in cash or by check, bank draft or money order payable to the order of Foot Locker, (ii) a cashless exercise through a broker (in accordance with a methodology determined by the Committee and consistent with the Sarbanes-Oxley Act of 2002 and any other applicable law), (iii) in shares of Stock by means of a Stock Swap (as described below), or (iv) in a combination of cash and Stock. Options may contain provisions permitting the use of shares of Stock to exercise and settle an Option ("Stock Swaps"). With respect to Stock Swaps, shares of Stock that are used to exercise and settle an Option shall (i) have been held for a period of at least six months by the Participant (or such other period necessary to avoid a charge against the Company's earnings), provided that such shares are held free and clear of any liens and encumbrances, (ii) be valued at the Fair Market Value on the date of exercise and (iii) have the same remaining time period as the shares of Stock that were swapped and (iv) be on such other terms and conditions as may be acceptable to the Committee.

(5) TERM AND EXERCISABILITY OF OPTIONS. Each Award Agreement shall provide that each Option shall become exercisable in substantially equal annual installments over a three-year period, beginning with the first anniversary of the date of grant of the Option, unless the Committee prescribes an exercise schedule of shorter or longer duration; provided, that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. Except as set forth in Section 6(a)(8)(B) herein, the exercise period shall be ten (10) years from the date of the grant of the Option or such shorter period as is determined by the Committee. The exercise period shall be subject to earlier termination as provided in Section 6(a)(6) hereof. An Option may be exercised, as to any or all full shares of Stock as to which the Option has become exercisable, by written notice delivered in person or by mail to the Secretary of Foot Locker, specifying the number of shares of Stock with respect to which the Option is being exercised.

For purposes of the preceding sentence, the date of exercise will be deemed to be the date upon which the Secretary of Foot Locker receives such notification.

(6) TERMINATION. Upon a Participant's Termination of Employment by the Company, Options granted to such Participant prior to such termination shall remain exercisable following the effective date of such termination as follows:

(i) CAUSE. If a Participant's Termination of Employment is for Cause, all Options granted to such Participant shall be cancelled as of the effective date of such termination.

(ii) RETIREMENT, TERMINATION OF EMPLOYMENT FOR GOOD REASON OR DISABILITY. Upon a Participant's Retirement, Termination of Employment for Good Reason or Disability, all Options granted to such Participant that are "deemed exercisable" (as defined in the following sentence) on the effective date of such Participant's Retirement, Termination of Employment for Good Reason or Disability shall remain exercisable for a period of three (3) years following such effective date (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option). Those Options that are "deemed exercisable" on and after the effective date of a Participant's Retirement, Termination of Employment for Good Reason or Disability, as provided above, shall consist of all unexercised Options (or portions thereof) that are immediately exercisable on such date plus those Options (or portions thereof) that would have become exercisable had such Participant not retired or had his employment not terminated until after the next succeeding anniversary of the date of grant of each such Option;

(iii) OTHER TERMINATIONS OF EMPLOYMENT. If a Participant's Termination of Employment by the Company is for any reason other than those described in subsections (i) or (ii) above, his "deemed exercisable" Options, which, for purposes of this subsection, shall mean all Options (or portions thereof) granted to such Participant that are immediately exercisable on the effective date of such Termination of Employment shall remain exercisable as follows: (A) if such Participant has ten (10) or more years of service with the Company, such period of service to be determined as of such effective date of termination, for a period of one year from the effective date of such Termination of Employment (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option), or (B) if a Participant has less than ten (10) years of service with the Company, for a period of three (3) months from the effective date of such Termination of Employment (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option).

(iv) DEATH.

(A) If a Participant dies during the applicable Option exercise period following the effective date of his Retirement, Disability or other Termination of Employment, as described in subsections (ii) or (iii) above, his executors, administrators, legatees or distributees shall have a period expiring on the date one year from the date of his death (or for such longer period as may be prescribed by the Committee, but in no event beyond

the expiration date of such Option) within which to exercise his "deemed exercisable" Options, as described in such applicable subsection.

(B) If a Participant dies while employed by the Company, his executors, administrators, legatees or distributees shall have a period expiring on the date one year from the date of his death (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option) within which to exercise his "deemed exercisable" Options, which shall consist of all unexercised Options (or portions thereof) that are immediately exercisable on such date of death plus those Options (or portions thereof) that would have become exercisable had such Participant not died until after the next succeeding anniversary of the date of grant of each such Option.

(v) BUYOUT AND SETTLEMENT PROVISIONS. The Committee may at any time on behalf of the Company offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made.

(7) TANDEM STOCK APPRECIATION RIGHTS. The Committee shall have authority to grant a tandem SAR to the grantee of any Option under the Plan with respect to all or some of the shares of Stock covered by such related Option. A tandem SAR shall, except as provided in this paragraph (7), be subject to the same terms and conditions as the related Option. Each tandem SAR granted pursuant to the Plan shall be reflected in the Award Agreement relating to the related Option.

(A) TIME OF GRANT. A tandem SAR may be granted either at the time of grant, or at any time thereafter during the term of the Option; provided, however that tandem SARs related to Incentive Stock Options may only be granted at the time of grant of the related Option.

(B) PAYMENT. A tandem SAR shall entitle the holder thereof, upon exercise of the tandem SAR or any portion thereof, to receive payment of an amount computed pursuant to paragraph (D) below.

(C) EXERCISE. A tandem SAR shall be exercisable at such time or times and only to the extent that the related Option is exercisable, and will not be Transferable except to the extent the related Option may be Transferable. A tandem SAR granted in connection with an Incentive Stock Option shall be exercisable only if the Fair Market Value of a share of Stock on the date of exercise exceeds the purchase price specified in the related Incentive Stock Option. Upon the exercise of a tandem SAR, the related Option or part thereof to which such SAR relates, shall be deemed to have been exercised for the purpose of the limitations set forth in Section 5(a) of the Plan on the number of shares of Stock to be issued under the Plan.

(D) AMOUNT PAYABLE. Upon the exercise of a tandem SAR, the Participant shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair Market Value of a share of Stock on the date of exercise of such SAR over the price of the

Option, by (ii) the number of shares of Stock as to which such tandem SAR is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any tandem SAR by including such a limit at the time it is granted.

(E) TREATMENT OF RELATED OPTIONS AND TANDEM SARs UPON EXERCISE. Upon the exercise of a tandem SAR, the related Option shall be cancelled to the extent of the number of shares of Stock as to which the tandem SAR is exercised and upon the exercise of an Option granted in connection with a tandem SAR, the tandem SAR shall be cancelled to the extent of the number of shares of Stock as to which the Option is exercised.

(F) METHOD OF EXERCISE. Tandem SARs shall be exercised by a Participant only by a written notice delivered in person or by mail to the Secretary of Foot Locker, specifying the number of shares of Stock with respect to which the tandem SAR is being exercised. If requested by the Committee, the Participant shall deliver the Award Agreement evidencing the tandem SAR and the related Option to the Secretary of Foot Locker, who shall endorse thereon a notation of such exercise and return such Award Agreement to the Participant. For purposes of this paragraph (F), the date of exercise will be deemed to be the date upon which the Secretary of Foot Locker receives such notification.

(G) FORM OF PAYMENT. Payment of the amount determined under paragraph (D) above may be made solely in whole shares of Stock in a number determined based upon their Fair Market Value on the date of exercise of the tandem SAR or, alternatively, at the sole discretion of the Committee, solely in cash, or in a combination of cash and shares of Stock as the Committee deems advisable.

(H) LIMITED SARs. The Committee may, in its sole discretion, grant tandem SARs or freestanding SARs either as general SARs or as limited SARs. Limited SARs may be exercised only upon the occurrence of a Change in Control or such other event as the Committee may, in its sole discretion, designate at the time of grant or thereafter.

(8) INCENTIVE STOCK OPTIONS. Options granted as Incentive Stock Options shall be subject to the following special terms and conditions, in addition to the general terms and conditions specified in this Section 6.

(A) VALUE OF SHARES. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and all other Plans of the Company become exercisable for the first time by each Participant during any calendar year shall not exceed one hundred thousand dollars (\$100,000). To the extent that such aggregate Fair Market Value exceeds such one hundred thousand dollars (\$100,000) limitation, such Options shall be treated as Options which are not Incentive Stock Options and shall be treated as Nonqualified Stock Options.

(B) TEN PERCENT SHAREHOLDER. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, (x) the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of the shares of Stock on the date of grant

of such Incentive Stock Option, and (y) the exercise period shall not exceed five (5) years from the date of grant of such Incentive Stock Option.

(C) EXERCISE FOLLOWING TERMINATION OF EMPLOYMENT. If an Eligible Employee does not remain employed by the Company, any parent corporation or subsidiary corporation (within the meaning of Code Sections 424(e) and 424(f), respectively) at all times from the time the Option is granted until three (3) months prior to the date of exercise (or such other period as required by applicable law), such Option shall be treated as a Nonqualified Stock Option.

(D) Should either (A), (B) or (C) above not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the shareholders of Foot Locker.

(b) FREESTANDING STOCK APPRECIATION RIGHTS.

The Committee shall have authority to grant a freestanding SAR which is not related to any Option. Freestanding SARs shall be subject to the following terms and conditions:

(1) NUMBER OF SHARES. Each Award Agreement relating to freestanding SARs shall state the number of shares of Stock to which the freestanding SARs relate.

(2) EXERCISE PRICE. Each Award Agreement shall state the exercise price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock (to which the freestanding SARs relate) on the date of grant. The exercise price shall be subject to adjustment as provided in Section 5 hereof.

(3) TERM AND EXERCISABILITY OF FREESTANDING SARs. Each Award Agreement shall provide the exercise schedule for the freestanding SAR as determined by the Committee, provided, that, the Committee shall have the authority to accelerate the exercisability of any freestanding SAR at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be ten (10) years from the date of the grant of the freestanding SAR or such shorter period as is determined by the Committee. The exercise period shall be subject to earlier termination as provided in paragraph (b)(7) hereof. A freestanding SAR may be exercised, as to any or all full shares of Stock as to which the freestanding SAR has become exercisable, by written notice delivered in person or by mail to the Secretary of Foot Locker, specifying the number of shares of Stock with respect to which the freestanding SAR is being exercised. For purposes of the preceding sentence, the date of exercise will be deemed to be the date upon which the Secretary of Foot Locker receives such notification.

(4) PAYMENT. A freestanding SAR shall entitle the holder thereof, upon exercise of the freestanding SAR or any portion thereof, to receive payment of an amount computed pursuant to paragraph (5) below.

(5) AMOUNT PAYABLE. Upon the exercise of a freestanding SAR, the Participant shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair Market Value of a share of Stock on the date of exercise of such SAR over the exercise price of such SAR, by (ii) the number of shares of Stock as to which such freestanding SAR is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any freestanding SAR by including such a limit at the time it is granted.

(6) FORM OF PAYMENT. Payment of the amount determined under paragraph (5) above may be made solely in whole shares of Stock in a number determined based upon their Fair Market Value on the date of exercise of the freestanding SAR or, alternatively, at the sole discretion of the Committee, solely in cash, or in a combination of cash and shares of Stock as the Committee deems advisable.

(7) TERMINATION OF EMPLOYMENT. The terms and conditions set forth in Section 6(a)(6) hereof, relating to exercisability of Options in the event of Termination of Employment with the Company, shall apply equally with respect to the exercisability of freestanding SARs following Termination of Employment.

7. RESTRICTED STOCK.

Awards granted pursuant to this Section 7 shall be evidenced by an Award Agreement in such form as the Committee shall from time to time approve and the terms and conditions of such Awards shall be set forth therein. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan.

(a) RESTRICTED STOCK. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards. The Committee may condition the grant of Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee may determine, in its sole discretion.

(b) AWARDS AND CERTIFICATES. The prospective Participant selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered a fully executed copy of the Award Agreement to the Company and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(1) PURCHASE PRICE. Subject to the last sentence of Section 5(a), the purchase price for shares of Restricted Stock may be less than their par value and may be zero, to the extent permitted by applicable law.

(2) ACCEPTANCE. Awards of Restricted Stock must be accepted within a period of sixty (60) days (or such shorter period as the Committee may specify at grant) after the

Award date, by executing a Restricted Stock Award Agreement and by paying whatever price (if any) the Committee has designated thereunder.

(3) CERTIFICATES/LEGEND. Upon an Award of Restricted Stock, the Committee may, in its sole discretion, decide to either have the Company or other escrow agent appointed by the Committee hold the share certificates representing such shares of Restricted Stock in escrow or issue share certificates to the Participant. Regardless of whether the certificates are held in escrow or are given to Participants, each certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Foot Locker (the "Company") 2003 Stock Option and Award Plan and an Agreement entered into between the registered owner and the Company dated _____. Copies of such Plan and Agreement are on file at the principal office of the Company."

(4) RESTRICTIONS. During a period set by the Committee commencing with the date of an Award of Restricted Stock (the "Restriction Period"), shares of Restricted Stock may not be sold, assigned, Transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, as set forth in the Award Agreement and such Award Agreement shall set forth a vesting schedule and any events which would accelerate vesting of the shares of Restricted Stock. Any attempt to dispose of any such shares of Stock in contravention of such restrictions shall be null and void and without effect. Notwithstanding the foregoing, no vesting limitation shall apply, and the Participant's interest in such shares shall be fully vested, in the event of a Change in Control which occurs prior to the expiration of the vesting period set forth in the Award Agreement. Within these limits, based on service, performance and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of such Award (including, without limitation, any deferral of dividends).

(5) FORFEITURE. Subject to such exceptions as may be determined by the Committee, if the Participant's continuous employment with the Company shall terminate for any reason prior to the expiration of the Restriction Period of an Award, or to the extent any goals for the Restriction Period are not met, any shares of Stock remaining subject to restrictions shall thereupon be forfeited by the Participant and Transferred to, and reacquired by, Foot Locker at no cost to Foot Locker.

(6) OWNERSHIP. Except to the extent otherwise set forth in the Award Agreement, during the Restriction Period the Participant shall possess all incidents of ownership of such shares, subject to Section 7(b)(4), including the right to receive dividends with respect to such shares and to vote such shares and, subject to and conditioned upon the full vesting of

shares of Restricted Stock, the right to tender such shares. The Committee, in its sole discretion, as determined at the time of the Award, may permit or require the payment of dividends to be deferred.

(7) LAPSE OF RESTRICTIONS. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant.

8. OTHER STOCK-BASED AWARDS.

(a) OTHER AWARDS. Other Awards of Stock and other Awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, Stock ("Other Stock-Based Awards"), including, without limitation, Awards valued by reference to performance of a subsidiary, may be granted either alone or in addition to or in tandem with Stock Options, SARs or Restricted Stock.

Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Stock under such Awards upon the completion of a specified performance goal or period.

(b) TERMS AND CONDITIONS. Other Stock-Based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(1) DIVIDENDS. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and this Plan, the recipient of an Award under this Section 8 shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Stock covered by the Award, as determined at the time of the Award by the Committee, in its sole discretion.

(2) VESTING. Any Award under this Section 8 and any Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(3) WAIVER OF LIMITATION. In the event of the Participant's Retirement, Termination of Employment for Good Reason, Disability or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Section 8.

(4) PRICE. Stock issued on a bonus basis under this Section 8 may be issued for no cash consideration; Stock purchased pursuant to a purchase right awarded under this Section shall be priced as determined by the Committee.

9. GENERAL PROVISIONS.

(a) COMPLIANCE WITH LEGAL REQUIREMENTS. The Plan and the granting and exercising of Awards, and the other obligations of the Company under the Plan and any Award Agreement or other agreement shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Stock under any Award as the Company may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Stock in compliance with applicable laws, rules and regulations.

(b) NONTRANSFERABILITY. No Award shall be Transferred by the Participant otherwise than by will or by the laws of descent and distribution. All Awards shall be exercisable, during the Participant's lifetime, only by the Participant. No Award shall, except as otherwise specifically provided by law or herein, be Transferred in any manner, and any attempt to Transfer any such Award shall be void, and no such Award shall in any manner be used for the payment of, subject to, or otherwise encumbered by or hypothecated for the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter, that an Award, other than an Incentive Stock Option or Restricted Stock, that is otherwise not Transferable pursuant to this Section 9(b) is Transferable to a "family member" (as such term is defined in Form S-8 of the Securities Act of 1933) in whole or part and in such circumstances, and under such conditions, as specified by the Committee.

(c) NO RIGHT TO CONTINUED EMPLOYMENT. Nothing in the Plan or in any Award granted or any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company to terminate such Participant's employment.

(d) WITHHOLDING TAXES. Where a Participant or other person is entitled to receive shares of Stock pursuant to the exercise of an Option or is otherwise entitled to receive shares of Stock or cash pursuant to an Award hereunder, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such shares, or otherwise upon the grant, vesting, exercise or disposition of shares pursuant to an Option or Award.

Unless otherwise prohibited by the Committee or by applicable law, a Participant may satisfy any such withholding tax obligation by any of the following methods, or by a combination of such methods: (a) tendering a cash payment; (b) authorizing the Company to withhold from the shares of Stock or cash otherwise payable to such Participant (1) one or more of such shares having an aggregate Fair Market Value, determined as of the date the withholding

tax obligation arises, less than or equal to the amount of the total withholding tax obligation or (2) cash in an amount less than or equal to the amount of the total withholding tax obligation; or (c) delivering to the Company previously acquired shares of Stock (none of which shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation. A Participant's election to pay his or her withholding tax obligation (in whole or in part) by the method described in (b)(1) above is irrevocable once it is made.

(e) AMENDMENT AND TERMINATION OF THE PLAN. Notwithstanding any other provision of this Plan, the Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided that, no amendment which requires shareholder approval under applicable New York law or in order for the Plan to continue to comply with Rule 16b-3, Section 162(m) of the Code, or applicable stock exchange requirements shall be effective unless the same shall be approved by the requisite vote of the shareholders of the Company. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Participant, without such Participant's consent, under any Award theretofore granted under the Plan. The power to grant Options under the Plan will automatically terminate ten years after the adoption of the Plan by the shareholders. If the Plan is terminated, any unexercised Option shall continue to be exercisable in accordance with its terms and the terms of the Plan in effect immediately prior to such termination.

(f) CHANGE IN CONTROL. Notwithstanding any other provision of the Plan to the contrary, if, while any Awards remain outstanding under the Plan, a "Change in Control" of Foot Locker (as defined in this Section 9(f)) shall occur, (1) all Options and freestanding SARs granted under the Plan that are outstanding at the time of such Change in Control shall become immediately exercisable in full, without regard to the years that have elapsed from the date of grant; (2) unless the Committee determines otherwise at the time of grant pursuant to an Award Agreement or other arrangement or plan granting such Award, all restrictions with respect to shares of Restricted Stock shall lapse, and such shares shall be fully vested and nonforfeitable; and (3) unless the Committee determines otherwise at the time of grant pursuant to an Award Agreement or other arrangement or plan granting such Award, with respect to Other Stock-Based Awards, any performance periods or goals outstanding at the time of a Change in Control shall be deemed to have been attained or any restrictions outstanding at the time of a Change in Control shall lapse.

For purposes of this Section 9(f), a Change in Control of Foot Locker shall occur upon the happening of the earliest to occur 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) (a "Person") (other than Foot Locker or its subsidiaries) for shares of Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of Foot Locker's then issued and outstanding voting securities; (B) the merger or consolidation of Foot Locker with, or the sale or disposition of all or

substantially all of the assets of Foot Locker to, any Person other than (a) a merger or consolidation which would result in the voting securities of Foot Locker outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of Foot Locker or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of Foot Locker (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Exchange Act), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), in the aggregate, of securities of Foot Locker representing twenty percent (20%) or more of the total combined voting power of Foot Locker'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 Foot Locker of any plan or proposal for the complete liquidation or dissolution of Foot Locker or for the sale of all or substantially all of the assets of Foot Locker; 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 Foot Locker'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.

(g) PARTICIPANT RIGHTS. No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an Award shall have no rights as a shareholder with respect to any shares covered by any Award until the date of the issuance of a Stock certificate to him for such shares.

(h) UNFUNDED STATUS OF AWARDS. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(i) NO FRACTIONAL SHARES. Except with respect to fractional shares resulting from any adjustment in Awards pursuant to Section 5, no fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award.

(j) LEGEND. The Committee may require each person purchasing shares pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In

addition to any legend required by this Plan, the certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on Transfer.

All certificates for shares of Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed or any national securities association system upon whose system the Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(k) OTHER PLANS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(l) LISTING AND OTHER CONDITIONS.

(1) As long as the Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Stock pursuant to an Option or other Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option or other Award with respect to such shares shall be suspended until such listing has been effected.

(2) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Stock pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act of 1933, as amended, or otherwise with respect to shares of Stock or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes.

(3) Upon termination of any period of suspension under this Section, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Option.

(m) GOVERNING LAW. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York without giving effect to the conflict of laws principles thereof.

(n) EFFECTIVE DATE. The Plan shall take effect upon its adoption by the Board, but the Plan (and any grants of Awards made prior to the shareholder approval mentioned herein) shall be subject to the requisite approval of the shareholders of the Company. In the absence of such approval, such Awards shall be null and void.

(o) DEATH/BENEFICIARY. The Committee may in its sole discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the Transfer of an Option. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan. A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the grantee's beneficiary.

(p) INTERPRETATION. The Plan is designed and intended to comply with Rule 16b-3 promulgated under the Exchange Act and, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

(q) SEVERABILITY OF PROVISIONS. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

(r) HEADINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

AS OF JUNE 25, 2003

FOOT LOCKER ANNUAL INCENTIVE COMPENSATION PLAN,
AS AMENDED AND RESTATED

The Board of Directors of Foot Locker, Inc. ("Foot Locker") has amended and restated the Foot Locker Annual Incentive Compensation Plan (the "Plan") as of June 25, 2003 on the recommendation of the Compensation and Management Resources Committee, subject to shareholder approval at the 2003 annual meeting of shareholders. The plan was previously amended and restated effective as of January 1, 1994 and then subsequently amended and restated with respect to Covered Employees as of January 1, 1996.

1. PURPOSE OF THE PLAN.

The purposes of the Plan are:

- (a) to reinforce corporate, organizational and business development goals;
- (b) to promote the achievement of year-to-year and long-range financial and other business objectives such as high quality of service and product, improved productivity and efficiencies for the benefit of our customers' satisfaction and to assure a reasonable return to Foot Locker's shareholders;
- (c) to reward the performance of officers and key employees in fulfilling their personal responsibilities for annual achievements; and
- (d) to serve as a qualified performance-based compensation program under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") or any successor section and the Treasury regulations promulgated thereunder ("Section 162(m) of the Code").

2. DEFINITIONS.

The following terms, as used herein, shall have the following meanings:

- (a) "ANNUAL BASE SALARY" with respect to any Plan Year shall mean the total amount paid by Foot Locker and its subsidiaries to a participant during such Plan Year without reduction for any amounts withheld pursuant to participation in a qualified "cafeteria plan" under Section 125 of the Code, a qualified transportation arrangement under Section 132(f)(4) of the Code, or a cash or deferred arrangement under Section 401(k) of the Code. Annual Base Salary shall not include any amount paid or accruing to a participant under the Foot Locker Long-Term Incentive Compensation Plan or any other incentive compensation or bonus payment or extraordinary remuneration, expense allowances, imputed income or any other amounts deemed to be indirect compensation, severance pay and any contributions made by Foot Locker to this or any other plan maintained by Foot Locker or any other amounts which, in the opinion of the Committee, are not considered to be Annual Base Salary for purposes of the Plan.

(b) "BOARD" shall mean the Board of Directors of Foot Locker.

(c) "COMMITTEE" shall mean two or more members of the Compensation and Management Resources Committee of the Board, each of whom is an "outside director" within the meaning of Section 162(m) of the Code.

(d) "COVERED EMPLOYEE" shall mean an officer or key employee of Foot Locker who is designated as an executive officer for purposes of Rule 3b-7 of the Securities Exchange Act of 1934 for the relevant Plan Year.

(e) "PAYMENT DATE" shall mean the date selected by the Committee for payments under the Plan to be made following the finalization, review and approval of performance goal achievements for the Plan Year.

(f) "INDIVIDUAL TARGET AWARD" shall mean the targeted performance award for a Plan Year specified by the Committee as provided in Section 6 herein.

(g) "PLAN YEAR" shall mean Foot Locker's fiscal year during which the Plan is in effect.

3. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by the Committee. No member of the Committee while serving as such shall be eligible for participation in the Plan. The Committee shall have exclusive and final authority in all determinations and decisions affecting the Plan and its participants. The Committee shall also have the sole authority to interpret the Plan, to establish and revise rules and regulations relating to the Plan, to delegate such responsibilities or duties as it deems desirable, and to make any other determination that it believes necessary or advisable for the administration of the Plan including, but not limited to: (i) approving the designation of eligible participants; (ii) setting the performance criteria within the Plan guidelines; and (iii) certifying attainment of performance goals and other material terms. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to incorporate provisions in the performance goals allowing for adjustments in recognition of unusual or non-recurring events affecting Foot Locker or the financial statements of Foot Locker, or in response to changes in applicable laws, regulations, or accounting principles; provided that the Committee shall have such authority with regard to the performance goals of Covered Employees solely to the extent permitted by Section 162(m) of the Code. To the extent any provision of the Plan creates impermissible discretion under Section 162(m) of the Code or would otherwise violate Section 162(m) of the Code with regard to the performance goals of Covered Employees, such provision shall have no force or effect.

4. PARTICIPATION.

Participation in the Plan is limited to officers or key employees of Foot Locker. Individual participants shall be those employees selected in the sole discretion of the Committee

(in the case of Covered Employees) or its designee (in the case of all other officers and key employees). In determining the persons to whom awards shall be granted, the Committee shall take into account such factors as the Committee shall deem appropriate in connection with accomplishing the purposes of the Plan. The Committee may from time to time designate additional participants who satisfy the criteria for participation as set forth herein and shall determine when an officer or key employee of Foot Locker ceases to be a participant in the Plan.

5. RIGHT TO PAYMENT.

Unless otherwise determined by the Committee in its sole discretion, a participant shall have no right to receive payment under this Plan unless the participant remains in the employ of Foot Locker at all times through and including the Payment Date, provided, however, that the Committee may, in its sole discretion, make an "Interim Payment" to any participant (other than a Covered Employee). Such Interim Payment shall be equal to the amount of the payment the participant would have received, pursuant to Sections 6 and 7 hereof, at the completion of the Plan Year during which such Interim Payment is made (the "Interim Year") multiplied by a fraction, the numerator of which is the number of completed months between the commencement of the Interim Year and the date of the Interim Payment and the denominator of which is 12, and shall be calculated based upon (a) the actual performance results achieved relative to the Plan's performance goals with respect to the period from the commencement of the Interim Year to the date of the Interim Payment and (b) the performance results that would have been achieved had the Plan's budget goal been met for the balance of such Interim Year. Following the close of the Interim Year, the Committee shall make a "Final Payment" to each participant who received an Interim Payment in an amount equal to the difference, if any, between the amount of the Interim Payment and the amount of the payment that would have been made pursuant to Sections 6 and 7 hereof, absent such Interim Payment.

6. PAYMENT.

(a) Payment under this Plan to a participant will be made in cash in an amount equal to the achieved percentage of such participant's Annual Base Salary as determined by the Committee for each Plan Year. Such percentage shall be based on the participant's achievement of his or her Individual Target Award. Except to the extent provided for in Section 5 hereof with respect to Interim Payments, payment shall be made only if and to the extent the performance goals with respect to the Plan Year are attained.

(b) At the beginning of each Plan Year (or, with respect to Covered Employees, within the time period prescribed by Section 162(m) of the Code), the Committee shall establish all performance goals and the Individual Target Awards for such Plan Year and Foot Locker shall inform each participant of the Committee's determination with respect to such participant for such Plan Year. Individual Target Awards shall be expressed as a percentage of such participant's Annual Base Salary. At the time the performance goals are established, the Committee shall prescribe a formula to determine the percentages of the Individual Target Award which may be payable based upon the degree of attainment of the performance goals during the Plan Year.

(c) Notwithstanding anything to the contrary contained in this Plan, (1) the performance goals in respect of awards granted to participants who are Covered Employees, shall be based on one or more of the following criteria: (i) the attainment of certain target levels of, or percentage increase in, pre-tax profit; (ii) the attainment of certain target levels of, or a percentage increase in, after-tax profits of Foot Locker (or a subsidiary, division, or other operational unit of Foot Locker); (iii) the attainment of certain target levels of, or a specified increase in, operational cash flow of Foot Locker (or a subsidiary, division, or other operational unit of Foot Locker); (iv) the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, Foot Locker's bank debt or other long-term or short-term public or private debt or other similar financial obligations of Foot Locker, if any, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee; (v) the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations of Foot Locker (or a subsidiary, division or other operational unit of Foot Locker); (vi) the attainment of certain target levels of, or a specified percentage increase in, revenues, net income, or earnings before (A) interest, (B) taxes, (C) depreciation and/or (D) amortization, of Foot Locker (or a subsidiary, division, or other operational unit of Foot Locker); (vii) the attainment of certain target levels of, or a specified increase in, return on invested capital or return on investment; (viii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on shareholders' equity of Foot Locker (or any subsidiary, division or other operational unit of Foot Locker); and (ix) the attainment of a certain target level of, or reduction in, selling, general and administrative expense as a percentage of revenue of Foot Locker (or any subsidiary, division or other operational unit of Foot Locker) and (2) in no event shall payment in respect of an award granted for a performance period be made to a participant who is a Covered Employee as of the end of such Plan Year in an amount which exceeds \$3 million. Subject to Section 3 of the Plan regarding certain adjustments, in connection with the establishment of the performance goals, the criteria listed above for Foot Locker (or any subsidiary, division or other operational unit of Foot Locker) shall be determined in accordance with generally accepted accounting principles consistently applied by Foot Locker, but before consideration of payments to be made pursuant to this Plan and pursuant to the Foot Locker Long-Term Incentive Compensation Plan.

7. TIME OF PAYMENT.

Subject to Section 5 hereof, all payments earned by participants under this Plan will be paid within a reasonable period after performance goal achievements for the Plan Year have been finalized, reviewed, approved, and to the extent required by Section 162(m) of the Code, certified by the Committee, except as may otherwise be agreed by a participant and Foot Locker in a written agreement executed prior to the beginning of the fiscal year to which it relates in accordance with any deferred compensation program (a "Deferred Compensation Program") applicable to such participant. Foot Locker's independent accountants shall, as of the close of the Plan Year, determine whether the performance goals have been achieved and communicate the results of such determination to the Committee. Any award deferred by a Covered Employee shall not increase (between the date on which the award is credited to any Deferred Compensation Program applicable to such Covered Employee and the payment date) by a measuring factor for each fiscal year greater than either (x) one hundred and twenty percent

(120%) of the applicable federal long-term rate, compounded annually, and as set as of the first day of the calendar year; or (y) a hypothetical investment in such shares of Foot Locker Common Stock, par value \$0.01 per share (as determined under such Deferred Compensation Program), as irrevocably elected by the Covered Employee in the deferral agreement. The participant shall have no right to receive payment of any deferred amount until he or she has a right to receive such amounts under the terms of the applicable Deferred Compensation Program.

8. MISCELLANEOUS PROVISIONS.

(a) A participant's rights and interests under the Plan may not be sold, assigned, transferred, pledged or alienated.

(b) In the case of a participant's death, payment, if any, under the Plan shall be made to his or her designated beneficiary, or in the event no beneficiary is designated or surviving, to the participant's estate.

(c) Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of Foot Locker.

(d) Foot Locker 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 made pursuant to the Plan.

(e) The Plan is designed and intended to comply with Section 162(m) of the Code with regard to awards made to Covered Employees, and all provisions hereof shall be limited, construed and interpreted in a manner so to comply.

(f) The Board or the Committee may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part; provided, that, no amendment which requires shareholder approval in order for the Plan to continue to comply with the exception for performance based compensation under Section 162(m) of the Code shall be effective unless the same shall be approved by the requisite vote of the shareholders of Foot Locker as determined under Section 162(m) of the Code. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any participant, without such participant's consent, under the award theretofore granted under the Plan.

(g) The Plan shall be binding on Foot Locker and its successors by operation of law.

FOOT LOCKER, INC.

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

	Twenty-six weeks ended		Fiscal Year Ended				
	Aug. 2, 2003	Aug. 3, 2002	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan. 29, 2000	Jan. 30, 1999
NET EARNINGS							
Income from continuing operations	\$ 76	\$ 71	\$162	\$111	\$107	\$ 59	\$ 14
Income tax expense (benefit)	41	37	84	64	69	38	(28)
Interest expense, excluding capitalized interest	13	17	33	35	41	65	57
Portion of rents deemed representative of the interest factor (1/3)	83	79	165	158	155	170	161
	\$213	\$204	\$444	\$368	\$372	\$332	\$ 204
	=====	=====	=====	=====	=====	=====	=====
FIXED CHARGES							
Gross interest expense	\$ 13	\$ 17	\$ 33	35	\$ 42	\$ 67	\$ 64
Portion of rents deemed representative of the interest factor (1/3)	83	79	165	158	155	170	161
	\$ 96	\$ 96	\$198	\$193	\$197	\$237	\$ 225
	=====	=====	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES	2.2	2.1	2.2	1.9	1.9	1.4	0.9

Earnings were not adequate to cover fixed charges by \$21 million for the fiscal year ended January 30, 1999.

Accountants' Acknowledgment

Foot Locker, Inc.
New York, New York

Board of Directors:

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

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated August 21, 2003 related to our review of interim financial information.

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

/s/ KPMG LLP
New York, New York
September 15, 2003

CERTIFICATIONS

I, Matthew D. Serra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

September 15, 2003

/s/ Matthew D. Serra

Chief Executive Officer

CERTIFICATIONS

I, Bruce L. Hartman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

September 15, 2003

/s/ Bruce L. Hartman

Chief Financial Officer

FOOT LOCKER, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Foot Locker, Inc. (the "Registrant") for the quarterly period ended August 2, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew D. Serra, as Chief Executive Officer of the Registrant and Bruce L. Hartman as Chief Financial Officer of the Registrant, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: September 15, 2003

/s/ Matthew D. Serra

Matthew D. Serra
Chief Executive Officer

/s/ Bruce L. Hartman

Bruce L. Hartman
Chief Financial Officer

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Independent Accountants' Review Report

The Board of Directors and Shareholders
Foot Locker, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Foot Locker, Inc. and subsidiaries as of August 2, 2003 and August 3, 2002, and the related condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income for the thirteen and twenty-six weeks ended August 2, 2003 and August 3, 2002, and the condensed consolidated statements of cash flows for the twenty-six weeks ended August 2, 2003 and August 3, 2002. These condensed consolidated financial statements are the responsibility of Foot Locker, Inc.'s management.

We conducted our reviews 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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of February 1, 2003, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 12, 2003, 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 February 1, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
August 21, 2003