FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
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FILER

VENATOR GROUP INC

CIK:**850209**| IRS No.: **133513936** | State of Incorp.:**NY** | Fiscal Year End: **0127**
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SIC: **5331** Variety stores

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

F O R M 10 - Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 1999

Commission file no. 1-10299

VENATOR GROUP, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Number of shares of Common Stock outstanding at September 3, 1999: 137,382,104

VENATOR GROUP, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

<TABLE>
<CAPTION>

	July 31, 1999 (Unaudited)	August 1, 1998 (Unaudited)	January 30, 1999 (Audited)
ASSETS			
Current assets			
<S>	<C>	<C>	<C>
Cash and cash equivalents	$ 78	$ 1	$ 193
Merchandise inventories	812	995	837
Net assets of discontinued operations	93	621	97
Assets held for disposal	82	-	-
Other current assets	164	217	148
	1,229	1,834	1,275
Property and equipment, net	941	787	974
Deferred taxes	354	334	358
Intangible assets, net	166	189	183
Other assets	90	91	86
	$2,780	$3,235	$2,876
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt	$ 332	$ 451	$ 250
Accounts payable	260	376	245
Accrued liabilities	215	202	296
Current portion of reserve for discontinued operations	105	27	167
Current portion of long-term debt and obligations under capital leases	206	20	6
	1,118	1,076	964
Long-term debt and obligations under capital leases	313	509	511
Other liabilities	349	387	363
Shareholders' equity			

Common stock and paid-in capital	334	327	328
Retained earnings	855	1,016	897
Accumulated other comprehensive loss	(189)	(80)	(187)
Total shareholders' equity	1,000	1,263	1,038
	$ 2,780	$ 3,235	$ 2,876

</TABLE>

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>
Sales	$ 1,063	$ 1,043	$ 2,142	$ 2,101
Costs and expenses				
Cost of sales	791	736	1,582	1,484
Selling, general and administrative expenses .	249	254	506	525
Depreciation and amortization	46	36	91	70
Restructuring charge	52	-	52	-
Interest expense, net	17	7	28	17
Other income	(25)	-	(31)	(19)
	1,130	1,033	2,228	2,077
Income (loss) from continuing operations before income taxes	(67)	10	(86)	24
Income tax expense (benefit)	(26)	4	(34)	10
Income (loss) from continuing operations	(41)	6	(52)	14
Income (loss) from discontinued operations, net of income tax expense (benefit) of $7, $(11), $7, and $(20), respectively ...	10	(19)	10	(32)
Net loss	$ (31)	$(13)	$ (42)	$ (18)
Basic earnings per share:				
Income (loss) from continuing operations ..	$(0.30)	$ 0.04	$ (0.38)	$ 0.10
Income (loss) from discontinued operations	0.07	(0.13)	0.07	(0.23)
Net loss	$ (0.23)	$ (0.09)	$ (0.31)	$ (0.13)
Weighted-average common shares outstanding	137.3	135.4	137.0	135.3
Diluted earnings per share:				
Income (loss) from continuing operations ..	$ (0.30)	$0.04	$ (0.38)	$ 0.10
Income (loss) from discontinued operations	0.07	(0.13)	0.07	(0.23)
Net loss	$ (0.23)	$ (0.09)	$ (0.31)	$ (0.13)
Weighted-average common shares assuming dilution	137.3	136.0	137.0	136.2

</TABLE>

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)
(in millions)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
Net loss	$(31)	$(13)	$(42)	$(18)
Other comprehensive loss, net of tax				
Foreign currency translation adjustments arising during the period, net of deferred tax benefit of $4, $8, $1 and $1, respectively	(6)	(13)	(2)	(1)
Comprehensive loss	$(37)	$(26)	$(44)	$(19)

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in millions)

	Twenty-six weeks ended	
	July 31, 1999	August 1, 1998
From Operating Activities:		
Net loss	$ (42)	$ (18)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities of continuing operations:		
Restructuring charge	52	-
(Income) loss from discontinued operations, net of tax	(10)	32
Depreciation and amortization	91	70
Gains on sales of assets and investments	(31)	(19)
Deferred income taxes	(23)	(22)
Change in assets and liabilities, net of acquisition:		
Merchandise inventories	(26)	(241)
Accounts payable and other accruals	(67)	77
Other, net	(38)	(126)
Net cash used in operating activities of continuing operations	(94)	(247)

From Investing Activities:		
Proceeds from sales of assets and investments	23	27
Capital expenditures	(97)	(224)
Payments for business acquired, net of cash acquired	-	(29)
Net cash used in investing activities of continuing operations	(74)	(226)
From Financing Activities:		
Increase in short-term debt	82	451
Reduction in long-term debt and capital lease obligations	(3)	(2)
Issuance of common stock	5	10
Net cash provided by financing activities of continuing operations	84	459
Net Cash used in Discontinued Operations	(31)	(72)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	-	6
Net change in Cash and Cash Equivalents	(115)	(80)
Cash and Cash Equivalents at beginning of year	193	81
Cash and Cash Equivalents at end of interim period	$ 78	$ 1
Cash paid during the period:		
Interest	$ 34	$ 24
Income taxes	$ 7	$ 8

</TABLE>

See Accompanying Notes to Condensed Consolidated Financial Statements.

VENATOR GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Registrant's Form 10-K for the year ended January 30, 1999, as filed with the Securities and Exchange Commission (the "SEC") on April 30, 1999. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the twenty-six weeks ended July 31, 1999 are not necessarily indicative of the results expected for the year.

Restructuring Charge

During the second quarter of 1999, the Registrant approved a restructuring plan to exit eight non-core businesses: The San Francisco Music Box Company, Randy River Canada, Foot Locker Outlets, Colorado, Team Edition, Going to the Game, Weekend Edition and Burger King franchises. Restructuring charges of $64 million pre-tax ($39 million after-tax) were recorded in the second quarter. Major components of the charge included leasehold and real estate disposition costs ($24 million), fixed asset and other asset impairments ($19 million), inventory markdowns ($12 million) and other exit costs ($9 million). The inventory markdowns of $12 million were included in cost of sales while the remaining $52 million restructuring charge was included in operating expenses. The Registrant expects to record a further charge in connection with the restructuring of approximately $3 million before-tax ($2 million after-tax) in 1999 related to severance.

The Registrant entered into an agreement during the second quarter to sell up to 51 of the 87 Weekend Edition stores, and expects to sell a substantial portion of the seven other businesses held for disposal. The remaining businesses will be liquidated in the third and fourth quarters and all dispositions are expected to be complete by the end of the first quarter of 2000. There was no disposition activity charged to the restructuring reserve during the second quarter. The current portion of the $33 million reserve balance at July 31, 1999 is included in accrued liabilities ($21 million), and the balance in other liabilities ($12 million). The inventory, fixed assets and other long-lived assets of the businesses to be exited of $82 million at net realizable value have been reclassified as assets held for disposal in the Condensed Consolidated Balance Sheet as of July 31, 1999.

Sales and net loss for the eight businesses held for disposal for the thirteen and twenty-six weeks ended July 31, 1999 and August 1, 1998, respectively are presented below.

(in millions)	Thirteen weeks ended July 31, 1999	Thirteen weeks ended August 1, 1998	Twenty-six weeks ended July 31, 1999	Twenty-six weeks ended August 1, 1998
Sales	$ 51	$ 42	$ 97	$ 81
Net loss	$ (7)	$ (4)	$(16)	$ (9)

Segment Information

Sales and operating results for the Registrant's reportable segments for the thirteen and twenty-six weeks ended July 31, 1999 and August 1, 1998, respectively, are presented below. Operating results reflect income (loss) from continuing operations before income taxes, excluding corporate expense (income) and net interest expense.

Sales: (in millions)	Thirteen weeks ended July 31, 1999	Thirteen weeks ended August 1, 1998	Twenty-six weeks ended July 31, 1999	Twenty-six weeks ended August 1, 1998
Global Athletic Group	$ 893	$ 878	$1,824	$1,785
Northern Group	86	85	155	159
All Other	84	80	163	157
	$1,063	$1,043	$2,142	$2,101

Operating Results: (in millions)	Thirteen weeks ended July 31, 1999	Thirteen weeks ended August 1, 1998	Twenty-six weeks ended July 31, 1999	Twenty-six weeks ended August 1, 1998
Global Athletic Group	$(58)	$ 36	$(39)	$ 82

Northern Group	(6)	(7)	(22)	(16)
All Other	2	(5)	2	7
Operating profit (loss)	(62)	24	(59)	73
Corporate expense (income)	(12)	7	(1)	32
Interest expense, net	17	7	28	17
Income (loss) from continuing operations before income taxes	$(67)	$ 10	$(86)	$ 24

</TABLE>

Operating results for the Global Athletic Group for the thirteen and twenty-six weeks ended July 31, 1999 include restructuring charges of $64 million related to the businesses to be exited.

Short-Term Debt

Outstanding borrowings under the Registrant's revolving credit agreement amounted to $332 million at July 31, 1999. The facility available at that date of $393 million was further reduced on August 2, 1999 by $14 million to $379 million, as a result of the sale of certain assets. If additional assets are sold or debt or equity is issued, the revolving credit agreement may be reduced to $350 million, and will, in any event, be reduced to $300 million by February 15, 2000. Under the terms of the agreement, the Registrant is required to satisfy certain financial and operating covenants, which include: maximum ratio of total debt to earnings before interest, taxes, depreciation and amortization; minimum fixed charge coverage ratio; minimum tangible net worth and limits on capital expenditures. In addition, the Registrant is required to fund the repayment of the $200 million 7.0 percent debentures, which are due in June 2000, by February 15, 2000. This facility is unsecured relating to the Registrant's inventory; however, it does include collateralization of certain properties as defined in the agreement. The agreement also restricts consolidations or mergers with third parties, investments and acquisitions, payment of dividends and stock repurchases, and requires borrowings under the agreement to be reduced to not more than $50 million for a period of at least 15 consecutive days during the fourth quarter of each year.

Discontinued Operations

In the third quarter of 1998, the Registrant announced that it was exiting its International General Merchandise segment and completed the sale of its 357 store German general merchandise business for $563 million. The Registrant recorded a net gain of $174 million before-tax, or $39 million after-tax. The reserve balance of $38 million at July 31, 1999 represents the costs associated with the disposal of the remaining business of the International General Merchandise segment, which is expected to be completed in 1999.

The Registrant also announced in the third quarter of 1998 that it was exiting its Specialty Footwear segment and recorded a net charge to earnings of $234 million before-tax, or $155 million after-tax for the loss on disposal of the segment. Disposition activity of approximately $38 million charged to the reserve for the period from January 30, 1999 to July 31, 1999 represented the payments for leasehold and real estate disposition expenses, severance and benefit costs and other related expenses. In the second quarter of 1999, the Registrant recorded a reduction to the reserve of $17 million before-tax, or $10 million after-tax, reflecting favorable results from real estate disposition compared to original estimates. The reserve balance of $66 million at July 31, 1999 primarily includes leasehold obligations and related fixed asset write-offs, $48 million of which is expected to be utilized within twelve months and the remaining $18 million thereafter.

In 1997, the Registrant announced that it was exiting its Domestic General Merchandise segment. Net disposition activity for the twenty-six weeks ended July 31, 1999, respectively, was approximately $16 million, which included payments for leasehold and real estate disposition expenses, offset by gains from planned disposals of real estate. The remaining reserve balance of $19 million at July 31, 1999 consists principally of real estate disposition costs.

Prior year financial statements have been restated to present the operating results of these business segments as discontinued operations. The following is a summary of the net assets of discontinued operations:

(in millions)	July 31, 1999	August 1, 1998	Jan. 30, 1999
International General Merchandise			
Assets	$ 45	$825	$ 47
Liabilities	7	368	11
Net assets of discontinued operations	$ 38	$457	$ 36
Specialty Footwear			
Assets	$ 55	$195	$ 63
Liabilities	9	41	17
Net assets of discontinued operations	$ 46	$154	$ 46
Domestic General Merchandise			
Assets	$ 13	$ 17	$ 23
Liabilities	4	7	8
Net assets of discontinued operations	$ 9	$ 10	$ 15
Total net assets of discontinued operations	$ 93	$621	$ 97

The assets of the International General Merchandise and Specialty Footwear segments consist primarily of inventory and fixed assets. The assets of the Domestic General Merchandise segment primarily include fixed assets and deferred tax assets. The liabilities of the International General Merchandise segment at August 1, 1998 predominantly included pension liabilities and amounts due to vendors. The decrease in net assets of International General Merchandise discontinued operations at January 30, 1999 and July 31, 1999 reflects the sale of the German general merchandise operations on October 22, 1998. The liabilities of the Specialty Footwear and Domestic General Merchandise segments primarily reflect accrued liabilities.

1991 Restructuring and 1993 Repositioning Reserves

In connection with the 1991 restructuring and 1993 repositioning programs, the Registrant recorded an adjustment of $6 million in selling, general and administrative expenses for the twenty-six weeks ended July 31, 1999, to reflect revisions based on actual experience better than original estimates relating to lease costs and operating expenses. The remaining reserve balance of $12 million at July 31, 1999 will be required to satisfy the lease cancellations or property sales over the next few years.

Earnings Per Share

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

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998

<S>	<C>	<C>	<C>	<C>
Weighted-average common shares outstanding	137.3	135.4	137.0	135.3
Incremental common shares issuable	-	0.6	-	0.9
Weighted-average common shares assuming dilution	137.3	136.0	137.0	136.2

</TABLE>

Incremental common shares were not included in the computation for the quarter and year-to-date period ended July 31, 1999 since their inclusion in periods when the Registrant reported a loss from continuing operations would be antidilutive. Antidilutive options were not included in the computation of diluted earnings per share and would not have a material impact on diluted earnings per share.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss was comprised of foreign currency translation adjustments of $146 million, $35 million, and $144 million, and minimum pension liability adjustments of $43 million, $45 million, and $43 million, at July 31, 1999, August 1, 1998, and January 30, 1999, respectively.

Reclassifications

Certain balances in prior periods have been reclassified to conform with the presentation adopted in the current period. All financial statements have been restated to reflect the discontinuance of the Specialty Footwear and International General Merchandise segments in the third quarter of 1998. As discussed above, the inventory, fixed assets and other long-lived assets of the eight businesses to be exited have been reclassified as assets held for disposal in the Condensed Consolidated Balance Sheet as of July 31, 1999.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which was effective for fiscal quarters of fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133, an Amendment of FASB Statement No. 133," which defers the implementation of SFAS No. 133 by one year. The statement will now be effective for the Registrant in 2001.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Registrant is in the process of evaluating SFAS No. 133 to determine its impact on the consolidated financial statements.

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

As discussed more fully in the footnotes to the Condensed Consolidated Financial Statements, the Registrant discontinued its Specialty Footwear and its International General Merchandise segments in the third quarter of 1998. Accordingly, prior year financial statements have been restated to present these business segments as discontinued operations.

RESULTS OF OPERATIONS

Sales of $1,063 million for the second quarter of 1999 increased 1.9 percent from sales of $1,043 million for the second quarter of 1998, reflecting the impact of 51 net additional stores at the end of the quarter. Sales for the twenty-six weeks ended July 31, 1999 increased 2.0 percent to $2,142 million as compared to $2,101 million for the twenty-six weeks ended August 1, 1998. Comparable-store sales were flat for both the quarter and year-to-date periods. Excluding the effect of foreign currency fluctuations and sales from businesses disposed and held for disposal, sales increased 1.4 percent and 1.7 percent for the second quarter and year-to-date periods of 1999, respectively, as compared to the corresponding prior-year periods.

Gross margin, as a percentage of sales, declined by approximately 380 basis points to 25.6 percent in the second quarter of 1999 and from 29.4 percent to 26.1 percent for the twenty-six weeks ended July 31, 1999, as compared to the corresponding prior-year periods. This decline principally reflects increased occupancy costs in the Global Athletic Group as a result of additional stores at July 31, 1999 compared to August 1, 1998, and inventory markdowns of $12 million in the second quarter of 1999 associated with the Registrant's restructuring plan to exit eight non-core businesses. Excluding the inventory markdowns of $12 million, gross margin declined by approximately 270 basis points in the second quarter.

Selling, general and administrative expenses ("SG&A") of $249 million declined approximately 90 basis points to 23.4 percent of sales in the second quarter of 1999 as compared with the corresponding prior-year period. SG&A of $506 million for the twenty-six weeks ended July 31, 1999, declined approximately 140 basis points to 23.6 percent of sales. These declines reflect the Registrant's successful cost cutting initiatives at both the corporate and divisional levels. The Registrant expects to reduce its 1999 corporate and divisional operating expenses by $100 million, compared to 1998, and to further cut corporate costs to one percent of sales by 2001.

During the second quarter of 1999, the Registrant approved a restructuring plan to exit eight non-core businesses: The San Francisco Music Box Company, Randy River Canada, Foot Locker Outlets, Colorado, Team Edition, Going to the Game, Weekend Edition and Burger King franchises. Restructuring charges of $64 million pre-tax ($39 million after-tax) were recorded in the second quarter. Inventory markdowns of $12 million were included in cost of sales while the remaining $52 million restructuring charge was included in operating expenses. The Registrant expects to record a further charge in connection with the restructuring of approximately $3 million before-tax ($2 million after-tax) in 1999 related to severance.

Depreciation and amortization of $46 million and $91 million for the second quarter and the twenty-six weeks ended July 31, 1999 increased approximately 30 percent compared to the corresponding prior-year periods. The increase reflects depreciation and amortization of assets included in the 1998 capital expenditure program, which concentrated on new store openings and remodeling of existing facilities, and also included management information systems.

Interest expense, net of interest income, increased $11 million for the twenty-six weeks ended July 31, 1999, as compared with the corresponding prior-year period. The increase reflects $8 million incremental interest expense attributable to higher interest rates and fees, and increased levels of average short-term borrowing during 1999. Interest income of $5 million for the twenty-six weeks ended July 31, 1999 primarily related to income tax refunds in the first quarter of 1999, whereas the corresponding prior-year period included interest income of $8 million, which reflected the franchise tax settlement in the second quarter of 1998.

Corporate income, included in other income, of $31 million for the twenty-six weeks ended July 31, 1999, reflects real estate gains of $24 million primarily related to the second quarter sale of two properties, and the recognition of $7 million of the deferred gain recorded on the 1998 sale of the corporate headquarters. This compares to other income of $19 million recorded in the first quarter of 1998 for the sale of the Registrant's Garden Centers nursery business.

The Registrant reported a net loss for the quarter and year-to-date periods ended July 31, 1999 of $31 million and $42 million, respectively, or $0.23 and $0.31 per diluted share. The second quarter of 1999 includes income from discontinued operations of $10 million after-tax, or $0.07 per diluted share, which reflects favorable results from Specialty Footwear real estate disposition compared to original estimates. The Registrant reported a net loss for the thirteen and twenty-six weeks ended August 1, 1998 of $13 million and $18 million, respectively, or $0.09 and $0.13 per diluted share, which include $19 million and $32 million loss from discontinued operations, respectively.

STORE COUNT

<TABLE>
<CAPTION>

	Jan. 30, 1999	Opened	Closed	July 31, 1999	Aug. 1, 1998
Global Athletic Group	3,925	78	126	3,877	3,793
Northern Group	940	15	17	938	872
All Other	1,137	12	49	1,100	1,199
Total	6,002	105	192	5,915	5,864

</TABLE>

Included in the store count at July 31, 1999 are 134 Global Athletic stores and 337 All Other stores related to the eight non-core businesses held for disposal. During the twenty-six weeks ended July 31, 1999, the Registrant remodeled or relocated 148 stores.

SALES

The following table summarizes sales by segment, after reclassification for businesses disposed and held for disposal. The disposed and held for disposal category represents all businesses sold or closed or held for disposal other than the discontinued segments, and are therefore included in continuing operations.

<TABLE>
<CAPTION>

(in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
Global Athletic Group	$ 874	$ 870	$1,788	$1,769
Northern Group	86	85	155	159
All Other	52	45	102	88
Disposed and held for disposal	51	43	97	85
Total sales	$1,063	$1,043	$2,142	$2,101

</TABLE>

Global Athletic Group sales increased by 0.5 percent and by 1.1 percent for the 1999 second quarter and year-to-date periods, as compared with the corresponding prior-year periods. These increases were primarily attributable to improved sales performance at remodeled and relocated stores, offset by a comparable-store sales decline of 0.4 percent for both the second quarter and year-to-date periods. Sales for 1999 were impacted by continued weak sales of branded and licensed apparel, offset by increased sales of high-end performance athletic footwear, primarily running.

Excluding the impact of foreign currency fluctuations, Northern Group sales remained flat for the second quarter of 1999 and declined by 1.2 percent for the year-to-date period. Comparable-store sales declined by 3.6 percent for the second quarter, reflecting an improvement over first quarter trends.

The increase in sales of the All Other category was driven by the continued double-digit growth in the Afterthoughts jewelry format. Comparable-store sales increased by 6.0 percent and by 15.0 percent for the 1999 second quarter and year-to-date periods, respectively.

OPERATING RESULTS

Operating results reflect income (loss) from continuing operations before income taxes, excluding corporate expense (income) and net interest expense. The following table summarizes operating profit (loss) by segment, after reclassification for businesses disposed and held for disposal.

(in millions)	Thirteen weeks ended July 31, 1999	Thirteen weeks ended August 1, 1998	Twenty-six weeks ended July 31, 1999	Twenty-six weeks ended August 1, 1998
Global Athletic Group	$ 14	$ 38	$ 43	$ 87
Northern Group	(6)	(7)	(22)	(16)
All Other	5	-	10	(2)
Disposed and held for disposal .	(75)	(7)	(90)	4
Total operating profit (loss)	$(62)	$ 24	$(59)	$ 73

The Global Athletic Group's operating profit declined by 63.2 percent and by 50.6 percent for the thirteen and twenty-six weeks ended July 31, 1999 as compared with the corresponding prior-year periods. These declines principally reflect higher occupancy costs, increased markdowns in most formats, offset, in part, by reduced promotional markdown activity in Europe in the first half of 1999 compared to 1998, as well as the additional depreciation and amortization of remodeled stores in 1999.

The Northern Group reported operating losses for both the quarter and year-to-date periods in 1999, as a result of declining sales and continued markdown activity in order to achieve optimal inventory assortments, while Afterthoughts, included in the All Other category, reported operating profits of $5 million and $10 million for the thirteen and twenty-six weeks ended July 31, 1999, reflecting increased sales and improved gross margins compared to the corresponding prior-year periods.

Operating results for businesses disposed and held for disposal include restructuring charges of $64 million related to the eight non-core businesses to be exited for the thirteen and twenty-six weeks ended July 31, 1999, and the $19 million gain on the sale of the Garden Centers nursery business for the twenty-six weeks ended August 1, 1998.

SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

The Registrant's primary sources of working capital have been cash flows from operations, borrowings under the revolving credit agreement, financing real estate with operating leases, and proceeds from the sale of non-strategic assets. The principal use of cash has been to finance inventory requirements, which are generally at their peak during the third and fourth quarters, 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 reduced cash by $94 million for the twenty-six weeks ended July 31, 1999, as compared with $247 million in the corresponding prior-year period. These amounts reflect the net loss reported by the Registrant in those periods, adjusted for non-cash items and working capital changes. The change in cash used for merchandise inventories and accounts payable primarily reflects the additional inventory purchases in 1998 related to the opening of new larger-size athletic formats, coupled with the decline in inventories per square foot in 1999. Merchandise inventories of $862 million at July 31, 1999 (including $50 million related to the eight non-core businesses to be exited included in assets held for disposal) declined by $133 million from $995 million at August 1, 1998. Included in other cash flows from operations for the twenty-six weeks ended August 1, 1998 is the cash outlay for occupancy costs for an additional month of approximately $45 million due to the timing of the month-end.

Net cash used in investing activities of continuing operations was $74 million and $226 million for the first half of 1999 and 1998, respectively. Capital expenditures of $97 million for the twenty-six weeks ended July 31, 1999 primarily related to store remodelings as compared with $224 million for the corresponding prior-year period. Planned capital expenditures of $175 million for 1999 include expenditures for 350 new and remodeled stores, management information systems, logistics and other support facilities. Proceeds from real estate disposition activities contributed $23 million in 1999, which primarily reflected the sale of two properties in the second quarter. In the first quarter of 1998, cash used for the acquisition of Athletic Fitters of $29 million, was offset by $22 million cash proceeds received from the sale of the Garden Centers nursery business.

Financing activities for the Registrant's continuing operations contributed $84 million in cash for the twenty-six weeks ended July 31, 1999 and $459 million in cash for the corresponding prior-year period. Outstanding borrowings under the Registrant's revolving credit agreement were $332 million and $451 million at July 31, 1999 and August 1, 1998, respectively and have been classified as short-term debt. The Registrant incurred incremental interest expense for the first half of 1999 compared to 1998, attributable to higher interest rates and fees, and increased levels of average short-term borrowings. Management believes current domestic and international credit facilities and cash provided by operations will be adequate to finance its working capital requirements and support the development of its short-term and long-term strategies. The Registrant expects to fund the repayment of its $200 million 7.0 percent debentures due in June 2000 through future financing and/or asset sales.

YEAR 2000 READINESS DISCLOSURE

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

State of Readiness

The Registrant has assessed all operating and application systems (including point of sale) for Y2K readiness, giving the highest priority to those information technology applications (IT) systems that are considered critical to its business operations. Those applications considered most critical to the Registrant's business operations have been remediated. The necessary enhancements to the point of sale equipment are complete and all stores have been upgraded with the Y2K remediated release of store systems software. Code changes have been made to the merchandising and logistics legacy systems, and remediation is complete. In July, the Registrant performed a test of its Y2K compliant (and recently upgraded) operating software on an isolated processor, and the Registrant considered the results of the test to be satisfactory. In-house certification testing of all application systems continues and the Registrant expects to complete its testing of application software using this upgraded operating system infrastructure by the end of the third quarter.

Apart from the Y2K issue, the Registrant has developed and installed throughout its businesses beginning in 1997 an information computer system ("ECLIPSE"), which will be installed in most divisions for the finance and human resources functions during 1999. The ECLIPSE project was undertaken for business reasons unrelated to Y2K. However, the installation of ECLIPSE eliminates the need to reprogram or replace certain existing software for Y2K compliance.

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

Material Third Parties

The Registrant purchased approximately 44 percent of its 1998 merchandise from one major vendor. As a result, the Registrant's ability to operate could be materially affected by the non-compliance of this key supplier. Management has determined through several meetings and interviews that this vendor's Y2K readiness program is substantially complete. Electronic Data Interchange software was successfully tested with this vendor, as well as other key vendors, and joint contingency plans have been developed for distribution and order entry. Management does not expect the state of readiness of other vendors to have a material adverse impact on the Registrant's ability to operate. The level of compliance of the Registrant's major providers of banking services, transportation, telecommunications and utilities and the related risks continue to be evaluated.

Y2K Costs

The Registrant is utilizing both internal and external resources to address the Y2K issue. Internal resources reflect the reallocation of IT personnel to the Y2K project from other IT projects. In the opinion of management, the deferral of such other projects will not have a significant adverse effect on continuing operations. The total direct cost, excluding ECLIPSE, to remediate the Y2K issue is estimated to be approximately $5.8 million, of which $3 million was spent in 1998 and a further $1.2 million in the first half of 1999. All costs, excluding ECLIPSE, are being expensed as incurred and are funded through operating cash flows. The Registrant's Y2K costs are based on management's best estimates and may be updated, as additional information becomes available. Management does not expect the total Y2K remediation costs to be significant to its results of operations or financial condition.

Contingency Plan/Risks

The Registrant's contingency plans for those areas that might be affected by Y2K are substantially complete. Contingency store operating procedures will be distributed to store managers to be used in the event of foreseeable business interruptions. Joint contingency plans have been developed with the Registrant's key vendor to provide for a smooth flow of inventory from this vendor to the Registrant over the year-end. If distribution channels were to be disrupted, the Registrant expects to have alternative methods of delivering merchandise to its stores in place. Certain IT and other personnel will be available throughout the millennium date change to correct any issues that may arise. Although the full consequences are unknown, the failure of either the Registrant's critical systems or those of its material third party suppliers to be Y2K compliant would result in the interruption of the Registrant's business, which could have a significant adverse effect on its results of operations or financial condition. However, if any business interruptions occur in January 2000, and they are promptly corrected, management expects it would not significantly impact the Registrant's results of operations or financial position. Typically, at that time of year, after the holiday season, there is lower customer demand and borrowing requirements are not at their peak. In addition, successful inventory and working capital management, along with the contingency plans for store operations, will help mitigate the risks associated with the Y2K issue. However, some business disruptions may occur even with defensive contingency plans.

IMPACT OF EUROPEAN MONETARY UNION

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

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

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Information on the results of the Registrant's 1999 annual meeting of shareholders, which was held on July 16, 1999, is incorporated herein by reference to the Registrant's report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

An index of the exhibits that are required by this item, and which are furnished in accordance with Item 601 of Regulation S-K, appears on pages 19 through 21. The exhibits which are in this report immediately follow the index.

(b) Reports on Form 8-K

The Registrant filed a report on Form 8-K dated May 19, 1999 (date of earliest event reported) reporting sales and earnings for the first quarter ended May 1, 1999.

SIGNATURE

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

VENATOR GROUP, INC.
(Registrant)

Date: September 9, 1999

/s/ Bruce Hartman

BRUCE HARTMAN
Senior Vice President
and Chief Financial Officer

VENATOR GROUP, INC.

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

Exhibit No. in Item 601 of Regulation S-K	Description
1	*
2	*
3(i)(a)	Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated herein by reference to Exhibit 3(i)(a) to the Quarterly Report on Form 10-Q for the quarterly period ended July 26, 1997, filed by the Registrant with the SEC on September 4, 1997 (the "July 26, 1997 Form 10-Q")).
3(i)(b)	Certificates of Amendment of the Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on (a) July 20, 1989 (b) July 24, 1990 (c) July 9, 1997 (incorporated herein by reference to Exhibit 3(i)(b) to the July 26, 1997 Form 10-Q) and (d) June 11, 1998 (incorporated herein by reference to Exhibit 4.2(a) of the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).

3(ii)	By-laws of the Registrant, as amended (incorporated herein by reference to Exhibit 4.2 of the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).
4.1	The rights of holders of the Registrant's equity securities are defined in the Registrant's Certificate of Incorporation, as amended (incorporated herein by reference to Exhibits 3(i)(a) and 3(i)(b) to the July 26, 1997 Form 10-Q and Exhibit 4.2(a) to the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).
4.2	Rights Agreement dated as of March 11, 1998 ("Rights Agreement"), between Venator Group, Inc. and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference to Exhibit 4 to the Form 8-K dated March 11, 1998).
4.2(a)	Amendment No. 1 to the Rights Agreement, dated as of May 28, 1999 (incorporated herein by reference to Exhibit 4.2(a) to the Quarterly Report on Form 10-Q for the quarterly period ended May 1, 1999, filed by the Registrant with the SEC on June 4, 1999).

Exhibit No. in Item 601 of Regulation S-K	Description
4.3	Indenture dated as of October 10, 1991 (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
4.4	Forms of Medium-Term Notes (Fixed Rate and Floating Rate) (incorporated herein by reference to Exhibits 4.4 and 4.5 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
4.5	Form of 8 % Debentures due 2022 (incorporated herein by reference to Exhibit 4 to the Registrant's Form 8-K dated January 16, 1992).
4.6	Purchase Agreement dated June 1, 1995 and Form of 7% Notes due 2000 (incorporated herein by reference to Exhibits 1 and 4, respectively, to the Registrant's Form 8-K dated June 7, 1995).
4.7	Distribution Agreement dated July 13, 1995 and Forms of Fixed Rate and Floating Rate Notes (incorporated herein

	by reference to Exhibits 1, 4.1 and 4.2, respectively, to the Registrant's Form 8-K dated July 13, 1995).
5	*
8	*
9	*
10	Agreement with John F. Gillespie dated June 23, 1999.
11	*
12	Computation of Ratio of Earnings to Fixed Charges.
13	*
15	Letter re: Unaudited Interim Financial Statements.

Exhibit No. in Item 601 of Regulation S-K	Description
16	*
17	*
18	*
19	*
20	*
21	*
22	*
23	*
24	*
25	*
26	*
27.1	Financial Data Schedule - July 31, 1999 (which is submitted electronically to the SEC for information only and not filed).
27.2	Restated Financial Data Schedule - August 1, 1998 (which is submitted electronically to the SEC for information only and not filed).
99	Independent Accountants' Review Report.

* Not applicable

Exhibits filed with this Form 10-Q:

Exhibit No.	Description
10	Agreement with John F. Gillespie dated June 23, 1999.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Letter re: Unaudited Interim Financial Statements.

27.1	Financial Data Schedule - July 31, 1999.
27.2	Restated Financial Data Schedule - August 1, 1998.
99	Independent Accountants' Review Report.

EXHIBIT 10

June 23, 1999

Mr. John F. Gillespie
8 Pond Edge Road
Westport, Connecticut 06880

Dear John:

This letter sets forth our understanding and agreement with respect to your resignation as Senior Vice President - Human Resources of Venator Group, Inc. (the "Company"), effective on the Termination Date, as hereinafter defined, and sets forth the arrangements to which we have agreed.

You and the Company are parties to a Senior Executive Severance Agreement dated May 5, 1999 (the "Severance Agreement"), a copy of which is annexed hereto as Attachment A, and the arrangements set forth in this letter agreement are intended to memorialize the obligations of each party to the other thereunder in light of your resignation.

1. Termination of Employment. Your employment with the Company shall continue until July 2, 1999 (the "Termination Date"). You shall resign as Senior Vice President - Human Resources of the Company, and from all other positions you hold with the Company or any of its subsidiaries, as of the close of business on the Termination Date and you shall execute and deliver a letter of resignation in the form annexed hereto as Attachment B as of such date.

2. Payments. Provided you continue to be employed by the Company on the Termination Date and have satisfactorily performed your responsibilities through such date, the Company shall make the following payments to you:

(a) On the latter of the Termination Date or the eighth day following the day you sign and return this agreement to us, $177,500, being 50 percent of the total Severance Benefit payable to you under the provisions of the Severance Agreement, payable pursuant to the provisions of Section 3(a) thereof.

(b) On the latter of the Termination Date or the eighth day following the day you sign and return this agreement to us, an additional amount of $29,585.

(c) On the first anniversary of the Termination Date, provided you have met the requirements set out in Sections 3(b) and 3(c) of the Severance Agreement, $177,500 plus interest for the period from the Termination Date to the date on which payment is made, calculated at the prime rate of interest as stated in The Wall Street Journal on the Termination Date. For purposes of determining whether you have engaged in "Competition" under Section 3(c) of the Severance Agreement, a "business in competition with any business conducted by any member of the Control Group for which Executive worked at any time", as used in Section 1(i) of the Severance Agreement, shall be any retail or wholesale business located in North America, the European Union, Japan, or Australia selling athletic footwear, athletic apparel, or sporting goods to or through retail stores, catalogs, or the Internet.

(d) On the Termination Date, in accordance with the Company"s normal policies and practices, (i) salary and reimbursement of any business expenses related to the period prior to the Termination Date and (ii) an amount in lieu of any accrued but unused vacation as of the Termination Date.

(e) You shall not be entitled to receive any payment under the Annual Incentive Compensation Plan for 1999 or under the Long-Term Incentive Compensation Plan for any period.

(f) All amounts payable to you hereunder shall be subject to appropriate withholding for federal, state, and local income taxes.

3. Stock Option and Stock Purchase Plans. (a) All unexercised stock options granted to you prior to the date hereof and not exercised or cancelled on or before the Termination Date, pursuant to the provisions of the 1995 or the 1998 Venator Group Stock Option and Award Plans (the "Award Plans"), shall remain exercisable in accordance with the relevant provisions of the Award Plans. Your "effective date of termination" for purposes of the Award Plans shall be the Termination Date and your termination shall, for the purposes of such plans, be treated as your resignation from your position with the Company.

(b) The restrictions on the Restricted Stock granted to you on February 1, 1999 under the Award Plans shall not lapse and such shares of Restricted Stock shall revert to the Company as of the Termination Date.

(c) Your right to participate in the 1994 Venator Group Employees Stock Purchase Plan shall be in accordance with the terms of such plan and shall cease as of the Termination Date.

4. Pension Benefits. You are not vested under the Venator Group Retirement Plan and the Excess Cash Balance Plan, and you shall not be entitled to any payments or other benefits from such plans or from the Supplemental Executive Retirement Plan.

5. Other Benefits. (a) You shall continue to be eligible, following the Termination Date, to continue to participate in any group medical, dental, or life insurance plan you have participated in immediately prior to the Termination Date, in accordance with, and for the time periods specified, in Section 3(e) of the Severance Agreement. Your participation in the group

disability and voluntary accidental death and dismemberment plans for active employees of the Company shall cease on the

Termination Date. The Company will continue payment of the premiums for the universal life insurance policy with MetLife presently in place, which policy is owned by you, for the same period you are eligible to continue to participate in group medical, dental, or life insurance plans under the provisions of Section 3(e) of the Severance Agreement.

(b) The Company shall provide to you, at its expense, until the earlier of the first anniversary of the Termination Date or such time as you shall have secured other full-time employment, the services of an out-placement consultant selected by the Company.

6. Confidential Information and Non-Disparagement. (a) You acknowledge that, following the Termination Date, you will continue to be bound by the provisions of Section 14 of the Severance Agreement ("Confidentiality"). You shall not, between the date hereof and the Termination Date, remove any Confidential Information from the offices of the Company and you shall, on or before the Termination Date, return all Confidential Information in your possession, in whatever form, to the Company. The existence of this agreement and the terms hereof shall be considered to be Confidential Information.

(b) During the period during which you are receiving, or entitled to receive, any payments hereunder, you shall not make any statements or comments (i) to any form of media or likely to come to the attention of any form of media of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Company or of any officer, employee, or director thereof, or (ii) to any employee of the Company or to any supplier or customer of the Company of a negative nature that could reasonably be considered to have an adverse impact on the business of the Company or of any officer, employee, or director of the Company; provided, however, that in no event shall the foregoing limitations apply to (V) compliance with legal process or subpoena, (W) statements in response to an inquiry from a court or regulatory body, (X) in rebuttal of media stories with regard to you, (Y) to a possible future employer in connection with employment discussions, or (Z) in response to an inquiry from the Company.

You acknowledge that a violation by you of the provisions of this Section 6 or of the provisions of Section 14 of the Severance Agreement would cause irreparable injury to the Company for which there would be no adequate remedy at law.

7. Release from Claims. In consideration of all of the foregoing, you, for yourself and for your heirs, executors, administrators, successors, and assigns, hereby agree to release and forever discharge the Company and its

subsidiaries and affiliates, and their respective officers and directors, from any and all actions, causes of action, claims, demands, and liabilities of whatsoever nature arising out of, or in connection with, your employment with the Company and any of its subsidiaries and affiliates, or otherwise, whether arising before or after the date hereof. The foregoing shall include, but not be limited to, any claim of employment discrimination under the Age Discrimination in Employment Act of 1967, the New York State Human Rights Law, or any other federal or state labor relation law, equal employment opportunity law, or civil rights law, regulation or order. Federal law requires that we advise you to consult with an attorney of your choice (at your own cost).

In addition, federal law also provides that you have 21 days from the date of this letter to consider your decision to agree to the terms of this agreement, including any release of the Company and its subsidiaries, from liability as provided in this paragraph. Furthermore, you have the right to change your mind at any time within one week after signing. In addition, you hereby acknowledge that you have been given full opportunity to review this letter, including sufficient opportunity to review this letter, including sufficient opportunity for appropriate review with any advisors selected by you. The foregoing shall not constitute a release of any and all claims you may have against the Company for breach of any of the provisions of this letter agreement.

You understand and agree that the payments and benefits provided for in this letter agreement shall be in lieu of any and all amounts that would be payable to you, and that no other amounts will be paid to you for any reason whatsoever.

8. Assignment. Neither this letter agreement, nor any of the rights arising hereunder, may be assigned by you. You agree to execute such additional documents as the Company may require to carry out this letter agreement.

9. Miscellaneous. This letter agreement and the Severance Agreement represent our total understanding and agreement with regard to the subject matter hereof, and supersede any previous discussions or writings. This letter agreement may not be amended or modified, and no term or provision hereof may be waived or discharged, unless agreed to in writing by you and the Company. The invalidity or unenforceability of any provision of this letter agreement shall not affect the validity or enforceability of any other provision hereof.

The section headings herein are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this letter agreement.

This letter agreement may be executed in counterparts, each of which, when so executed, shall be deemed an original and all of which, when taken together, shall constitute one and the same agreement.

The offer of the Company contained in this letter agreement shall terminate and be of no further force and effect at 12:01 A.M. New York City time on the twenty-second day following the delivery of this letter to you, unless you have signed and returned the letter to us, unaltered, before such date and time.

10. Governing Law. This letter agreement shall be governed by, and construed under, the laws of the State of New York applicable to contracts made between residents of such state and to be wholly performed in such state.

If this letter agreement correctly sets forth our agreement, please execute the duplicate copy of this letter agreement enclosed for that purpose, and deliver it to us, at which time this letter agreement shall serve as a binding and enforceable agreement between us.

Very truly yours,
VENATOR GROUP, INC.

By:/s/ Dale W. Hilpert

President

Agreed:

/s/ John F. Gillespie

John F. Gillespie

Witnessed:
/s/ Cynthia Williams

Date:6/24/99

ATTACHMENT A

AGREEMENT

THIS AGREEMENT made as of May 5, 1999 by and between VENATOR GROUP, INC., a New York corporation with its principal office at 233 Broadway, New

York, New York 10279 (the "Company") and John F. Gillespie, residing at Eight Pond Edge Road, Westport, Connecticut 06880 (the "Executive").

W I T N E S S E T H:

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

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

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

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

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

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

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

(a) "Affiliate" shall mean the Company and any entity affiliated with the Company within the meaning of Code Section 414(b) with respect to a controlled group of corporations, Code Section 414(c) with respect to trades or businesses under common control with the Company, Code Section 414(m) with respect to affiliated service groups and any other entity required to be aggregated with

the Company under Section 414(o) of the Code. No entity shall be treated as an Affiliate for any period during which it is not part of the controlled group, under common control or otherwise required to be aggregated under Code Section 414.

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

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

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

(e) "Cause" shall mean (with regard to the Executive's termination of employment with the Control Group): (i) the refusal or willful failure by the Executive to substantially perform his or her duties, (ii) with regard to the Control Group or any of their assets or businesses, the Executive's dishonesty, willful misconduct, misappropriation, breach of fiduciary duty or fraud, or (iii) the Executive's conviction of a felony (other than a traffic violation) or any other crime involving, in the sole discretion of the Committee, moral turpitude.

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

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

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

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

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

(k) "Good Reason" shall mean (with respect to an Executive's termination of employment with the Control Group): (i) any material demotion of the Executive or any material reduction in the Executive's authority or responsibility, except in each case in connection with the termination of the Executive's employment for Cause or disability or as a result of the Executive's death, or temporarily as a result of the Executive's illness or other absence; (ii) prior to a Change in Control, a reduction in the Executive's rate of base salary as payable from time to time, other than a reduction that occurs in connection with, and in the same percentage as, an across-the-board reduction over any three-year period in the base salaries of all executives of the Company of a similar level and where the reduction is less than 20 percent of the Executive's base salary measured from the beginning of such three-year period; (iii) on or after a Change in Control, any reduction in the Executive's rate of base salary as payable from time to time; (iv) a reduction in the Executive's annual bonus classification level other than in connection with a redesign of the applicable bonus plan that affects all employees at the Executive's bonus level; (v) a failure of the Company to continue in effect the benefits applicable to, or the Company's reduction of the benefits applicable to, the Executive under any benefit plan or arrangement (including without limitation, any pension, life insurance, health or disability plan) in which the Executive participates as of the date of the Change in Control without implementation of a substitute plan(s) providing materially similar benefits in the aggregate to those discontinued or reduced, except for a discontinuance of, or reduction under, any such plan or arrangement that is legally required and/or generally applies to all executives of the Company of a similar level, provided that in either such event the Company provides similar benefits (or the economic effect thereof) to the Executive in any manner determined by the Company; or (vi) failure of any successor to the Company to assume in writing the obligations hereunder.

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

(m) "Severance Benefit" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 24 month period following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 26 weeks; or (ii) in the case of an Executive's termination of employment within the 24 month period

following a Change in Control, two weeks' Salary plus prorated Bonus multiplied by the Executive's Years of Service, with a minimum of 104 weeks. The Executive's prorated Bonus for one week shall equal the Executive's Bonus divided by 52. In no event, however, shall the Severance Benefit payable to an Executive hereunder be less than 12 months' Salary.

(n) "Severance Period" shall mean (i) in the case of the Executive's termination of employment that does not occur within the 24 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 52 weeks; or (ii) in the case of an Executive's termination of employment within the 24 month period following a Change in Control, two weeks multiplied by the Executive's Years of Service, with a minimum of 104 weeks.

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

2. Term. The initial term of this Agreement shall end on December 31 of the year following the year in which this Agreement is entered into. On December 31 of each year, the term shall be automatically renewed for an additional one year so that the term shall then be for two years, unless the Committee notifies the Executive prior to any December 31 that the term shall not be renewed. Notwithstanding anything in this Agreement to the contrary, if the Company becomes obligated to make any payment to the Executive pursuant to the terms hereof at or prior to the expiration of this Agreement, then this Agreement shall remain in effect until all of the Company's obligations hereunder are fulfilled.

3. Benefits Upon Termination. In the event the Executive's employment with the Control Group is terminated without Cause or the Executive terminates employment with the Control Group within 60 days after the occurrence of a Good Reason event with regard to the Executive, the Executive shall be entitled to a Severance Benefit as set forth below.

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

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

(c) The Executive shall only be entitled to the portion of his or her Severance Benefit described in (b) above if the Executive does not engage in Competition during the one year period following his or her termination of employment with the Control Group and if the Executive has not materially violated the provisions of Section 14 hereof. If the Executive does engage in Competition or violates the provisions of Section 14 during such one year period, the portion of the Executive's Severance Benefit described in (b) above shall be forfeited. If the restriction set forth in this subsection is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

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

(e) The Executive shall continue, to the extent permitted under legal and underwriting requirements (if any), to participate during his or her Severance Period in any group medical, dental or life insurance plan he or she participated in prior to his or her termination of employment, under substantially similar terms and conditions as an active Employee; provided participation in such group medical, dental and life insurance benefits shall correspondingly cease at such time as the Executive becomes eligible for a future employer's medical, dental and/or life insurance coverage (or would become eligible if the Executive did not waive coverage). Notwithstanding the foregoing, the Executive may not continue to participate in such plans on a pre-tax or tax-favored basis. Notwithstanding anything else herein, the Executive shall not be entitled to any benefits during the Severance Period other than the benefits provided in Section 3 herein and, without limiting the generality of the foregoing, the Executive specifically shall not be entitled to continue to participate

in any group disability or voluntary accidental death or dismemberment insurance plan he or she participated in prior to his or her termination of employment. Without limiting the generality of the foregoing, the Executive shall not accrue additional benefits under any pension plan of the Employer (whether or not qualified under Section 401(a) of the Code) during the Severance Period, provided, however, that payment of any Severance Benefit shall be included in the Executive's earnings for purposes of calculating the Executive's benefit under the Venator Group Retirement Plan, Venator Group 401(k) Plan, and Venator Group Excess Cash Balance Plan.

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

(g) Notwithstanding anything else herein, to the extent the Executive would be subject to the excise tax under Section 4999 of the Code on the amounts in (a) or (b) above and such other amounts or benefits he or she received from the Company and its Affiliates required to be included in the calculation of parachute payments for purposes of Sections 280G and 4999 of the Code, the amounts provided under this Agreement shall be automatically reduced to an amount one dollar less than that, when combined with such other amounts and benefits required to be so included, would subject the Executive to the excise tax under Section 4999 of the Code, if, and only if, the reduced amount received by the Executive, would be greater than the unreduced amount to be received by the Executive minus the excise tax payable under Section 4999 of the Code on such amount and the other amounts and benefits received by the Executive and required to be included in the calculation of a parachute payment for purposes of Sections 280G and 4999 of the Code.

4. No Duty to Mitigate/Set-off. The Company agrees that if the Executive's employment with the Company is terminated during the term of this Agreement, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Agreement. Further, except to the extent provided for in Section 3(c), the amount of the Severance Benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive or benefit provided to the Executive as the result of employment by another employer or otherwise. Except as otherwise provided herein, the Company's obligations to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive. The Executive shall retain any and all rights under all pension plans, welfare plans, equity plans and other plans, including other severance plans, under which the Executive would otherwise be entitled to benefits.

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

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

Reason or for Cause; and (f) except as specifically provided to the contrary herein, to process and approve or deny benefit claims and rule on any benefit exclusions. All determinations made by the Committee (or any delegate) with respect to any matter arising under the Agreement shall be final, binding and conclusive on all parties.

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

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

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

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

and (c) inform the Claimant of his or her right pursuant to this section to request review of the decision.

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

8. Incompetency; Payments to Minors. In the event that the Committee finds that a Participant is unable to care for his or her affairs because of illness or accident, then benefits payable hereunder, unless claim has been made therefor by a duly appointed guardian, committee, or other legal representative, may be paid in such manner as the Committee shall determine, and the application thereof shall be a complete discharge of all liability for any payments or benefits to which such Participant was or would have been otherwise entitled under this Agreement. Any payments to a minor pursuant to this Agreement may be paid by the Committee in its sole and absolute discretion (a) directly to such minor; (b) to the legal or natural guardian of such minor; or (c) to any other person, whether or not appointed guardian of the minor, who shall have the care and custody of such minor. The receipt by such individual shall be a complete discharge of all liability under the Agreement therefor.

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

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

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

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

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

14. Confidentiality. The Executive shall not at any time during the term of this Agreement, or thereafter, communicate or disclose to any unauthorized person, or use for the Executive's own account, without the prior written consent of the Board, any proprietary processes, or other confidential information of the Company or any subsidiary concerning their business or affairs, accounts or customers, it being understood, however, that the obligations of this section shall not

apply to the extent that the aforesaid matters (a) are disclosed in circumstances in which the Executive is legally required to do so, or (b) become generally known to and available for use by the public other than by the Executive's wrongful act or omission.

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

16. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, or in such other city in which the Executive is then located, in accordance with the rules of the American Arbitration Association then in effect. The determination of the arbitrators, which shall be based upon a de novo interpretation of this Agreement, shall be final and binding and judgment may be entered on the arbitrators' award in any court having jurisdiction. The Company shall pay all costs of the American Arbitration Association and the arbitrator.

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

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

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

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

VENATOR GROUP, INC.

By: /s/ Gary M. Bahler

/s/ John F. Gillespie

John F. Gillespie

APPENDIX A

Change in Control

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

ATTACHMENT B

July 2, 1999

Board of Directors
Venator Group, Inc.
233 Broadway
New York, New York 10279

Gentlemen:

I hereby resign my position as Senior Vice President - Human Resources of Venator Group, Inc. (the "Company"), and from any other position as an officer or director that I may hold with the Company or with any subsidiary or affiliate thereof, effective at the close of business on July 2, 1999.

Yours truly,

EXHIBIT 12

VENATOR GROUP, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)
($ in millions)

	26-weeks ended		Fiscal Years Ended				
	July 31, 1999	Aug. 1, 1998	Jan. 30, 1999	Jan. 31, 1998	Jan. 25, 1997	Jan. 27, 1996	Jan. 28, 1995
NET EARNINGS							
Income (loss) from continuing operations, after-tax	$ (52)	14	3	213	209	29	23
Income tax expense (benefit)	(34)	10	(42)	120	139	34	41
Interest expense, excluding capitalized interest	33	25	57	36	53	91	85
Portion of rents deemed representative of the interest factor (1/3)	90	82	180	163	162	157	150
	$ 37	131	198	532	563	311	299
FIXED CHARGES							
Gross interest expense	$ 34	27	64	36	53	91	85
Portion of rents deemed representative of the interest factor (1/3)	90	82	180	163	162	157	150
	$ 124	109	244	199	215	248	235
RATIO OF EARNINGS TO FIXED CHARGES	0.3	1.2	0.8	2.7	2.6	1.3	1.3

Earnings were not adequate to cover fixed charges by $87 for the twenty-six weeks ended July 31, 1999 and by $46 million for the fiscal year ended January 30, 1999.

EXHIBIT 15

Accountants' Acknowledgment

Venator Group, Inc.
New York, New York

Board of Directors:

Re: Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832, 333-07215, 333-21131 and 333-62425 on Form S-8 and Numbers 33-43334 and 33-86300 on Form S-3

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated August 18, 1999 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 9, 1999

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EXHIBIT 99

Independent Accountants' Review Report

The Board of Directors and Shareholders
Venator Group, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Venator Group, Inc. and subsidiaries as of July 31, 1999 and August 1, 1998, and the related condensed consolidated statements of operations, comprehensive loss, and cash flows for the twenty-six week periods ended July 31, 1999 and August 1, 1998. These condensed consolidated financial statements are the responsibility of Venator Group, Inc. management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Venator Group, Inc. and subsidiaries as of January 30, 1999, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 10, 1999, except for note 23 which is as of March 19, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 1999, 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 18, 1999