

Footstar's Code of Conduct and Compliance Program

The associate guide to making the right decisions in the workplace



Footstar's Code of Conduct and Compliance Program

Footstar and its Senior Management Team are committed to a policy of compliance with the law and maintaining high ethical and professional standards by acting with honesty and integrity. All Officers, Directors and Associates share in the responsibility to maintain these standards and to comply with Company policies and procedures.

Our goal is to create and maintain a strong internal control environment, whose standards encompass what we believe to be the best attributes in which to operate our business. They are:

- Truth, accuracy and integrity when reporting any and all financial and other Company information;
- Open and honest communication across all levels of the organization; and
- Open and honest context for all decisions.

It is crucial that we all follow these same standards and values as reflected in Footstar's Code of Conduct. This pamphlet is Footstar's guide to helping us make the right decisions in the workplace and defines the common sense behavior required of all of us to ensure we maintain the highest standards of integrity and propriety.

Table of Contents

| | |
|--|----|
| About This Guide | 2 |
| Reporting Procedures..... | 3 |
| Conflicts of Interest | 4 |
| Gifts and Bribes | 6 |
| Fraud | 8 |
| Antitrust | 10 |
| Proprietary Information | 12 |
| Financial Records and Controls | 14 |
| Inside Information | 16 |
| Media and Financial Community | 18 |
| Information Security..... | 20 |
| Equal Employment Opportunity..... | 22 |
| Harassment-Free Workplace | 24 |
| Substance-Free Workplace | 26 |
| Health Safety and Environment | 28 |
| Workplace Violence | 30 |
| Political Activities | 32 |
| Copyright Compliance | 34 |
| Corrective Action | 36 |
| Appendix A: Equal Employment Opportunity and Anti-Harassment Policy and Complaint Procedure | |
| Signature Sheet | |

About This Guide

The Footstar Code of Conduct and Compliance Program (“Guide”) sets forth the standards of conduct adopted by the Company. This Guide is applicable to all Directors, Officers and Associates of the Company. You should read this Guide carefully and keep it nearby for quick reference.¹ It is the policy of Footstar to comply with Federal and State laws and regulations regarding employee practices.

In order to facilitate the implementation and interpretation of this Guide, the Company has established a Corporate Business Ethics Committee to advise and assist Associates on matters relating to the interpretation of business ethics. The committee consists of the General Counsel and Ethics Officer, the Senior Human Resources Officer and the Senior Financial Officer. In addition, the directors of Human Resources for the Corporate and Field organizations have been designated as the representatives (“Representative”) to coordinate matters relating to business ethics with the Corporate Business Ethics Committee. Each Representative will oversee the administration of and compliance with the policies set forth in this Guide and will respond to questions or other policy matters requiring interpretation. In most instances, Associates should bring questions concerning the policies described in this Guide to the attention of their Representative, who may in turn refer matters of policy interpretation to the Corporate Business Ethics Committee.

Although your Representative is responsible for ensuring that the Guide is being followed, please bear in mind that we are each responsible for our own actions. Consequences for violations of the policies set forth in the Guide can be serious. Violations may expose the Associate and the Company to civil and criminal liability and harm our reputation and competitive position. Any Associate who violates Company policy is subject to disciplinary measures and may face termination.

If there is a question regarding legality of any action, the Associate or Representative should seek guidance from the General Counsel’s office. Failure to follow the advice of legal counsel could lead to a violation of law. Remember, however, that ethical business conduct may require more than merely complying with the law. Your actions should always be guided by the principles of honesty and integrity. This means you must always evaluate and give due consideration to alternative courses of action in light of ethical considerations.

This Guide should be viewed as a supplement to any other Corporate policies related to the areas discussed in the Guide. It is not intended to be all-inclusive and offers general guidelines only. It is not intended as a contract, express or implied, and it does not alter the “at will” relationship between the Company and its Associates. Just as Associates are free to resign at any time for any reason, Footstar continues to have the absolute right to terminate any Associate with or without cause or notice. This Guide may be amended or changed by the Company at any time. Any changes to this Guide will be posted on the corporate intranet at <http://www.corp.footstar.com>. If you have any questions you may contact your Human Resources Representative.

¹ This Guide is available on the Company’s internet site at <http://www.footstar.com> and intranet site at <http://www.corp.footstar.com>.

Reporting Procedures

If you have been involved in, or become aware of any violation of Company policy by another Associate, it is your responsibility to report it to an appropriate contact - your supervisor, Representative or a member of the Corporate Business Ethics Committee. To the extent practicable, the Company will endeavor to maintain the confidentiality and anonymity of the report. There may be times or circumstances, however, where for legal or other reasons (including, among other things, the need to investigate and verify the report or related information) it is not possible or appropriate to maintain the confidentiality or anonymity of such matter, in which case we will avoid any prejudice to the Associate or retaliation against the Associate. If you fear reprisal, this concern should be expressed at the time of the report. In such circumstances the identity of the person(s) shall be kept in the strictest confidence.

The Company understands that there may be cases when you might want to report concerns about violations anonymously. If you prefer to remain anonymous, you may contact the Business Abuse/Independent Ethics Hotline at **1-800-241-5689**.

If you report in good faith a suspected violation of a Company policy, you will not be subject to retaliation for doing so. Good faith does not mean that a reported concern must be correct, but it does require that you are truthful when reporting a concern. Retaliation, retribution, or harassment against any Associate who in good faith reports policy violations is strictly prohibited. Retaliatory or related conduct is grounds for discipline, up to and including termination.

The Company will fully investigate each reported violation. If the reported violation is substantiated, the Company will take appropriate action, which may include a warning, suspension or termination. Where an alleged violation cannot be substantiated, a general reminder will be made to the Associates involved regarding the possible consequences of substantiated violations. The Corporate Business Ethics Committee or your Representative will keep you apprised of the status of the investigation to the extent practicable.

If an Associate's report concerns questionable accounting, auditing, financial reporting, or internal financial controls matters and in good faith the Associate believes that the Company has not responded or will not respond in an appropriate manner or with appropriate action to the report or complaint, an Associate may report directly to the Chairperson of the Audit Committee of the Board of Directors c/o Corporate Secretary, 933 MacArthur Blvd., Mahwah, NJ 07430 or via email to **ftsbdcompliance@yahoo.com**. The Audit Committee has a central role in the investigation and resolution of complaints and issues raised by submissions which relate to accounting, auditing, financial reporting and internal controls.

All Footstar Associates have a responsibility to assist and cooperate in any investigation of any violation of Company policy, whether involving a report or information submitted by you or by anyone else. All Footstar Associates are also required to assist in any investigation by any regulatory or law enforcement agency and you must promptly notify the General Counsel and Ethics Officer if you are contacted by any such agency.

Business Abuse/Independent Ethics Toll Free Hotline: 1-800-241-5689

Mailing Address:

General Counsel and Ethics Officer

Footstar Corporation
933 MacArthur Boulevard
Mahwah, New Jersey 07430

The Corporate Business Ethics Committee

Maureen Richards, Mike Lynch, Dennis M. Lee
Telephone Number: 201.934.2000

Conflicts of Interest



The Company recognizes and respects the right of Associates to engage in outside financial, business and other activities. However, such outside activities should never impair or interfere with your conscientious performance of Company duties. When dealing with current or potential customers, suppliers, vendors, contractors, competitors and fellow Associates, you must always make your decisions based on what is in the best interest of the Company, without regard to your personal associations. To do this, you must avoid any situation that may create or give the appearance of a conflict of interest.

What is a conflict of interest?

A conflict of interest is anything impairing your ability to make decisions on behalf of the Company in a fair and unbiased manner and may include:

- Outside employment which interferes with your regular duties with the Company
- Outside employment with a competitor of the Company
- Having a direct interest or having a family member with an interest in another business which does business with or is competitive with the Company*
- Using information you learned in your position with the Company to benefit another company in which you have an interest
- Participating in a business transaction for personal gain based on information learned or relationships developed through your employment with the Company
- Failing to disclose that you are closely related to someone such as a vendor or supplier seeking to do business with the Company
- Failing to disclose that you are closely related to someone holding a financial interest in a competitor
- Employing close friends or relatives who report directly to you

Any potential conflict of interest should be immediately disclosed to management. If you are uncertain whether a transaction creates a conflict, consult with your supervisor, Human Resources Representative or other appropriate contact. Written approval must be obtained prior to your engaging in any activity potentially giving rise to a conflict.

*An investment of less than 0.1% generally will not create a conflict of interest.

Conflicts of interest look like:

- *Nancy, a new associate, worked for a major competitor prior to her employment with the Company. Until a replacement can be found, her former employer has asked that she continue to work on a limited basis as a consultant. Nancy may not perform any consulting services, as her former employer is a direct competitor of the Company.*
- *Bob regularly deals with a Sales Representative of X Corporation while performing duties for the Company. Bob is asked by the Sales Representative to join the Representative and five other individuals in a partnership formed to own income-producing real property. Bob should not join this partnership as this may affect his decisions relating to the use of that supplier.*
- *Dianne, a supervisor, is responsible for hiring an individual for an open position in her department. Dianne's sister is the most qualified candidate for the job. Because Dianne may be biased, this conflict must be disclosed. An impartial associate or manager must make the hiring decision. If hired, Dianne's sister cannot report to Dianne.*
- *Steve, an associate whose sister owns a food services company, overhears the best proposal received so far for the Company's on-site luncheonette. Steve then tells his sister who immediately submits a better proposal on behalf of her company.*

Gifts & Bribes



The Company understands that in the course of ordinary business dealings, Associates may be in a position to offer or receive gifts, favors or entertainment. While at times it may be respectful or appropriate to offer or receive gifts or entertainment, it is never acceptable to offer or accept any form of bribe.

What is a bribe?

A bribe is anything of value offered for the purpose of securing favored treatment from or for the Company and may include:

- Direct cash payments
- Lavish gifts of any kind such as jewelry, boats or cars
- All expense paid trips or vacations
- Unnecessary forms of entertainment such as dinners, sporting events, theater tickets, golf dates or outings of any kind that are excessive in frequency
- Loans received from any person or entity seeking business with the Company other than through normal channels
- An agreement whereby a payment due is artificially inflated in exchange for a partial return of funds (this is known as a kickback)
- Invoices for any disguised expense
- Unexplained rebates or discounts
- Payments to foreign officials for the purpose of obtaining or keeping business

As an Associate, you should *never* make or participate in the making of any bribe or payment, nor should you solicit, encourage or accept any bribe or payment specifically designed to influence your decision. ***Absolutely no gifts or favors may be provided to or accepted from government representatives.***

Under limited circumstances, the Company allows Associates to offer or accept business gifts, favors and entertainment. Associates are permitted to provide or accept token or commemorative gifts of nominal value. It is also permissible to provide or accept meals and refreshments associated with a legitimate business purpose. ***Gifts should never include cash.*** If there is any possibility whatsoever that giving or receiving the amenity could later be viewed as a bribe, you must not accept or offer the gift or amenity. If you are uncertain whether a gift or other offering is acceptable, consult your supervisor or other appropriate contact prior to accepting or offering the gift.

Unacceptable gifts and bribes look like:

- *John, a manager in the advertising department, places a significant amount of advertising in a local newspaper and is given two tickets covering all expenses for a week's trip to the Bahamas. John uses the tickets personally and not for the benefit of the Company.*
- *Linda, a supervisor, hires a vendor to do a project. She arranges a \$1,000 increase in the vendor's fee with the understanding that half of that will be returned to her in cash. (This is a kickback.)*
- *Steve, a Company manager, provides confidential information to a vendor bidding on a company contract in exchange for a fee.*
- *Mike, an apparel buyer, uses season tickets provided by a vendor to regularly attend baseball games.*
- *Nick, a quality assurance manager in Hong Kong, offers a foreign official a cash payment to facilitate a transfer of merchandise.*

Fraud



The Company wishes to foster an environment of mutual respect and trust. We conduct our business in accordance with the highest standards of honesty and integrity and expect the same from our Associates. This means we all must avoid fraudulent behavior of any kind.

What is fraud?

Fraud means any deliberate act intended to deceive people for the purpose of obtaining money or some other benefit, and may include:

- Falsifying Company records or financial statements
- Submitting false expense reports
- Misusing or tampering with Company property
- Forging checks
- Altering or falsifying time records
- Improperly changing Company financial statements

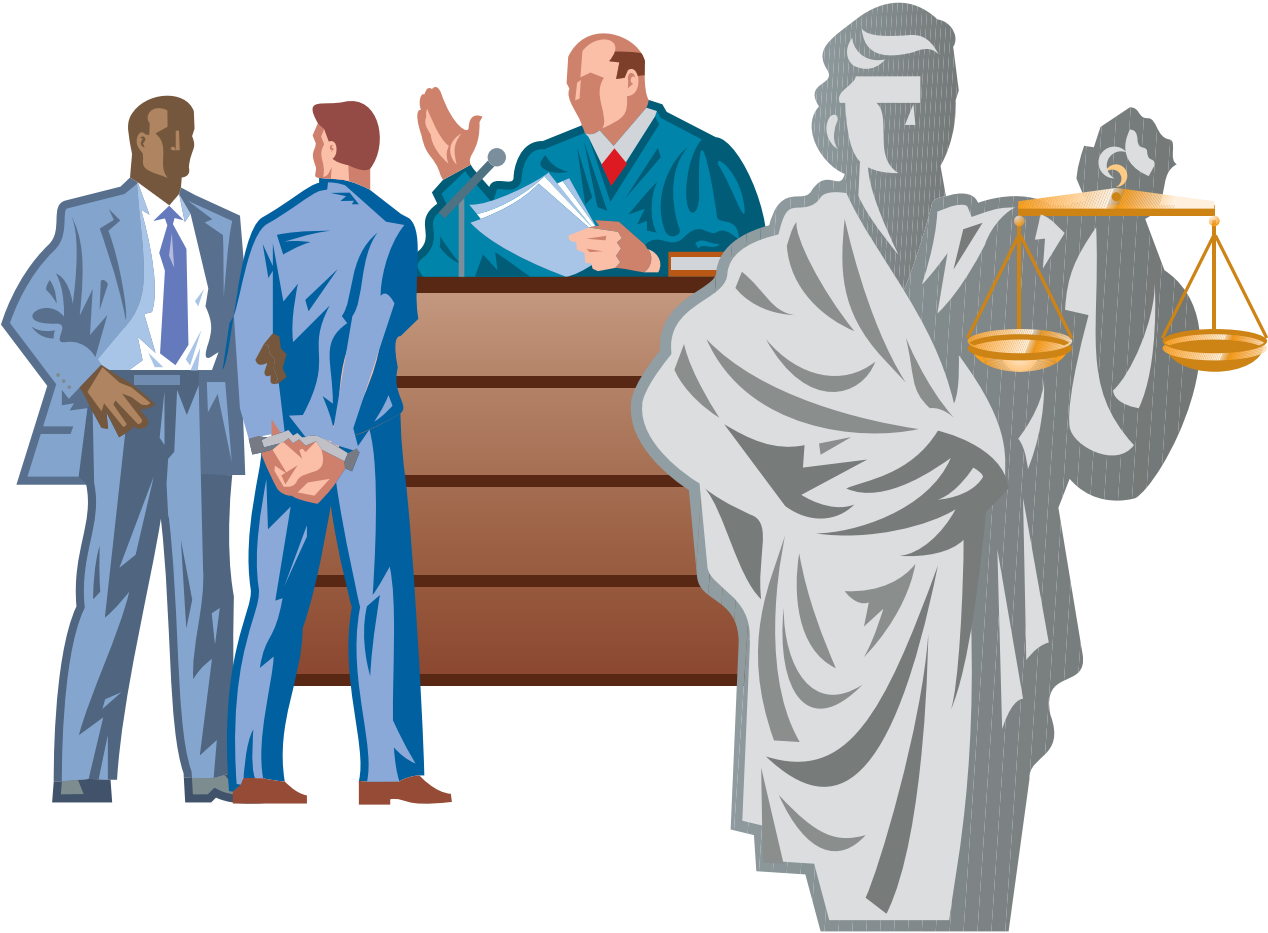
Remember that mistakes are common and acceptable, but fraud is *never* acceptable. Honest mistakes can be corrected if revealed. However, failure to reveal known mistakes may later be interpreted as fraud. In order to avoid even the appearance of fraud, you should immediately report any honest mistake or violation of Company policy to your supervisor or other appropriate contact.

If you report in good faith a suspected violation of a Company policy, you will not be subject to retaliation for doing so. Good faith does not mean that a reported concern must be correct, but it does require that you are truthful when reporting a concern. Retaliation, retribution, or harassment against any Associate who in good faith reports policy violations is prohibited. Retaliatory or related conduct is grounds for discipline, up to and including termination.

Fraud looks like:

- *David, an associate traveling on Company business, gets a free ride to the airport. He includes a \$50 taxicab charge for the same trip to the airport on his Company expense report.*
- *Karen, an accountant, receives \$100 in cash from an associate who is repaying the Company for a salary advance. She places \$75 in her pocket and deposits the remaining \$25 into the Company account.*
- *John, an associate, takes home some merchandise that was shipped to the Company in error.*
- *Mary uses the Company Federal Express account to overnight a personal document.*
- *Tina, a computer programmer, takes home software purchased by the Company and copies it into her personal home computer.*
- *Jane, a secretary, regularly uses the Company postage machine to stamp her personal mail.*

Antitrust



The Company fully supports open markets and vigorous competition among competitors. As part of this, we are committed to ensuring compliance with all antitrust laws pertaining to our business. Compliance with the letter and the spirit of the antitrust laws is important, because consequences for violations can be serious. It is the goal of the Company to avoid even the appearance of anti-competitive conduct.

What is an antitrust violation?

Anti-trust law prohibits making agreements or sharing information with competitors or customers in order to unreasonably restrain trade or restrict competition, and may include:

- Sharing information with competitors that relates to costs, pricing, market share, strategic planning, products, services or business practices
- Dividing or allocating customers, territories or portions of the market among competitors
- Contracts in which the sale of a product or service is conditioned upon the purchase of another product
- Contracts in which, as a condition of sale, a buyer agrees not to purchase a competitor's product
- Agreeing with competitors not to sell to or buy from, or to withhold services from certain individuals or firms (this is known as group boycott)
- Selling at unreasonably low prices for the purpose of destroying competition or eliminating a specific competitor (this is known as predatory pricing)
- Agreeing to maintain a manufacturer's "suggested" resale or retail price (this is known as price fixing)
- Marking down pre-priced merchandise where the "mark-down" price is the same as the regular everyday selling price

Because anti-trust law is complex and often difficult to understand, you should always consult with the Legal Department prior to engaging in any interaction with competitors. As a general rule, always use extreme care when talking with competitors. This means, when interacting with competitors you should never discuss prices, products, suppliers, services, business practices, territories, distribution channels, customers or other elements of competition. In the event you are contacted by a state or federal government agency, you should politely decline to provide any information and should refer the caller or agent to the Legal Department.

Antitrust violations look like:

- *Two competitive companies confer and agree to set prices that they will charge customers.*
- *A small upstart company begins to gain market share. Two competitors of this company agree to drop prices below their cost for a fixed period of time in order to drive the upstart company out of business.*
- *Two competitive companies agree to split customers or market territory.*

Proprietary Information



Information is key to the Company's competitive advantage. Thus, safeguarding Company information is crucial to our success. It is the responsibility of all Associates to protect the Company's proprietary information both during and after employment. Similarly, Associates should protect the proprietary information of third parties doing business with the Company. This means properly identifying proprietary information and taking steps to prevent its disclosure.

What is proprietary information?

Proprietary information is any information that is confidential, privileged or of value to the Company that is not generally known in the trade or industry that helps the Company maintain a competitive advantage, and may include:

- Company financial documents such as financial statements and strategic business plans
- Agreements between the Company and its Associates, vendors or other third parties
- Company Guides and procedures
- Associate personnel files
- Computer software
- Product and design documents
- Intellectual Property owned by the Company such as trademarks, patents, copyrights or trade secrets
- Corporate development plans, including plans for future store locations

How can I protect proprietary information?

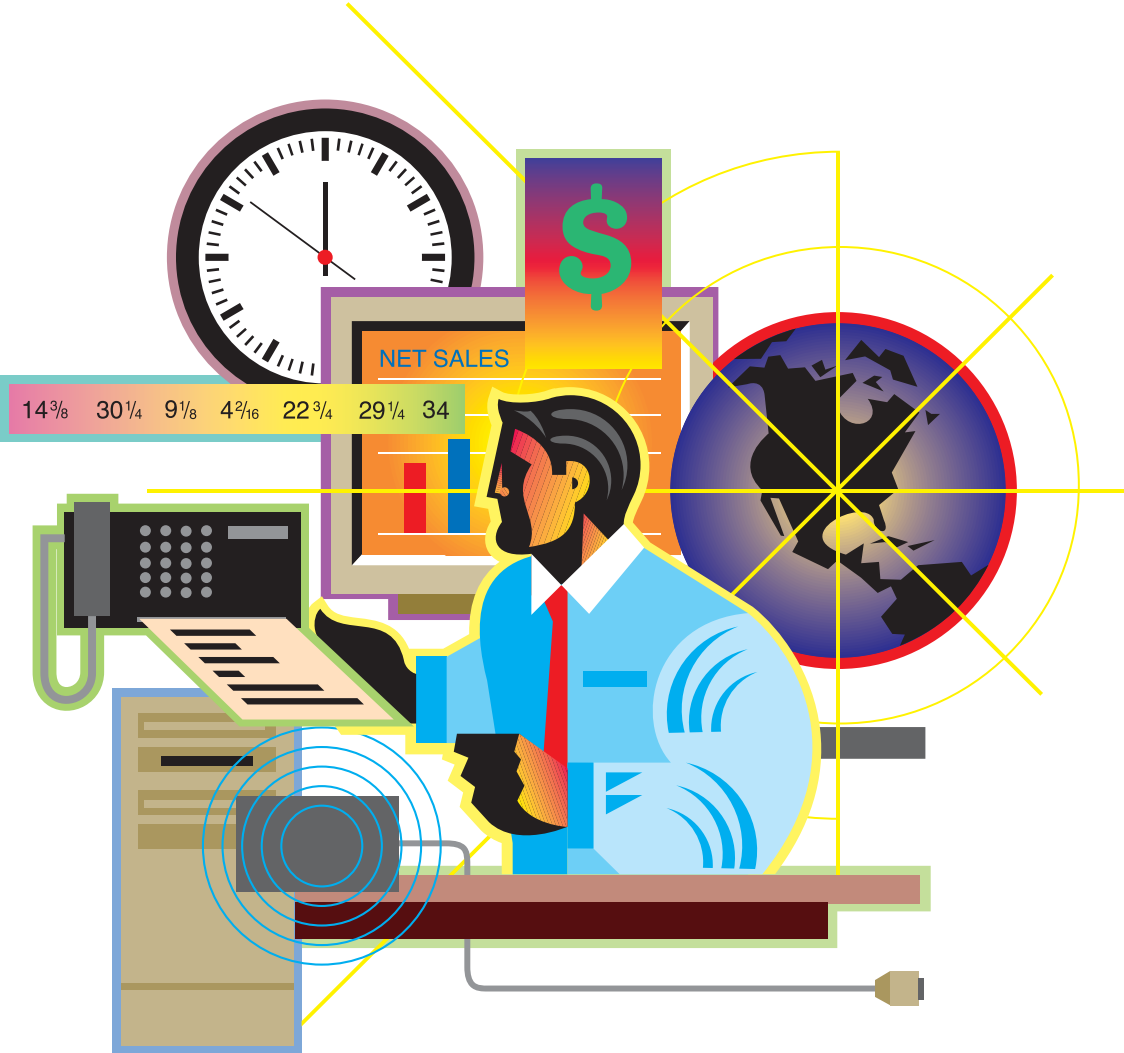
While it is impossible to list every method of maintaining confidentiality, below are some examples of how confidentiality can be preserved by Associates:

- Danielle, an associate in the Human Resources Department, keeps associates' personnel files in a fireproof, locked cabinet.
- David obtains a signed confidentiality agreement from a prospective vendor before providing this vendor with information about the Company.
- Debbie, in Product Development, documents the development of her new footwear design or invention for the Company and has a fellow associate, who understands the records, witness such documentation.
- Dante promptly informs the Company's legal department when he discovers that Y Company is using one of the Company's trademarks.

Improper use of proprietary information looks like:

- *Pam gives proprietary information about the Company that she learned on the job to a competitor or a vendor.*
- *Paul allows a third party to use the Company's name and logo on its web site, implying Company sponsorship without proper authorization.*
- *Peter improves a footwear design during his employment with the use of Company time and materials, and, without the Company's knowledge, sells the new design to a third party.*
- *Patricia signs a software license agreement and fails to abide by the terms and conditions of a software license agreement by copying the software for purposes other than backup.*

Financial Records & Controls



The Company prides itself on its financial strength and reputation for integrity and in doing so, has made a commitment to create a strong internal control environment. The standards we are committed to encompass what we believe to be the best attributes of a well-controlled company, including truth, accuracy and integrity when reporting any and all financial numbers. Therefore, the Senior Management Team will take all necessary steps to promote a culture throughout the Company in which all Officers, Directors, and Associates act with honesty and integrity. It is up to all of us to protect the Company's reputation by maintaining complete and accurate records of all business activity. This means Associates must always accurately record and report any information regarding funds, assets, transactions, and related business activities in accordance with generally accepted accounting principles.

What is inaccurate accounting?

Inaccurate accounting refers to any false or misleading entry made in any book or record of the Company and may include:

- Recording a sale in an improper accounting period or within an incorrect store or legal entity
- Failing to record appropriate markdowns on sales of product, which occurred at prices below normal retail
- Improperly recording operating expenses or costs, within the inventory system, as a component of a product's cost
- Receiving goods or services from a supplier during one accounting period and recording the liability and expense in a later accounting period
- Recording the receipt of cash from licensors in an improper accounting period
- Inaccurate or misleading disclosure of reportable transactions, within financial statements or related notes

Dishonest reporting, both inside and outside the Company will not be tolerated. No entries should be made on Company records that attempt to mislead, misinform or intentionally hide the true nature of any business transaction. In addition, Associates should never make financial records available outside the Company, nor should Associates transfer, lend, borrow or give Company property or assets without proper management authorization.

Improper financial records and controls look like:

- *Susan, an accountant, records sales and the related markdowns to the incorrect store.*
- *John, a department manager, receives an invoice in December for outside services (i.e. advertising, consulting etc.) and does not record the expense until February (a later accounting period).*
- *Barbara, in accounting, does not record or investigate reconciling items noted on bank reconciliations.*
- *Bill records certain lease costs as fixed asset additions rather than operating expenses.*
- *Jim, an accountant, provides financial information or records to individuals outside the Company without first obtaining the proper approval.*
- *Mary, a senior accountant, records a manual adjusting journal entry without the required supporting documentation and without proper manager approval.*

Inside Information



The reputation of the Company is reflected through the actions of every Associate. We rely on our Associates to uphold our reputation by acting with honesty and integrity at all times when dealing with the investment community. This means Associates should never appropriate to themselves, or divert to any other person or entity, any business or financial opportunity that the Associate knows, or reasonably could anticipate the Company would have an interest in pursuing, nor should Associates misuse non-public information in any way.

What is a misuse of inside information?

Inside information is any information which has not been properly disclosed to the public that may affect an investor's decision to buy or sell securities, including: financial results, strategic decisions, pending acquisitions and mergers, share repurchases, loss of key management, changes in earnings or other proprietary information learned through your association with the Company. A misuse of inside information occurs when an Associate improperly discloses or takes advantage of such non-public material information and may include:

- Purchasing, selling or otherwise trading in Footstar's securities while in the possession of material, non-public information regarding the Company.
- Purchasing, selling or otherwise trading securities of any other public company while in the possession of material, non-public information regarding that company including any information that was obtained through your position at Footstar.
- Recommending or otherwise causing the purchase, sale or other trade of securities by someone else of any public company (including Footstar) while in possession of material, non-public information regarding such company including any information that was obtained through your position with Footstar.

Associates who disclose or misuse non-public, material information concerning the Company's plans, successes or failures may violate the insider trading laws, and subject the Associate to severe criminal penalties. Moreover, such violations may lead to adverse consequences for the Company. If you are uncertain, please contact the General Counsel's office before you make or recommend a trade.

Misuse of inside information looks like:

- *Isabel learns of a potential acquisition that will improve the Company's market share. Prior to a public announcement of the acquisition, she purchases additional Company stock.*
- *Joanne, in the legal department, learns that a class action lawsuit is about to be served on the Company which could potentially decrease the value of Company stock. She immediately sells all of her Company stock.*
- *Jeff, a manager, learns that the Company is considering merging with another corporation and proceeds to buy stock in that corporation.*
- *One day prior to an announcement by the Company of lower than expected profits, Alex sells all of his Company stock.*
- *Two weeks prior to a public announcement of higher than expected profits, Helen an associate in the accounting department calls her sister and encourages her to purchase Company stock.*
- *Rick, an associate, overhears a conversation regarding the acquisition of a chain of stores. He immediately calls his friend who buys stock in the Company.*

Media & Financial Community



The Company is dedicated to providing accurate information to the media and financial community. Because the Company's response to requests for information can have serious implications, when providing information on the Company's products, operational strategies or financial results, we must ensure that the information is correct and that the Company is ready to release the information. Thus, when providing Company information, we must always exercise caution about how, when and by whom, information is released.

What is an improper response to a request for information?

An improper response to the media or financial analysts' request for information is *any* comment or statement about the Company, whether orally or in writing, made by an unauthorized individual or without proper approval, and may include:

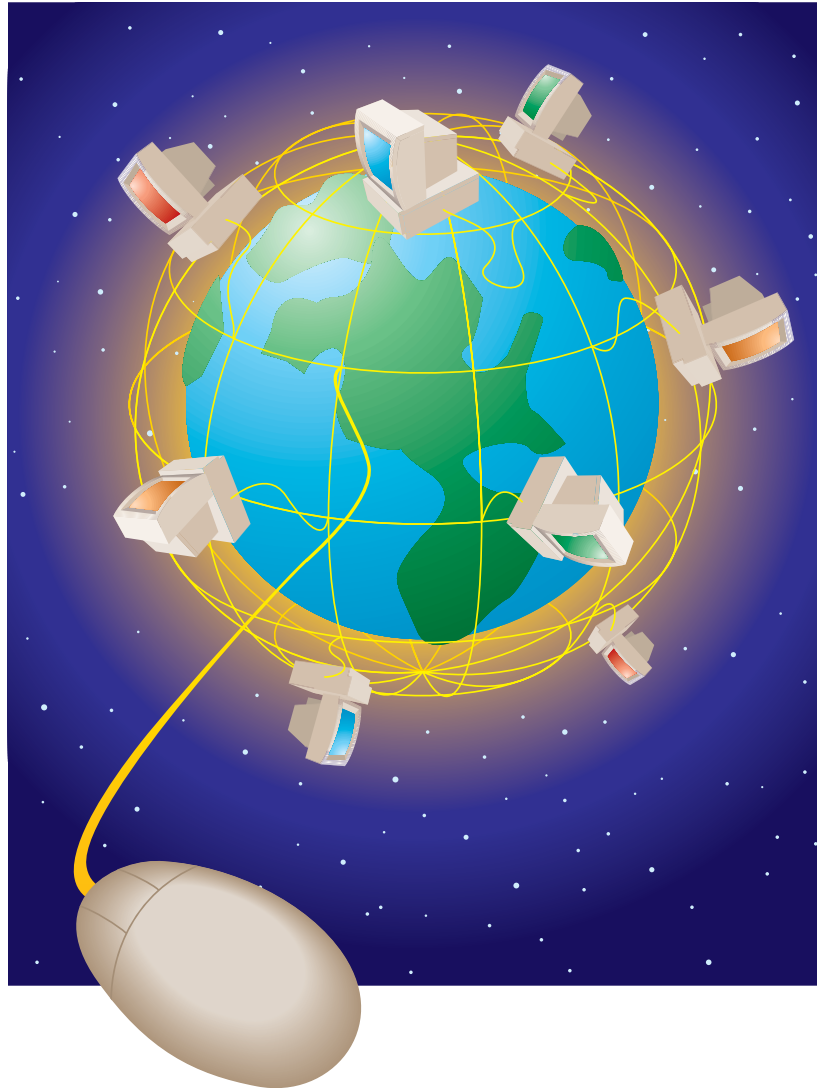
- Speculating on unusual changes in the price of the Company's stock or on rumors about a merger or acquisition
- Responding to questions about new products
- Failing to refer a media request to an authorized spokesperson
- Posting information related to a Company product, policy or process, stock performance, operational strategies, financial results, customers or competitors on the Internet in public forms such as chat rooms and bulletin boards
- Commenting on the Company or an industry in which the Company does business
- Responding to comments about the Company on an Internet bulletin board or chat room

Within the Company, there are spokespersons authorized to respond to requests for information about the Company's products and/or business practices. Within certain parameters, these authorized spokespersons may release information to and respond to requests for information from the local and trade press. Any requests for information must be forwarded to the appropriate spokesperson for response. If you are unsure how to handle a request for information or who that spokesperson is, please contact your supervisor, Representative or the Legal Department.

Improper responses to requests for information look like:

- *Hal, in finance, gets a call from a reporter who asks, "Is it true that you are about to acquire XYZ Company?" Steve says "I'm not sure, but there has been talk of it."*
- *Betty, in sales, is asked by a financial analyst why the Company's stock price went up. She responds, "We have had really strong sales in the Children's Footwear Division."*
- *Brian explains internal product development processes to a reporter.*
- *Danny posts opinions about the Company in an Internet chat room.*
- *Kevin responds to comments about the Company on an Internet bulletin board.*

Information Security



Electronic resources are becoming more commonly used and increasingly important in the normal conduct of the Company's business. The Company's electronic resources, including computers, computer software, voice messaging, e-mail, Intranet and Internet are only to be used in ways that do not violate the law or Company policies. In addition, all communication and information transmitted by, received from or stored in these resources are considered the property of the Company. The full text of Footstar's Information Security Policy is available on the Company's intranet site or from your Human Resources representative.

What are the guidelines for use of Company equipment?

- The Company's systems should only be used for work purposes. However, the Company does understand the need for limited, occasional and infrequent use of Company email, Internet and phone systems for personal purposes under certain circumstances. If you spend excessive time using email, Internet or phone for non-work matters, your access may be severely restricted or prohibited and/or you may face other disciplinary actions.
- The Company electronic resources must not be used to access, receive, store, create, use or transmit information that violates our Harassment Policy, Business Information Policy or to engage in *any* inappropriate activities.
- You should never send an email or other electronic communication in an attempt to hide your identity or represent the sender as someone else or from another company or allow another to use your access identification.
- You should not use e-mail to transmit confidential or sensitive information.
- Any use of the Company's name or service marks outside the course of the Associate's employment without the express authorization of Company Management is prohibited.
- Any media advertisement, Internet web site, electronic bulletin board posting, electronic mail message, voice mail message or any other public representation about the Company, or on behalf of the Company, may not be issued unless it has first been approved by the appropriate Company management.

Improper use of Company electronic equipment looks like:

- *Eliza sends, receives or stores any offensive, obscene or defamatory communication or material.*
- *Ellen sends chain letters, jokes, solicitations, or any other non-business material of a trivial or frivolous nature.*
- *Evan sends or responds to comments about the Company or its competitors on an Internet chat room or bulletin board without authorization.*
- *Eddy uses the Internet or email excessively for personal reasons.*
- *Bill downloads pornographic material from the internet and distributes it to his friends using the Company's computer systems.*

Please bear in mind that while we respect the privacy of our Associates, you should not have an expectation of privacy with respect to communications made using Company resources. The Company reserves the right to monitor and access the contents of all electronic and other communications to support operational, maintenance, auditing, security and investigative activities.

Equal Employment Opportunity



The Company is committed to providing a workplace that offers equal employment opportunity for all persons based solely on qualifications to perform job responsibilities, without regard to race, color, creed, religion, sex, age, national origin, veteran status, disability, sexual orientation or any other basis prohibited by federal or state law. Discrimination in connection with employment opportunities on the basis of any of these factors will not be tolerated.

What is Equal Employment Opportunity?

Equal Employment Opportunity is the law that seeks to create fairness in the workplace. Equal employment opportunity extends to all aspects of the employment relationship, including:

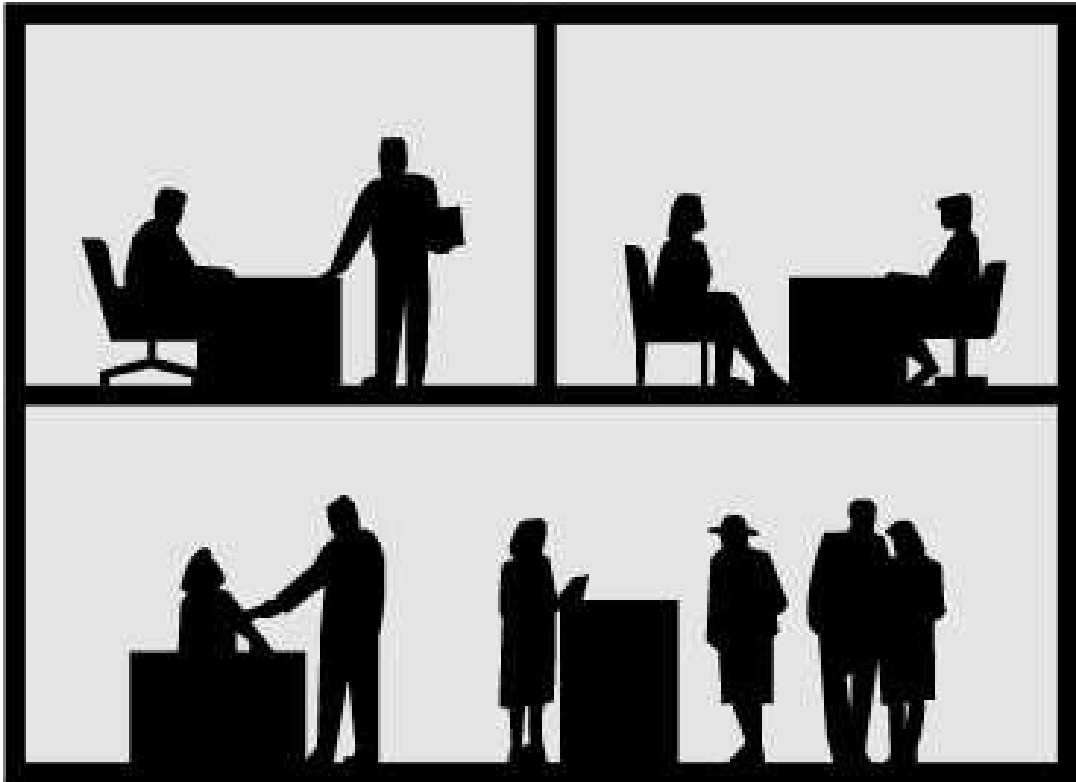
- Hiring
- Transfers
- Promotions
- Training
- Compensation
- Termination
- Disciplinary action
- Other terms and conditions of employment

The goal of the Company is to provide a workplace that is free of any kind of discrimination. If you believe that you have been the subject of discrimination, or if you have questions regarding the Company's position on discrimination, contact your supervisor, Human Resources representative or the Business Abuse/Independent Ethics Hotline. The full text of Footstar's Equal Employment Opportunity and Anti-Harassment Policy and Complaint Procedure can be found in Appendix A of this Guide.

An EEO violation looks like:

- *Joann, a supervisor, asks an obviously pregnant candidate, "Are you planning on having any more children."*
- *John, a 25-year associate with the Company, is the most qualified candidate for a promotion, but is told he cannot have the promotion because he is too close to retirement and the Company needs younger blood.*
- *Sue, a manager, is demoted after she explains that she cannot work on Sundays for religious reasons.*

Harassment-Free Workplace



The Company is dedicated to providing a workplace of mutual respect that is free from harassment of *any* kind. Associates have the right to be free from harassment on the job from co-workers, supervisors, managers, vendors or customers. Footstar prohibits any form of retaliation against any Associate who complains of perceived discrimination or harassment pursuant to this Policy, or any Associate who provides information in connection with any investigation. Retaliation will lead to corrective action up to and including termination. The full text of Footstar's Equal Employment Opportunity and Anti-Harassment Policy and Complaint Procedure can be found in Appendix A of this Guide, and is also available on the Company's intranet site or from your Human Resources representative and will be delivered to Associates as part of the regular training program.

What is workplace harassment?

Workplace harassment is unwelcome conduct, whether verbal, physical or visual that is based upon a person's status such as race, color, religion, sex, age, national origin, citizenship, disability, sexual orientation, veteran status or other protected group status that:

1. Creates an intimidating, hostile or offensive work environment; and/or
2. Causes work performance to suffer; and/or
3. Negatively affects job opportunities and may include:
 - Telling jokes about another person's protected status
 - Cartoons, pranks, slurs or innuendoes directed at a person based on his or her protected status

What is sexual harassment?

Sexual harassment is any unwelcome conduct based upon sex where:

1. Submission to such conduct is made explicitly or implicitly a term or condition of employment; and/or
2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; and/or
3. Such conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment and may include:
 - Unwelcome sexual advances
 - Requests for sexual favors
 - Verbal, visual or physical conduct based on sex

Sexual harassment may be directed toward a person of the same or the opposite sex.

Harassment of any kind is strictly prohibited. Associates who are found to have engaged in harassment are subject to disciplinary measures, up to and including immediate termination. If you feel you have been subjected to harassment, you should bring such activity to the immediate attention of your supervisor, Human Resources representative or the Business Abuse/Independent Ethics Hotline.

Revised as of 11/16/04

Harassment looks like:

- *Jill regularly tells jokes about sex, religion and race to her co-workers.*
- *Joe makes obscene sexual gestures and "comes on" to his co-workers with sexually suggestive comments.*
- *John, a Vice President, always looks his secretary up and down in a sexually suggestive manner when talking with her.*
- *Lisa downloads a pornographic screen saver from the Internet, which can be viewed by anyone who walks past her desk.*
- *Lorraine forwards lewd or offensive emails to her co-workers.*
- *Luther has a habit of intentionally brushing against his coworkers when he walks past them.*

Substance-Free Workplace



The Company is committed to creating a safe, healthy and secure work environment. As part of our commitment to work place safety, the Company prohibits the use of illegal drugs and the use of alcohol (other than in moderate amounts when provided at Company sponsored events) in the workplace.

What is substance abuse?

Substance abuse means the unauthorized use of alcohol or drugs while conducting Company business on or off Company premises and may include:

- Use, possession, manufacture or transfer of alcohol, drugs or other controlled substances
- Being under the influence of illegal drugs or alcohol
- Being under the influence of illegal drugs or alcohol while operating any Company vehicle or equipment
- Misuse of prescription drugs

Violations will result in removal from the work site and disciplinary action up to and including termination. Any Associate convicted of violating Federal or state laws against the use, transfer or possession of illegal drugs or controlled substances on Company property, while on Company business or in a Company vehicle will automatically be considered to have violated the Company policy. Associates must report convictions to management within five (5) days of the conviction and are subject to discipline, up to and including termination.

Substance abuse in the workplace looks like:

- *Lisa keeps a bottle of vodka in her desk drawer at work and periodically “spikes” her coffee throughout the day.*
- *John smokes marijuana in the parking lot during his breaks.*
- *While at an off-site business meeting, Joe goes to the restroom to snort cocaine.*
- *Jessie shares her prescription medicine with a co-worker.*
- *Mary goes to a business lunch and drinks four drinks and then returns to work drunk.*

Health, Safety & Environment



The Company recognizes its obligation to carry out all of its activities in ways that preserve and promote a clean, safe and healthy environment. Thus, it is the Company's policy that all Associates comply strictly with the letter and spirit of applicable health, safety and environmental laws, by conducting all activities in a safe and ethical way.

How does the Company promote health and safety?

The Company protects the health and safety of its Associates by recognizing the following guidelines:

- Adherence to Occupational Safety and Health Administration (OSHA) regulations
- Adherence to Environmental Protection Agency (EPA) regulations
- Prohibiting the possession of firearms or any type of explosive materials on Company property
- Requiring that any environmental or safety hazards or concerns be promptly reported

Because there are many rules and regulations, abiding by them can be difficult and confusing. Your divisional Human Resources representative will have details of all regulations in force in your division. If you are unsure if an activity presents a safety or health risk, always contact your supervisor, Division Representative or the Legal Department.

Unsafe behavior related to health, safety and environmental practice looks like:

- *Dennis, an associate, carries a gun with him to work every day.*
- *Rick, in shipping, does not properly dispose of cardboard boxes and other waste.*
- *Peter, a store manager, does not follow safety guidelines.*

Workplace Violence



The Company is committed to preventing workplace violence and to maintaining a safe work environment. The safety and security of the Company's Associates, Customers, Vendors and the general public are of vital importance. The full text of Footstar's Workplace Violence Policy is available on the Company's intranet site or from your Human Resources representative.

What is workplace violence?

The Company defines violence to include physically harming another, shoving, pushing, harassment, intimidation, coercion, brandishing weapons, menacing gestures and threats or talks of violence.

- Associates are expected to refrain from fighting, "horseplay" or other conduct that may be dangerous to others.
- Possession of firearms, explosives or any lethal weapon or other dangerous or hazardous devices or substances is prohibited on Company premises.
- Conduct that threatens, intimidates or coerces another Associate, a Customer, Vendor, Visitor, or a member of the public at any time will not be tolerated. Threats include any verbal or physical harassment, attempts at intimidation or to instill fear in others, menacing gestures, flashing of concealed weapons, stalking, verbal or physical abuse, or other hostile, aggressive, injurious, and destructive actions undertaken for the purpose of domination or intimidation.
- All threats of (or actual) violence, both direct and indirect, should be reported as soon as possible to your immediate supervisor, your Human Resources representative or the Business Abuse/Independent Ethics hotline. Do not place yourself or others in peril.

The Company will promptly and thoroughly investigate all reports or threats of (or actual) violence and of suspicious individuals or activities. In order to maintain workplace safety and the integrity of the investigation, the Company may suspend Associates, either with or without pay, pending investigation. No Associate shall be subject to retaliation as a result of reporting a threat under this policy.

Anyone determined to be responsible for threats of (or actual) violence or other conduct that is in violation of these guidelines will be subject to disciplinary measures, up to and including immediate termination. Disciplinary action up to and including termination may also be taken against anyone who knowingly makes a false or malicious claim under this Policy.

Workplace violence violations look like:

- *Mary brings a gun to work and stores it in her desk drawer.*
- *Doug and Darlene are up for the same promotion. Doug takes Darlene aside and tells her that if he doesn't get the promotion, he can not be held responsible for his actions and implies that he will hurt her.*
- *Joe and Mike start to argue in the cafeteria. Joe raises his fist to Mike and says, "Get out of here or I'll kill you."*

Political Activities



The Company respects the right of Associates to individually participate in political activities on behalf of themselves or any candidate. However, there are laws on Federal, State and local levels that govern the involvement of the Company in political activities. In order to ensure compliance with this highly sensitive area, the Company has created guidelines for involvement in political activities.

What are the guidelines for political activity?

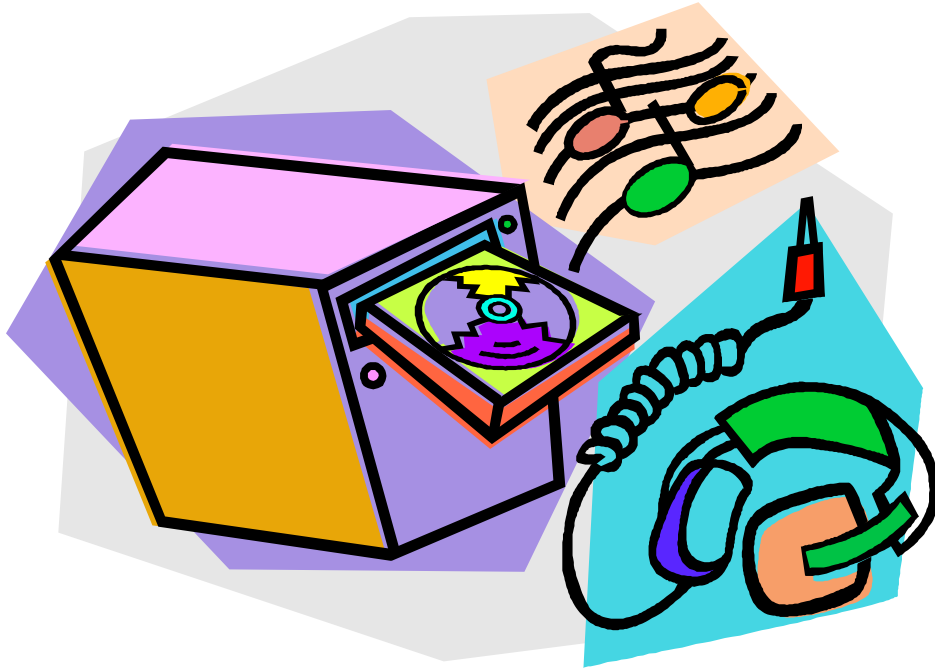
1. Political contributions by or on behalf of the Company are prohibited unless reviewed and approved by the Corporate Business Ethics Committee. Political contributions include any direct or indirect payments in support of political candidates, office holders or political parties and may take the form of:
 - Cash payments
 - Loan of Company personnel during paid working hours
 - Purchase of tickets to fundraising events
 - Payment for advertisements, printing or other campaign expenses
2. The use of Company time, equipment, property or other assets in the conduct of political activities is prohibited.
3. Any Associate wishing to be a candidate for public office, elective or appointive should obtain prior approval from the Company.

Associates are encouraged to participate in the electoral process at all levels of government by voting and by supporting candidates and issues of their choice. The Company's policy does not apply to any individual participation in political activities conducted outside of normal business hours that do not create a conflict, including the making of personal contributions to political candidates or activities.

Inappropriate political activities in the workplace look like:

- *During Company time, Tom asks that associates in his department purchase tickets to a political fundraiser for a candidate supported by a major client.*
- *Ned distributes and posts flyers throughout the office for a candidate running for political office.*
- *Jeff, in purchasing, sends an email to all of his vendors urging them to vote for a candidate he supports.*
- *Mike, a manager, agrees to make a contribution to his favorite political candidate in the name of the Company.*
- *Ryan, a store manager, runs for mayor of the town in which his store is located. This creates a conflict, as he could become involved with licenses, permits or other governmental functions on which the town and Company positions would differ.*

Copyright Compliance



As part of the Company's mission to maintain the highest standards for ethical conduct, we, at Footstar, are committed to fulfilling our legal obligations with respect to our use of copyright-protected works. As such, we have set forth policies for all Associates to demonstrate our respect for intellectual property and compliance with the law.

No employee of Footstar may reproduce any copyrighted work in print, video or electronic form in violation of the law. The easiest way to ensure no violation is by receiving express written permission of the copyright holder. Questions concerning copyright matters should be addressed to the Footstar Legal Department.

Please note: Works are protected by copyright laws in the U.S. even if they're not registered with the U.S. Copyright Office and even if they do not carry the copyright symbol (©). Copyrighted works include, but are not limited to, written text (e.g., articles from publications, training materials, manuals), TV and radio programs, videotapes, recorded music, photographs, graphics, computer software, and web pages. Reproducing, displaying or distributing copyrighted material, without permission, infringes on the copyright holder's rights.

What is copyright infringement?

Copyright infringement is the unauthorized use of another's original work and may include the following:

- Use of someone else's fabric pattern on our footwear without permission
- Unauthorized duplication, distribution or use of someone else's computer software
- Duplication & distribution of music utilizing "file sharing programs" such as Gnutella or KaZaA
- Playing music (either by a DJ or musician, or on the radio or television) at Company event without obtaining permission from the performing rights organizations (i.e., ASCAP, BMI and SESAC)

The Company encourages its Associates to educate their peers on copyright compliance. If any Associate witnesses a potential copyright infringement, we encourage such Associate to bring the matter to the attention of the individual as well as to the Legal Department.

Associates who use the Company's computers or other equipment to illegally duplicate copyrighted material or act as a provider of unlicensed materials to others may be subject to disciplinary action up to and including termination.

Copyright infringement looks like:

- *Janice, a footwear designer, uses a pattern created by someone else on a new shoe she designed without the permission of the original creator.*
- *Sam, an information systems specialist, uses the Company's Microsoft Office installation CD to upgrade his personal computer without the permission of the Company and Microsoft.*
- *Allison, a legal assistant, downloads music from the internet during her lunch break and burns it onto a CD.*
- *Matthew, an event planner, hires a DJ to play music at the Company's annual picnic without obtaining the proper permission from the music industry.*
- *Joe, a store manager, plays a popular CD in his store during business hours without obtaining the proper permission from the music industry.*

CORRECTIVE ACTION

Corrective action will be based upon the circumstances of each individual case, and may include:

- Verbal warning(s).
- Written warning(s), which may include a performance action plan.
- Suspension.
- Discharge.

Violations of Footstar's Code of Conduct and Compliance Program should be documented by using the Associate Counseling Statement Form. The severity of the corrective action generally will depend upon the nature of the violation and the Associate's record. Depending upon the facts, discharge may be the first and only corrective action imposed.

APPENDIX A

EQUAL EMPLOYMENT OPPORTUNITY AND ANTI-HARASSMENT POLICY AND COMPLAINT PROCEDURE

POLICY

Footstar is an equal opportunity employer. Our employment policies will be administered without regard to race, color, sex, religion, national origin, age, disability, veterans' status, sexual orientation, or any other status or condition that is protected by applicable federal, state or local law. Footstar prohibits discrimination, including harassment, on any of these classifications.

To ensure a workplace that is free from discrimination and harassment, Footstar prohibits harassment in the form of sexual advances, requests for sexual favors or other verbal, visual, or physical conduct such as comments, slurs, jokes, innuendoes, cartoons, pranks, physical harassment, or other unprofessional behaviors that are derogatory on the basis of an individual's race, color, sex, religion, national origin, age, disability, veterans' status, sexual orientation, or any other status or condition that is protected by applicable federal, state or local law.

Associates have the right to be free from harassment on the job, either from co-workers, supervisors, managers, vendors or customers. Harassment, including sexual harassment, is prohibited by federal, state and local anti-discrimination laws where:

- Submission to such conduct is made either explicitly or implicitly a term or condition of employment;
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or
- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

All Associates are prohibited from engaging in the harassment of any other Associate in the course of conducting business, whether or not on Company property.

COMPLAINT PROCEDURE

Any Associate who believes he or she has been discriminated against or harassed in violation of this Policy should first attempt to resolve the problem through an informal discussion with the other person, if possible. Such informal discussion often resolves the situation. However, **no Associate is required** to attempt such informal discussion.

If an Associate is uncomfortable discussing his/her concerns with the person engaging in the inappropriate behavior, the Associate is encouraged to raise the issue with select members of management or the divisional Human Resources department. The appropriate contacts are:

- Corporate offices: Director of Human Resources, Human Resources Managers,
- Field: Director of Field Human Resources, Divisional Training Managers, District Managers

(continued)

Additionally, any Associate may lodge a discrimination or harassment complaint by contacting the Business Abuse Hotline at **800-241-5689**.

To avoid delay, all complaints should be made within 90 days of the occurrence of the inappropriate behavior. Footstar may extend this period where extenuating circumstances cause the delay in filing. The Company will promptly and thoroughly investigate every complaint of perceived violations of this Policy. For this reason it is imperative that all managers and supervisors immediately report all such complaints to the Human Resources department. All investigations shall be kept confidential to maximum extent possible.

In investigating complaints under this Policy, the Company shall determine whether there has been a violation of this Policy. If the Company determines that a violation has occurred, it shall take appropriate disciplinary and corrective action, up to and including discharge of the offending Associate. The Company shall also periodically follow-up with the complaining Associate to determine whether the corrective action has adequately addressed the Associate's concerns.

Footstar prohibits any form of retaliation against any Associate who complains of perceived discrimination or harassment pursuant to this Policy, or any Associate who provides information in connection with any investigation. Retaliation will lead to corrective action up to and including termination.

The Company shall ensure a copy of this Policy and procedure is posted in every work location, and the Policy is distributed to all new hires and redistributed annually to all Associates. Associates shall be required to sign a written acknowledgement of receipt each time the Policy is distributed.

The Company will train all managers and supervisors in all aspects of preventing and responding to alleged workplace discrimination and harassment.

Signature Sheet

I hereby certify that I have read and understand the information set forth in Footstar’s Code of Conduct and Compliance Program and I agree to comply with its guidelines in my daily work activities. I further certify that I have read and understand Appendix A containing Footstar’s Equal Employment Opportunity and Anti-Harassment Policy and Complaint Procedure.

I understand that Footstar’s Code of Conduct and Compliance Program and the Footstar Policy and Procedure Manual are not intended as a contract, express or implied and that it does not alter the “at will” relationship between the Company and its Associates. I also understand that it does not guarantee employment for any definite period of time. I am aware that just as Associates are free to resign at any time for any reason, Footstar continues to have the absolute right to terminate any Associate with or without cause or notice.

I also understand that this Guide and the Company policies contained herein may be amended or changed by the Company at any time. Any changes to this Guide or Company policies will be posted on the corporate intranet site at <http://www.corp.footstar.com>.

Please Print

Name: _____

Job Title: _____

Division: _____

Location: _____

Signature

Date