

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended November 1, 1997  
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OR

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

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

Commission file number 1-8344  
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THE LIMITED, INC.  
-----

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

-----  
DELAWARE

31-1029810  
-----

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION NO.)

THREE LIMITED PARKWAY, P.O. BOX 16000, COLUMBUS, OH 43216  
-----

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (614) 415-7000  
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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  
-----

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF  
COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

-----  
CLASS A COMMON STOCK

OUTSTANDING AT NOVEMBER 25, 1997  
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\$ .50 PAR VALUE

272,491,148 SHARES

THE LIMITED, INC.

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## PART 1 - FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

THE LIMITED, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Thousands except per share amounts)  
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
NET SALES	\$2,070,559	\$1,994,986	\$5,920,423	\$5,678,530
Cost of Goods Sold, Occupancy and Buying Costs	1,449,577	1,439,612	4,259,063	4,161,706
GROSS INCOME	620,982	555,374	1,661,360	1,516,824
General, Administrative and Store Operating Expenses	(525,750)	(467,024)	(1,443,844)	(1,293,096)
Special and Nonrecurring Items, Net	62,785	-	62,785	-
OPERATING INCOME	158,017	88,350	280,301	223,728
Interest Expense	(17,925)	(20,621)	(50,744)	(55,902)
Other Income	6,221	6,791	21,876	30,445
Minority Interest	(7,631)	(4,574)	(23,910)	(17,023)
Gain in Connection with Initial Public Offerings	-	118,567	8,606	118,567
INCOME BEFORE INCOME TAXES	138,682	188,513	236,129	299,815
Provision for Income Taxes	59,000	29,000	104,000	79,000
NET INCOME	\$79,682	\$159,513	\$132,129	\$220,815
NET INCOME PER SHARE	\$.29	\$.59	\$.48	\$.78
DIVIDENDS PER SHARE	\$.12	\$.10	\$.36	\$.30
WEIGHTED AVERAGE SHARES OUTSTANDING	275,519	271,728	273,737	284,765

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMITED, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Thousands)

	November 1, 1997	February 1, 1997
ASSETS	----- (Unaudited)	-----
-----		
CURRENT ASSETS:		
Cash and Equivalents	\$37,046	\$312,796
Accounts Receivable	113,356	69,337
Inventories	1,442,866	1,007,303
Store Supplies	97,398	90,400
Other	99,412	65,261
	-----	-----
TOTAL CURRENT ASSETS	1,790,078	1,545,097
PROPERTY AND EQUIPMENT, NET	1,728,069	1,828,869
RESTRICTED CASH	351,600	351,600
OTHER ASSETS	367,687	394,436
	-----	-----
TOTAL ASSETS	\$4,237,434	\$4,120,002
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES:		
Accounts Payable	\$432,765	\$307,841
Accrued Expenses	481,697	481,744
Commercial Paper	101,269	-
Income Taxes Payable	14,161	117,308
	-----	-----
TOTAL CURRENT LIABILITIES	1,029,892	906,893
LONG-TERM DEBT	650,000	650,000
DEFERRED INCOME TAXES	91,741	169,932
OTHER LONG-TERM LIABILITIES	54,833	51,659
MINORITY INTEREST	74,455	67,336
CONTINGENT STOCK REDEMPTION AGREEMENT	351,600	351,600
SHAREHOLDERS' EQUITY:		
Common Stock	180,352	180,352
Paid-in Capital	148,790	142,860
Retained Earnings	3,560,602	3,526,256
	-----	-----
	3,889,744	3,849,468
Less Treasury Stock, at Average Cost	(1,904,831)	(1,926,886)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	1,984,913	1,922,582
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$4,237,434	\$4,120,002
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMITED, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands)  
(Unaudited)

	Thirty-nine Weeks Ended	
	November 1, 1997	November 2, 1996
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$132,129	\$220,815
Impact of Other Operating Activities on Cash Flows:		
Gain in connection with Initial Public Offerings	(5,606)	(118,567)
Special and Nonrecurring Items, Net	(37,785)	-
Depreciation and Amortization	226,578	216,086
Minority Interest, Net of Dividends Paid	7,119	1,185
Changes in Assets and Liabilities:		
Accounts Receivable	(44,019)	(26,905)
Inventories	(435,563)	(402,142)
Accounts Payable and Accrued Expenses	124,877	197,297
Income Taxes	(209,338)	(99,810)
Other Assets and Liabilities	(34,240)	(66,164)
	-----	-----
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>(275,848)</b>	<b>(78,205)</b>
	-----	-----
<b>INVESTING ACTIVITIES:</b>		
Capital Expenditures	(296,363)	(319,834)
Net Proceeds from Sale of Property and Related Assets	156,731	-
Net Proceeds from Partial Sale of Interest in Equity Investee	108,259	-
	-----	-----
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(31,373)</b>	<b>(319,834)</b>
	-----	-----
<b>FINANCING ACTIVITIES:</b>		
Net Proceeds from Commercial Paper and Other Short-term Borrowings	101,269	346,900
Proceeds from Notes Payable	-	150,000
Repayment of Notes Payable	-	(120,267)
Net Proceeds from Sale of Subsidiary Stock	-	118,567
Dividends Paid	(97,783)	(81,257)
Purchase of Treasury Stock	-	(1,615,000)
Stock Options and Other	27,985	10,040
	-----	-----
<b>NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES</b>	<b>31,471</b>	<b>(1,191,017)</b>
	-----	-----
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	<b>(275,750)</b>	<b>(1,589,056)</b>
Cash and Equivalents, Beginning of Year	312,796	1,645,731
	-----	-----
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<b>\$37,046</b>	<b>\$56,675</b>
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of The Limited, Inc. (the "Company") and all significant subsidiaries which are more than 50 percent owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) where the Company has the ability to significantly influence operating and financial policies are accounted for on the equity method.

The consolidated financial statements as of November 1, 1997 and for the thirteen and thirty-nine week periods ended November 1, 1997 and November 2, 1996 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's 1996 Annual Report on Form 10-K. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position and results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations for a full fiscal year.

The consolidated financial statements as of November 1, 1997 and for the thirteen and thirty-nine week periods ended November 1, 1997 and November 2, 1996 included herein have been reviewed by the independent public accounting firm of Coopers & Lybrand L.L.P. and the report of such firm follows the notes to consolidated financial statements.

2. ADOPTION OF ACCOUNTING STANDARD

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share."

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The Company will adopt the requirements for earnings per share in the fourth quarter of 1997, the effect of which will not be material to the Company's consolidated financial statements.

3. INVENTORIES

The fiscal year of the Company and its subsidiaries is comprised of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Valuation of finished goods inventories is based principally upon the lower of average cost or market determined on a first-in, first-out basis utilizing the retail method. Inventory valuation at the end of the first and third quarters reflects adjustments for inventory markdowns and shrinkage estimates for the total selling season.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of (thousands):

	November 1, 1997 -----	February 1, 1997 -----
Property and equipment, at cost	\$ 3,291,774	\$ 3,290,244
Accumulated depreciation and amortization	(1,563,705) -----	(1,461,375) -----
Property and equipment, net	\$ 1,728,069 =====	\$ 1,828,869 =====

5. INCOME TAXES

The provision for income taxes is based on the current estimate of the annual effective tax rate. Income taxes paid during the thirty-nine weeks ended November 1, 1997 and November 2, 1996 approximated \$285.3 million and \$163.1 million.

The Internal Revenue Service has assessed the Company for additional taxes and interest for years 1992 - 1994 that relate to the treatment of transactions involving the Company's foreign operations. The Company strongly disagrees with the assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

6. FINANCING ARRANGEMENTS

Unsecured long-term debt consisted of (thousands):

	November 1, 1997 -----	February 1, 1997 -----
7 1/2% Debentures due March 2023	\$250,000	\$250,000
7 4/5% Notes due May 2002	150,000	150,000
9 1/8% Notes due February 2001	150,000	150,000
8 7/8% Notes due August 1999	100,000	100,000
	-----	-----
	\$650,000 =====	\$650,000 =====

The Company maintains a \$1 billion unsecured revolving credit agreement (the "Agreement"). Borrowings outstanding under the Agreement are due September 28, 2002. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the effective date (September 29, 1997), subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates which are based on either the lender's "Base Rate", as defined, LIBOR, CD based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate 0.1% of the committed amount per annum. The Agreement contains covenants relating to the Company's working capital, debt and net worth. No amounts were outstanding under the Agreement at November 1, 1997.

The Agreement supports the Company's commercial paper program which is used from time to time to fund working capital and other general corporate requirements. Commercial paper outstanding at November 1, 1997 was \$101.3 million.

Up to \$250 million of debt securities and warrants to purchase debt securities may be issued under the Company's shelf registration statement.

Interest paid during the thirty-nine weeks ended November 1, 1997 and November 2, 1996 approximated \$59.1 million and \$53.1 million.

7. SELF-TENDER OFFER

On March 17, 1996, the Company completed the repurchase for \$1.615 billion or \$19 per share of 85 million shares of its common stock under a self-tender offer.

8. GAIN IN CONNECTION WITH INITIAL PUBLIC OFFERINGS AND SPECIAL AND NONRECURRING ITEMS

During the first quarter of 1997, the Company recognized a pre-tax gain of \$8.6 million in connection with the initial public offering ("IPO") of Brylane, Inc., a 26% owned (post IPO) specialty catalogue retailer. During the third quarter of 1997, the Company recognized a net \$62.8 million pre-tax gain related to the sale of approximately one-half of its investment in Brylane, partially offset by valuation adjustments on certain investments where the carrying values are permanently impaired.

During September 1996, the Company recognized a \$118.6 million nontaxable gain that resulted from the initial public offering of 15.8% of the stock (8.05 million shares) of Abercrombie & Fitch ("A & F").



[LETTERHEAD OF COOPERS & LYBRAND APPEARS HERE]

REPORT OF INDEPENDENT ACCOUNTANTS

To the Audit Committee of  
The Board of Directors of  
The Limited, Inc.

We have reviewed the condensed consolidated balance sheet of The Limited, Inc. and Subsidiaries at November 1, 1997, and the related condensed consolidated statements of income and cash flows for the thirteen-week and thirty-nine-week periods ended November 1, 1997 and November 2, 1996. These financial statements are the responsibility of the Company's management.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements 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 as of February 1, 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 1997, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 1, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Coopers & Lybrand L.L.P.

COOPERS & LYBRAND L.L.P.

Columbus, Ohio  
November 17, 1997

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

During the first quarter of 1996, the Company repurchased 85 million of its common shares via a self-tender consummated effective March 17, 1996. Accordingly, to aid in the analysis of the thirty-nine weeks ended November 1, 1997 as compared to 1996, certain pro forma adjustments, including the tax impact, have been made to the 1996 results as follows: 1) weighted average shares outstanding have been reduced to reflect the 85 million share repurchase as if it occurred at the beginning of 1996; and 2) the 1996 year-to-date income statement has been adjusted to remove \$10.5 million in interest income earned on the temporary investment of the proceeds from the Intimate Brands, Inc. ("IBI") and WFNNB Fall 1995 transactions that were used to consummate the self-tender. The adjusted pro forma summary income information is presented below.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	Adjusted Pro Forma November 2, 1996
Operating Income	\$158,017	\$88,350	\$280,301	\$223,728
Interest Expense	(17,925)	(20,621)	(50,744)	(55,902)
Other Income	6,221	6,791	21,876	19,945 (a)
Minority Interest	(7,631)	(4,574)	(23,910)	(17,023)
Gain in Connection with Initial Public Offerings	-	118,567	8,606	118,567
Income before Income Taxes	138,682	188,513	236,129	289,315
Provision for Income Taxes	59,000	29,000	104,000	75,000 (b)
Net Income	\$79,682	\$159,513	\$132,129	\$214,315
Net Income per Share	\$ .29	\$ .59	\$ .48	\$ .79
Net Income per Share, Excluding Special and Nonrecurring Items and Gain in Connection with IPO	\$ .15	\$ .15	\$ .32	\$ .35 (c)
Weighted Average Shares Outstanding	275,519	271,728	273,737	271,709 (c)

(a) Reduced 1996 interest income by \$10.5 million derived from the temporary investment of the proceeds from the IBI and WFNNB Fall 1995 transactions that were used to consummate the self-tender.

(b) Adjusted taxes for effect of \$10.5 million pro forma adjustment to interest income.

(c) Adjusted net income per share and weighted average shares outstanding for the impact of the self-tender for 85 million shares effective March 17, 1996 as if it were consummated at the beginning of 1996.

Net sales for the third quarter of 1997 grew 4% to \$2.071 billion from \$1.995 billion a year ago. Operating income, excluding special and nonrecurring items in 1997 increased 8% to \$95.2 million compared to operating income of \$88.4 million for 1996. Net income, excluding special and nonrecurring items and the gain in connection with the IPO of Abercrombie & Fitch in 1996 increased 2% for the quarter in 1997 to \$41.9 million compared to net income of \$40.9 million for 1996.

Sales for the thirty-nine weeks ended November 1, 1997 increased 4% to \$5.920 billion compared to \$5.679 billion in 1996. Excluding special and nonrecurring items in 1997 and the gains in connection with the IPOs of Abercrombie & Fitch and Brylane (see Note 8) net income decreased 7% to \$88.7 million from adjusted pro forma 1996 net income of \$95.7 million (earnings per share were \$.32 compared to 1996 adjusted pro forma earnings per share of \$.35).

Business highlights include the following:

Victoria's Secret Stores recorded a sales increase of 9%, while operating income increased 12%. Sales and profits were driven by the successful new 'Angels' lingerie line, the continuing growth of Victoria's Secret Bath & Fragrance, and a strategy of fewer price promotions.

Bath & Body Works recorded a comparable store sales increase of 9%, with 23% more stores than last year. Total sales grew 37% while operating earnings increased 25%. The third quarter was highlighted by greater than anticipated demand for two new product lines, Face Care and the White Barn Home Fragrance Collection.

Victoria's Secret Catalogue continued to enjoy good momentum, with operating profits up 27% on an 8% sales increase. The profit increase resulted primarily from stronger merchandise margins.

Abercrombie & Fitch continued their record 1997 performance with third quarter comparable sales growth of 25%, up from 1997's strong first half results of 14% comparable sales growth. Operating income doubled in the third quarter compared to last year.

The performance of the Women's businesses offset the majority of the gains in the Intimate Brands and Abercrombie & Fitch businesses, as comparable store sales performance deteriorated to -8%, with an operating loss of approximately \$4 million.

During the third quarter the Company completed the sale of its interest in the Newport Office Tower in Jersey City, New Jersey for net proceeds of \$156.7 million. The Company also sold approximately 2.4 million shares of Brylane stock in a secondary public offering and related share repurchase realizing cash proceeds of approximately \$108 million.

Financial Summary  
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The following summarized financial and statistical data compares the third quarter and year-to-date periods ended November 1, 1997 to the comparable 1996 periods:

	Third Quarter			Year - to - Date		
	1997	1996	Change From Prior Year	1997	1996	Change From Prior Year
Net Sales (millions):						
Victoria's Secret Stores	\$ 332	\$ 304	9%	\$ 1,046	\$ 910	15%
Victoria's Secret Catalogue	143	133	8%	519	476	9%
Bath & Body Works	182	133	37%	572	378	51%
Cacique	22	20	10%	64	59	8%
Other	11	7	57%	20	13	54%
<b>Total Intimate Brands, Inc.</b>	<b>690</b>	<b>597</b>	<b>16%</b>	<b>2,221</b>	<b>1,836</b>	<b>21%</b>
Express	315	350	(10%)	785	982	(20%)
Lerner	231	257	(10%)	629	703	(11%)
Lane Bryant	218	220	(1%)	639	646	(1%)
Limited Stores	177	211	(16%)	532	604	(12%)
Henri Bendel	20	26	(23%)	63	66	(5%)
<b>Total Women's Businesses</b>	<b>961</b>	<b>1,064</b>	<b>(10%)</b>	<b>2,648</b>	<b>3,001</b>	<b>(12%)</b>
Structure	143	149	(4%)	423	417	1%
The Limited Too	86	73	18%	213	166	28%
Galyan's	34	20	70%	100	57	75%
Other	8	4	100%	6	6	-
<b>Total Emerging Businesses</b>	<b>271</b>	<b>246</b>	<b>10%</b>	<b>742</b>	<b>646</b>	<b>15%</b>
Abercrombie & Fitch	149	88	69%	309	196	58%
<b>Total Net Sales</b>	<b>\$ 2,071</b>	<b>\$ 1,995</b>	<b>4%</b>	<b>\$ 5,920</b>	<b>\$ 5,679</b>	<b>4%</b>
Operating Income (millions):						
Intimate Brands, Inc.	\$ 66	\$ 53	25%	\$ 233	\$ 189	23%
Women's Businesses	(4)	22	NM	(99)	7	NM
Emerging Businesses	15	4	275%	59	17	247%
Abercrombie & Fitch	18	9	100%	25	11	127%
<b>Total Operating Income*</b>	<b>\$ 95</b>	<b>\$ 88</b>	<b>8%</b>	<b>\$ 218</b>	<b>\$ 224</b>	<b>(3%)</b>

\* Excludes \$62.8 million in special and nonrecurring items in the third quarter of 1997.

	Third quarter			Year - to - Date		
	1997	1996	Change From Prior Year	1997	1996	Change From Prior Year
Increase (decrease) in comparable store sales:						
Victoria's Secret Stores	3%	6%		9%	6%	
Bath & Body Works	9%	2%		13%	8%	
Cacique	16%	0%		11%	9%	
Total Intimate Brands, Inc.	5%	5%		10%	6%	
Express	(11%)	(7%)		(21%)	(3%)	
Lerner	(6%)	18%		(6%)	8%	
Lane Bryant	(1%)	0%		(1%)	1%	
Limited Stores	(13%)	0%		(9%)	5%	
Henri Bendel	(23%)	(6%)		(11%)	(2%)	
Total Women's Businesses	(8%)	2%		(11%)	2%	
Structure	(6%)	6%		(2%)	7%	
The Limited Too	15%	13%		23%	(2%)	
Galyan's	4%	16%		4%	13%	*
Total Emerging Businesses	1%	8%		5%	5%	
Abercrombie & Fitch	25%	19%		19%	17%	
Total comparable store sales increase (decrease)	(2%)	4%		(2%)	4%	
Retail Sales Excluding Catalogue and Other:						
Retail sales increase attributable to new and remodeled stores	5%	7%		6%	8%	
Retail sales per average selling square foot	\$66.51	\$65.69	1%	\$187.50	\$185.35	1%
Retail sales per average store (thousands)	\$332	\$333	-	\$941	\$947	(1%)
Average store size at end of quarter (selling square feet)	4,993	5,055	(1%)			
Retail selling square feet at end of quarter (thousands)	28,931	28,589	1%			
Number of Stores:						
Beginning of period	5,690	5,454		5,633	5,298	
Opened	129	213		280	421	
Closed	(25)	(11)		(119)	(63)	
End of period	5,794	5,656		5,794	5,656	

\* Acquired in July 1995 with comparable store sales reporting starting July 1996.

	Number of Stores			Selling Sq. Ft. (thousands)		
	Nov. 1, 1997	Nov. 2, 1996	Change From Prior Year	Nov. 1, 1997	Nov. 2, 1996	Change From Prior Year
Victoria's Secret Stores	784	726	58	3,533	3,282	251
Bath & Body Works	906	737	169	1,728	1,313	415
Cacique	118	121	(3)	363	371	(8)
Penhaligon's	-	4	(4)	-	2	(2)
<b>Total Intimate Brands, Inc.</b>	<b>1,808</b>	<b>1,588</b>	<b>220</b>	<b>5,624</b>	<b>4,968</b>	<b>656</b>
Express	755	758	(3)	4,764	4,752	12
Lerner New York	753	811	(58)	5,743	6,168	(425)
Lane Bryant	807	830	(23)	3,869	3,982	(113)
Limited Stores	648	683	(35)	3,874	4,099	(225)
Henri Bendel	6	6	-	113	113	-
<b>Total Women's Businesses</b>	<b>2,969</b>	<b>3,088</b>	<b>(119)</b>	<b>18,363</b>	<b>19,114</b>	<b>(751)</b>
Structure	546	543	3	2,149	2,116	33
The Limited Too	311	309	2	976	969	7
Galyan's	11	9	2	641	488	153
<b>Total Emerging Businesses</b>	<b>868</b>	<b>861</b>	<b>7</b>	<b>3,766</b>	<b>3,573</b>	<b>193</b>
Abercrombie & Fitch	149	119	30	1,178	934	244
<b>Total Stores and Selling Square Feet</b>	<b>5,794</b>	<b>5,656</b>	<b>138</b>	<b>28,931</b>	<b>28,589</b>	<b>342</b>

#### Net Sales

Net sales for the third quarter of 1997 increased 4% over the third quarter of 1996, primarily as a result of sales attributed to new and remodeled stores and an 8% increase in catalogue sales which were partially offset by a 2% decrease in comparable store sales. During the third quarter of 1997, the Company opened 129 new stores, remodeled 87 stores and closed 25 stores. Net sales for the thirty-nine weeks ended November 1, 1997 increased 4% as compared to the same period in 1996 primarily as a result of new and remodeled stores and a 9% increase in catalogue sales which were partially offset by a 2% decrease in comparable store sales.

Sales at Intimate Brands, Inc. for the third quarter of 1997 increased 16% over the same period last year. This increase was attributable to the net addition of 220 stores, a 5% increase in comparable store sales and an 8% increase in catalogue net sales. Year-to-date Intimate Brands, Inc. sales increased 21% over the same period in 1996, due to the net addition of new and remodeled stores, a 10% increase in comparable store sales, and a 9% increase in catalogue net sales.

Sales at the Women's businesses for the third quarter and year-to-date periods of 1997 decreased 10% and 12%, respectively, compared to the same periods in 1996, primarily due to decreases in comparable store sales of 8% and 11%. A substantial portion of the disappointing year-to-date sales results in the Women's businesses can be attributed to the Express business, which recorded a 27% decline in comparable store sales for the first 26 weeks of 1997. The Express business showed improvement during the third quarter by reducing its decline in comparable store sales to 11%.

Sales improved significantly at Abercrombie & Fitch bolstered by comparable store sales increases of 25% for the third quarter 1997 and 19% for the year-to-date period.

Gross Income  
-----

Gross income, expressed as a percentage of sales, increased to 30.0% for the third quarter of 1997 from 27.8% for the third quarter of 1996. The increase was attributable to a 2.4% increase in merchandise margins, expressed as a percentage of sales, partially offset by a 0.2% increase in buying and occupancy costs, also expressed as a percentage of sales. The increase in merchandise margin was primarily attributable to higher initial markup and a decrease in the markdown rate.

The 1997 year-to-date gross income percentage increased 1.4% to 28.1% in 1997 from 26.7% for the same period in 1996, primarily attributable to higher initial markup partially offset by slightly higher markdowns.

General, Administrative and Store Operating Expenses  
-----

General, administrative and store operating expenses, expressed as a percentage of sales, increased to 25.4% for the third quarter of 1997 as compared to 23.4% for the third quarter of 1996. This increase was attributable to a combination of the increase of Intimate Brands businesses in the overall sales mix and the Women's businesses inability to leverage these expenses due to poor sales performance.

The Intimate Brands expense rate increased 3.0% to 26.6%, expressed as a percentage of sales. The increase in the Intimate Brands expense rate was primarily due to three factors: the growth of Bath & Body Works net sales as a percentage of total Intimate Brands sales, the investments made in store staffing and management for the personal care portion of the business at Victoria's Secret Stores and the investment in advertising for brand development for Victoria's Secret. Bath & Body Works has higher than company average general, administrative and store operating expenses due to their emphasis on point-of-sale marketing and in-store staffing. Intimate Brands believes that continued strong growth of Bath & Body Works as a percentage of total Intimate Brands sales may cause these costs to continue to increase, expressed as a percentage of total Intimate Brands sales.

Year-to-date general, administrative and store operating expenses increased as a percentage of sales to 24.4% in 1997 from 22.8% in 1996. This increase was due primarily to the reasons discussed above. The Intimate Brands expense rate increased 2.1% to 23.7%, expressed as a percentage of sales, primarily for the reasons discussed above.

Operating Income  
 - - - - -

Third quarter and year-to-date 1997 operating income excluding the \$62.8 million in special and nonrecurring items, expressed as a percentage of sales, were 4.6% and 3.7%, compared to 4.4% and 3.9%, respectively, for 1996. The third quarter increase resulted from a slightly higher increase in gross income as compared to the increase in general, administrative and store operating expenses. The year-to-date decrease was due to a slightly higher increase in general, administrative and store operating expenses than the increase in gross income, expressed as a percentage of sales.

Special and nonrecurring items included in third quarter operating income related to the sale of approximately one-half of the Company's investment in Brylane partially offset by valuation adjustments on certain investments where the carrying values are permanently impaired.

Interest Expense  
 - - - - -

	Third Quarter		Year-to-Date	
	1997	1996	1997	1996
Average Borrowings (millions)	\$891	\$1,110	\$817	\$939
Average Effective Interest Rate	8.05%	7.43%	8.28%	7.94%

Interest expense decreased \$2.7 million in the third quarter and \$5.2 million year-to-date from the comparable periods in 1996, principally due to lower average borrowings in 1997 versus 1996, partially offset by slightly higher interest rates.

Other Income  
 - - - - -

The decrease in 1997 year-to-date other income of \$8.6 million compared to 1996, was due to interest income earned on the temporary investment of the proceeds from the Intimate Brands and WFNNB Fall 1995 transactions that were used to consummate the March 17, 1996 self-tender.



FINANCIAL CONDITION

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under the committed long-term credit agreement and the Company's capital structure continue to provide the capital resources to support operations, including projected growth, seasonal working capital requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (thousands):

	November 1, 1997	February 1, 1997
	-----	-----
Working Capital	\$ 760,186	\$ 638,204
	=====	=====
Capitalization:		
Long-term debt	\$ 650,000	\$ 650,000
Shareholders' equity	1,984,913	1,922,582
	-----	-----
Total Capitalization	\$2,634,913	\$2,572,582
	=====	=====
Debt-to-equity ratio	32.7%	33.8%
	=====	=====
Amounts available under long-term credit agreements *	\$ 898,731	\$1,000,000
	=====	=====

\* In addition, the Company may offer up to \$250 million of debt securities and warrants to purchase debt securities under its shelf registration statement.

Net cash used for operating activities was \$275.8 million for the thirty-nine weeks ended November 1, 1997 versus \$78.2 million last year. The increase in cash used for operating activities was primarily attributable to an increase in income tax payments and an increase in inventories as merchandise payables, used to fund inventory purchases, were slightly below last year's level at the end of the third quarter.

Investing activities included capital expenditures, approximately \$156.5 million of which were for new and remodeled stores. Investing activities also included \$108.3 million of net proceeds from the third quarter sale of slightly less than one-half of the Company's investment in Brylane and \$156.7 million in net proceeds from the sale of the Newport Tower, an office building in Jersey City, New Jersey.

Cash used for financing activities for 1997 reflects an increase in the dividend to \$.12 per share from \$.10 per share. For 1996, financing activities included \$1.615 billion used to repurchase 85 million shares of the Company's common stock. Additionally, 1996 financing activities include proceeds from and the partial repayment of \$150 million in short-term debt borrowed by A&F and net proceeds of \$118.6 million from A&F's initial public offering.

Capital Expenditures

- - - - -

Capital expenditures totaled \$296.4 million for the thirty-nine weeks ended November 1, 1997, compared to \$319.8 million for the same period of 1996. The Company anticipates spending \$400 - \$420 million for capital expenditures in 1997, of which \$230 - \$250 million will be for new stores, the remodeling of existing stores and related improvements for the retail businesses.

The Company expects that 1997 capital expenditures will be funded by net cash provided by operating activities.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

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All forward-looking statements made by the Company involve material risks and uncertainties and are subject to change based on various important factors which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations on appropriate terms, ability to develop new merchandise, ability to hire and train associates, and other factors that may be described in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in a variety of lawsuits arising in the ordinary course of business.

On November 13, 1997, the United States District Court for the Southern District of Ohio, Eastern Division, dismissed with prejudice an amended complaint previously transferred to that court by the United States District Court, Central District of California. The amended complaint, which had been filed against the Company and certain of its subsidiaries by the American Textile Manufacturers Institute ("ATMI"), a textile industry trade association, alleged that the defendants violated the federal False Claims Act by submitting false country of origin records to the US Customs Service. On November 26, 1997, ATMI served a motion to alter or amend judgment and a motion to disqualify the presiding judge and to vacate the order of dismissal. The Company is vigorously opposing these motions.

Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the foregoing proceedings are not expected to have a material adverse effect on the Company's financial position or results of operations.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

3. Articles of Incorporation and Bylaws.

- 3.1 Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988.
- 3.2 Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1991 (the "1990" form 10-K).

4. Instruments Defining the Rights of Security Holders.

- 4.1 Copy of the form of Global Security representing the Company's 7 1/2% Debentures due 2023, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 4, 1993.
- 4.2 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1(a) to the Company's Current Report on Form 8-K dated March 21, 1989.
- 4.3 Copy of the form of Global Security representing the Company's 8 7/8% Notes due August 15, 1999 incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 1989.

- 4.4 Copy of the form of Global Security representing the Company's 9 1/8% Notes due February 1, 2001 incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 6, 1991.
- 4.5 Copy of the form of Global Security representing the Company's 7.80% Notes due May 15, 2002, incorporated by reference to the Company's Current Report on Form 8-K dated February 27, 1992.
- 4.6 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992 as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").
- 4.7 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.
- 4.8 Credit Agreement dated as of September 25, 1997 among the Company, Morgan Guaranty Trust Company of New York and the banks listed therein.

10. Material Contracts.

- 10.1 The 1997 Restatement of The Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.
- 10.2 The Limited, Inc. 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.
- 10.3 The Limited, Inc. Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.

11. Statement re: Computation of Per Share Earnings.

12. Statement re: Ratio of Earnings to Fixed Charges.

15. Letter re: Unaudited Interim Financial Information to Securities and Exchange Commission re: Incorporation of Report of Independent Accountants.

27. Financial Data Schedule.

(b) Reports on Form 8-K.

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None.

SIGNATURE  
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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.

THE LIMITED, INC.  
(Registrant)

By /S/ V. Ann Hailey  
-----  
V. Ann Hailey,  
Executive Vice President  
and Chief Financial Officer\*

Date: December 15, 1997  
  
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\* Ms. Hailey is the principal financial officer and has been duly authorized to sign on behalf of the Registrant.

EXHIBIT INDEX

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Exhibit No.	Document
-----	-----
4.8	Credit Agreement dated as of September 25, 1997 among the Company, Morgan Guaranty Trust Company of New York and the banks listed therein.
11	Statement re: Computation of Per Share Earnings.
12	Statement re: Ratio of Earnings to Fixed Charges.
15	Letter re: Unaudited Interim Financial Information to Securities and Exchange Commission re: Incorporation of Report of Independent Accountants.
27	Financial Data Schedule.

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CREDIT AGREEMENT

AMONG

THE LIMITED, INC.,

THE BANKS LISTED ON THE SIGNATURE PAGES OF THIS AGREEMENT,

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
as AGENT,

THE CHASE MANHATTAN BANK,

CITIBANK, N.A.

and

DEUTSCHE BANK AG, NEW YORK BRANCH

as MANAGING AGENTS

and

THE BANK OF NEW YORK,

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED,

and

NATIONSBANK, N.A.  
as CO-AGENTS

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Counsel for the Agent  
EXHIBIT G Assignment and Assumption Agreement  
EXHIBIT H Form of Notice of Request to Extend

CREDIT AGREEMENT  
-----

THIS CREDIT AGREEMENT dated as of September 25, 1997 among THE LIMITED, INC., a Delaware corporation, the BANKS listed on the signature pages of this Agreement and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent for the Banks hereunder (in such capacity, the "Agent"). The parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1

DEFINITIONS

1.1. Capitalized Terms. For the purpose of this Agreement, the following  
-----  
capitalized terms shall have the following meanings:

"Absolute Rate Auction" means a solicitation of Quotes setting forth Money Market Absolute Rates pursuant to Section 2.3.

"Adjusted CD Base Rate" has the meaning set forth in Section 2.7.2(b).

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

"Agent" has the meaning set forth in the preamble.

"Agreement" means this Credit Agreement as the same may hereafter be amended from time to time.

"Assessment Rate" has the meaning set forth in Section 2.7.2(b).

"Banks" means the (a) banks listed on the signature pages of this Agreement, (b) any additional banks which become Banks hereunder pursuant to Section 2.9.3 and (c) their respective successors and assigns; "Bank" means any one of them.

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

"Base Rate Loan" means a loan to be made by a Bank pursuant to Section 2.1 as a Base Rate Loan in accordance with the applicable Notice of Syndicated Borrowing or pursuant to Section 2.15, 2.16 or 2.18.

"Borrowing" has the meaning set forth in Section 1.3.

"Capital" means, at any time of determination, the sum of Consolidated Debt plus Consolidated Tangible Net Worth.

"CD Base Rate" has the meaning set forth in Section 2.7.2(b).

"CD Loan" means any loan to be made by a Bank pursuant to

Section 2.1 as a CD Loan in accordance with the applicable Notice of Syndicated Borrowing.

"CD Margin" means (i) during any period that the Company has a Level I Rating, 0.27% per annum, (ii) during any period that the Company has or is deemed to have a Level II Rating, 0.325% per annum, (iii) during any period that the Company has or is deemed to have a Level III Rating, 0.375% per annum, (iv) during any period that the Company has or is deemed to have a Level IV Rating, 0.425% per annum and (v) during any Level V Period, 0.625% per annum.

"CD Rate" has the meaning set forth in Section 2.7.2(b).

"CD Reference Banks" means Morgan Guaranty Trust Company of New York, Deutsche Bank AG, New York and/or Cayman Islands Branches, and National City Bank Columbus and each such other bank as may be appointed pursuant to Section 8.6.6.

"Certificate Bank" has the meaning set forth in Section 2.9.3(a).

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

"Commitment" means (a) with respect to each Bank listed on the signature pages of this Agreement, the amount set forth opposite the name of such Bank on the signature pages as its Commitment, or (b) for any additional Bank, the amount which such additional Bank shall commit to lend the Company as its Commitment pursuant to Section 2.9.3(b), in each case as such Commitment may be reduced by the Company from time to time pursuant to Section 2.9.1 or changed pursuant to Section 8.6.3.

"Company" means The Limited, Inc., a Delaware corporation, and its successors.

"Company Rating" means, at any time, a then current rating, whether preliminary or final, published or confirmed in writing to the Agent, by Standard & Poor's or Moody's, relating to unsecured long-term senior Debt of the Company which is then outstanding or with respect to which the Company has a registration statement on file with the Securities and Exchange Commission.

"Consolidated Current Assets" means all assets of the Company and Consolidated Subsidiaries of a type which would be classified as current assets of a corporation conducting a business the same as or similar to that of the Company or Consolidated Subsidiaries, determined on a consolidated basis.

"Consolidated Current Liabilities" means all liabilities of the Company and Consolidated Subsidiaries of a type which would be classified as current liabilities of a corporation conducting a business the same as or similar to that of the Company or Consolidated Subsidiaries, determined on a consolidated basis.

"Consolidated Debt" means, at any date of determination, the sum of (a) the total Debt of the Company and Consolidated Subsidiaries at such date, (b) an amount equal to six times the minimum rent commitments (less related sublease income) of the Company and Consolidated Subsidiaries for the then current Fiscal Year, as reflected in the footnotes to the most recent audited financial statements of the Company and (c) an amount equal to six times the minimum rent commitments (less related sublease income) of any Person other than the Company or a Consolidated Subsidiary to the extent directly or

indirectly guaranteed, endorsed or assumed by the Company or any Consolidated Subsidiary or in respect of which the Company or any Consolidated Subsidiary is contingently or otherwise liable.

"Consolidated Subsidiary" means any Subsidiary (other than an Unrestricted Subsidiary), the accounts of which are or are required to be consolidated with those of the Company in the Company's periodic reports filed under the Securities Exchange Act of 1934.

"Consolidated Tangible Net Worth" means, at any date of determination (a) the aggregate amount of all common stock, preferred stock (except preferred stock having sinking fund payments or other similar payments (but not dividends) which are due prior to the Termination Date), additional paid-in capital and retained earnings (or deficit) less (b) the aggregate amount of (i) all goodwill, licenses, patents, trademarks, copyrights, trade names, service marks, experimental or organizational expenses and other similar intangibles and unamortized debt discount and expense to the extent any of the foregoing arise on or after January 31, 1988 and (ii) all investments, loans and advances by the Company or any Consolidated Subsidiary in or to any Unrestricted Subsidiary, all determined with respect to the Company and its Consolidated Subsidiaries on a consolidated basis.

"Debt" means, at any date, without duplication, (a) all obligations of the Company and Consolidated Subsidiaries for borrowed money, (b) all obligations of the Company and Consolidated Subsidiaries evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of the Company and Consolidated Subsidiaries to pay the deferred purchase price of property (other than inventory) or services, except accruals and trade accounts payable arising in the ordinary course of business, (d) all obligations of the Company and Consolidated Subsidiaries as lessee under capital leases, (e) all obligations of others of the kind described in subparagraphs (a), (b), (c) or (d) hereof secured by a Lien on any asset of the Company or any Consolidated Subsidiary, whether or not such obligation is assumed by the Company or any Consolidated Subsidiary, and (f) all obligations of others of the kind described in subparagraphs (a), (b), (c) or (d) hereof to the extent directly or indirectly guaranteed, endorsed or assumed by the Company or any Consolidated Subsidiary or in respect of which the Company or any Consolidated Subsidiary is contingently or otherwise liable, including, without limitation, any such obligation in effect guaranteed through any agreement, contingent or otherwise, to purchase such obligation, or to advance or supply funds for the payment or purchase of such obligation, or to purchase property or services, or to pay for property or services irrespective of whether or not such property is delivered or such services are rendered, primarily for the purpose of enabling the debtor or seller to make payment of such obligation, or to assure the owner of such obligation against loss, or to supply funds to or in any other manner invest in the debtor for any of such purposes; provided that Debt shall not include any obligations of the Company to a Consolidated Subsidiary or of a Consolidated Subsidiary to the Company or another Consolidated Subsidiary.

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

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

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or

identified therein as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Company and the Agent.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.7.2(b).

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414 of the Code.

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

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

"Euro-Dollar Loan" means a loan to be made by a Bank pursuant to Section 2.1 as a Euro-Dollar Loan in accordance with the applicable Notice of Syndicated Borrowing.

"Euro-Dollar Margin" means (i) during any period that the Company has a Level I Rating, 0.145% per annum, (ii) during any period that the Company has or is deemed to have a Level II Rating, 0.20% per annum, (iii) during any period that the Company has or is deemed to have a Level III Rating, 0.25% per annum, (iv) during any period that the Company has or is deemed to have a Level IV Rating, 0.30% per annum and (v) during any Level V Period, 0.50% per annum.

"Euro-Dollar Reference Banks" means the principal London offices of Morgan Guaranty Trust Company of New York, Deutsche Bank AG, New York and/or Cayman Islands Branches, and National City Bank, Columbus and each such other bank as may be appointed pursuant to Section 8.6.6.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.7.4(c).

"Event of Default" means any of the events specified in Section 6.1 provided that all requirements for the giving of notice and for the lapse of time have been satisfied in connection with such event.

"Existing Credit Agreement" means the Credit Agreement dated as of December 15, 1995, as amended, among the Company, the banks listed therein and Morgan Guaranty Trust Company of New York, as agent for such banks.

"Extension Date" has the meaning set forth in Section 2.1.3.

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

"Fiscal Year" means the fiscal year of the Company which shall commence on the Sunday following the Saturday on or nearest (whether following or preceding) January 31 of one calendar year and end on the Saturday on or nearest (whether following or preceding) January 31 of the following calendar year.

"Fixed Rate Loans" means CD Loans, Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Prime Rate pursuant to Section 2.15) or any combination of the foregoing.

"Interest Period" means the period, commencing on the date of each Borrowing, for which such Borrowing is to be made, as the Company may elect in the applicable Notice of Borrowing, as the same may be extended or shortened pursuant to Section 2.6.

"Invitation for Quotes" means an invitation substantially in the form of Exhibit C sent by the Agent to the Banks pursuant to Section 2.3.3.

"Lending Office" means, as to any Bank, its Domestic Lending Office or its Euro-Dollar Lending Office or its Money Market Lending Office, as the context may require.

"Level I Rating" means at any time, either (a) there exists a Company Rating by Standard & Poor's which is equal to or higher than A- or (b) there exists a Company Rating by Moody's which is equal to or higher than A3. For purposes of this definition, the Company shall be deemed not to have a Level I Rating (x) if each Company Rating which would otherwise qualify as a Level I Rating has been stated by the relevant rating agency to be under review for possible downgrading as a result of a specific or proposed action by the Company, in which case the Company shall be deemed to have a Level II Rating, or (y) if no Company Rating exists.

"Level II Rating" means at any time at which the Company does not have a Level I Rating, either (a) there exists a Company Rating by Standard & Poor's which is equal to BBB+ or (b) there exists a Company Rating by Moody's which is equal to Baal. For purposes of this definition, the Company shall be deemed not to have a Level II Rating (x) if each Company Rating which would otherwise qualify as a Level II Rating has been stated by the relevant rating agency to be under review for possible downgrading as a result of a specific or proposed action by the Company, in which case the Company shall be deemed to have a Level III Rating, or (y) if no Company Rating exists.

"Level III Rating" means at any time at which the Company does not have either a Level I Rating or a Level II Rating, either



(a) there exists a Company Rating by Standard & Poor's which is equal to BBB or (b) there exists a Company Rating by Moody's which is equal to Baa2. For purposes of this definition, the Company shall be deemed not to have a Level III Rating (x) if each Company Rating which would otherwise qualify as a Level III Rating has been stated by the relevant rating agency to be under review for possible downgrading as a result of a specific or proposed action by the Company, in which case the Company shall be deemed to have a Level IV Rating, or (y) if no Company Rating exists.

"Level IV Rating" means, at any time at which the Company does not have a Level I Rating, a Level II Rating or a Level III Rating, either (a) there exists a Company Rating by Standard & Poor's which is equal to BBB- or (b) there exists a Company Rating by Moody's which is equal to Baa3. For purposes of this definition, the Company shall be deemed not to have a Level IV Rating if no Company Rating exists or if each Company Rating which would otherwise qualify as a Level IV Rating has been stated by the relevant rating agency to be under review for possible downgrading as a result of a specific or proposed action by the Company.

"Level V Period" means any period during which the Company does not have (and is not deemed to have) a Level I Rating, Level II Rating, Level III Rating or Level IV Rating.

"LIBOR Auction" means a solicitation of Quotes for Money Market LIBOR Loans pursuant to Section 2.3.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Loans" means Syndicated Loans or Money Market Loans or any combination of the foregoing; "Loan" means any one of such Loans.

"London Interbank Offered Rate" means, with respect to any Interest Period, the average (rounded upward, if necessary, to the next higher 1/16th of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of the applicable Interest Period for a period of time comparable to such Interest Period and in an amount approximately equal to (a) in connection with a related Euro-Dollar Borrowing, the principal amount of such Euro-Dollar Reference Bank's portion of the related Euro-Dollar Borrowing or (b) in connection with a related Money Market LIBOR Borrowing, the principal amount of the related Money Market LIBOR Borrowing.

"Margin Stock" means securities which are "margin stock" as defined in Regulation U.

"Material Plan" has the meaning set forth in Section 6.1.6.

"Minority Interest Disposition" means a sale, transfer or other distribution by the Company or any of the Subsidiaries (including without limitation, the issuer thereof) of up to 20% of the equity interests in any Subsidiary of the Company.

"Money Market Absolute Rate" means the rate of interest per annum (rounded to the nearest 1/10,000th of 1%) for any Money Market Absolute Rate Loan.

"Money Market Absolute Rate Loan" means a loan to be made by

a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Company and the Agent.

"Money Market LIBOR Loan" means a loan to be made by a Bank pursuant to a LIBOR Auction (including such a Loan bearing interest at the Prime Rate pursuant to Section 2.15).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" means, in respect of any Money Market LIBOR Loan, the margin above or below the applicable London Interbank Offered Rate, expressed as a percentage (rounded to the nearest 1/10,000th of 1%).

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

"Notes" means promissory notes of the Company, substantially in the form of Exhibit A; "Note" means any one of such Notes.

"Notice of Borrowing" means a Notice of Syndicated Borrowing or a Notice of Money Market Borrowing.

"Notice of Money Market Borrowing" has the meaning set forth in Section 2.3.6.

"Notice of Syndicated Borrowing" has the meaning set forth in Section 2.2.

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

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

"Plan" means, at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to funding standards under Section 412 of the Code and (a) is maintained by a member of the ERISA Group for employees of a member of the ERISA Group, (b) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group, or (c) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.3.

"Quote Request" means a request substantially in the form of Exhibit B from the Company to the Banks to provide Quotes pursuant to Section 2.3.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require; "Reference Bank" means any one of such Reference Banks.

"Refunding Borrowing" means a Borrowing which, after application of the proceeds thereof, results in no net increase in the aggregate outstanding principal amount of the Syndicated Loans made by any Bank.

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

"Required Banks" means, at any time of determination, Banks having at least 60% of the aggregate amount of the Commitments or, if all of the Commitments shall have been terminated, holding Notes evidencing at least 60% of the aggregate unpaid principal amount of the Loans.

"Second Extension Date" has the meaning set forth in Section 2.1.3.

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

"Subsidiary" means any corporation or other entity of which outstanding stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency and irrespective of any contractual limitation of the right or power of the holder of such stock to vote for directors) is at the time directly or indirectly owned by the Company or by one or more Subsidiaries, or by the Company and one or more Subsidiaries together.

"Syndicated Loan" means a Domestic Loan or a Euro-Dollar Loan made by a Bank pursuant to Section 2.1.

"Termination Date" means the date determined pursuant to Section 2.1.3 (or if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day).

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (a) the present value of all benefits under such Plan exceeds (b) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only (i) to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA, or (ii) with respect to a Plan which is a Multiemployer Plan as described in Section 4001(a)(3) of ERISA, to the extent of the Unfunded Liabilities of such Plan allocable to any member of the ERISA Group under Section 4212 of ERISA.

"Unrestricted Subsidiary" means any Subsidiary designated as an Unrestricted Subsidiary in a written notice sent at any time after the date of this Agreement by the Company to the Agent which is engaged (a) primarily in the business of making or discounting loans, making advances, extending credit or providing financial accommodation to, or purchasing the obligations of, others; (b) primarily in the business of insuring property against loss and subject to regulation as an insurance company by any governmental agency; (c) exclusively in the business of

owning or leasing, and operating, aircraft and/or trucks; (d) primarily in the ownership, management, leasing or operation of real estate, other than parcels of real estate with respect to which 51% or more of the rentable space is used by the Company or a Consolidated Subsidiary in the normal course of business; or (e) primarily as a carrier transporting goods in both intra state and interstate commerce, provided that (i) the Company may by notice to the Agent change the

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 designation of any Subsidiary described in subparagraphs (a) through (e) above, but may do so only once during the term of this Agreement, (ii) the designation of a Subsidiary as an Unrestricted Subsidiary more than 30 days after the creation or acquisition of such Subsidiary where such Subsidiary was not specifically so designated within such 30 days shall be deemed to be the only permitted change in designation, and (iii) immediately after the Company designates any Subsidiary whether now owned or hereafter acquired or created as an Unrestricted Subsidiary or changes the designation of a Subsidiary from an Unrestricted Subsidiary to a Consolidated Subsidiary, the Company and all Consolidated Subsidiaries would be in compliance with all of the provisions of this Agreement.

"Unused Commitment" means, at any date of determination, the excess of (a) the then aggregate amount of the Commitments under this Agreement over (b) the sum of the principal amount of all Loans then outstanding plus the principal amount of commercial paper issued by the Company and outstanding on the date of determination.

"Value" means, when used in Section 6.1.5 with respect to investments in and advances to a Consolidated Subsidiary, the book value thereof immediately before the relevant event or events referred to in Section 6.1.5 occurred with respect to such Consolidated Subsidiary.

1.2. Accounting Terms and Determinations. Unless otherwise specified

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 herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Company's independent public accountants) with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks; provided

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 that, if the Company notifies the Agent that the Company wishes to amend any covenant in Section 5 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Company that the Required Banks wish to amend Section 5 for such purpose), then the Company's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Banks.

1.3. Types of Borrowings. The term "Borrowing" denotes the aggregation of

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 Loans of one or more Banks to be made to the Company pursuant to Section 2 on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing

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 comprised of Euro-Dollar Loans) or by reference to the provisions of Section 2 under which participation in such Borrowing is determined (e.g., a "Syndicated

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 Borrowing" is a Borrowing under Section 2.1 in which all Banks participate in proportion to their Commitments, while a "Money Market Borrowing" is a Borrowing under Section 2.3 in which the Bank participants are determined by an

auction process in accordance with such provisions).

## SECTION 2

### BORROWINGS

#### 2.1. Commitments to Make Syndicated Loans.

2.1.1. During the period from and including the Effective Date to but excluding the Termination Date, each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make one or more Syndicated Loans to the Company from time to time; provided that (a) the aggregate principal

amount of Syndicated Loans by such Bank at any one time outstanding shall not exceed the amount of such Bank's Commitment and (b) immediately after each Syndicated Borrowing (and any concurrent repayment of Loans) the aggregate outstanding principal amount of all Loans shall not exceed the aggregate amount of the Commitments. Within the foregoing limits, the Company may borrow under this Section 2.1.1., repay or, to the extent permitted by Section 2.10, prepay Loans in whole or in part and reborrow, on a revolving basis, at any time prior to the Termination Date.

2.1.2. Each Syndicated Borrowing shall be in an aggregate principal amount of \$20,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.2(c)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Amounts required to be repaid pursuant to Section 2.16 shall not be reborrowed except as provided therein.

2.1.3. For the purposes of this Agreement, the "Termination Date" shall be September 28, 2002; provided, however, that on September 28, 1999

(the "Extension Date"), the Termination Date may be extended an additional two years (i.e., from September 28, 2002 to September 28, 2004) if at least 60 days

before the Extension Date, the Company has given written notice to the Agent requesting the extension of the Termination Date, unless at least 30 days before the Extension Date, the Agent (after having delivered a notice substantially in the form of Exhibit H hereto to each Bank (which notice shall be effective upon delivery to the Agent of written confirmation (including by bank wire, telex, telecopy or similar writing) of receipt by such Bank) and received a written request from any Bank that the Termination Date not be extended) delivers written notice to the Company that the Termination Date is not to be so extended; provided further, however, that if the Termination Date has been extended to September 28, 2004 pursuant to the foregoing proviso, on September 28, 2001 (the "Second Extension Date"), the Termination Date as so extended may be extended an additional two years (i.e., from September 28, 2004 to September

28, 2006) if at least 60 days before the Second Extension Date, the Company has given written notice to the Agent requesting the extension of the Termination Date, unless at least 30 days before the Second Extension Date, the Agent (after having delivered a notice substantially in the form of Exhibit H hereto to each Bank (which notice shall be effective upon delivery to the Agent of written confirmation (including by bank wire, telex, telecopy or similar writing) of receipt by such Bank) and received a written request from any Bank that the Termination Date not be extended) delivers written notice to the Company that the Termination Date is not to be so extended. The Company shall have the right, within any such thirty-day period, to replace any Bank which has requested that the Termination Date not be extended in the same manner as the Company may replace a Certificate Bank pursuant to Section 2.9.3, and in the event

the Company so replaces each Bank making such request, the Termination Date shall then be extended as provided in the preceding sentence. Upon receipt of any notice from the Company pursuant to this Section 2.1.3, the Agent shall notify each Bank thereof within three Domestic Business Days.

2.2. Notice of Syndicated Borrowings. The Company shall give the

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Agent notice (a "Notice of Syndicated Borrowing") not later than 10:00 A.M. (New York City time) on (a) the date of each Base Rate Borrowing, (b) the Domestic Business Day before the date of each CD Borrowing and (c) the third Euro-Dollar Business Day before the date of each Euro-Dollar Borrowing, specifying:

2.2.1. The date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

2.2.2. The aggregate amount of such Borrowing;

2.2.3. Whether the Loans comprising such Borrowing are to be CD Loans, Base Rate Loans or Euro-Dollar Loans; and

2.2.4. The duration of the Interest Period applicable to such Borrowing, which, subject to Section 2.6, (a) with respect to any Base Borrowing, shall be for a period commencing on the date of such Borrowing and ending 30 days thereafter, (b) with respect to any CD Borrowing, shall be for a period commencing on the date of such Borrowing and ending 30, 60, 90 or 180 days thereafter (at the option of the Company) and (c) with respect to any Euro-Dollar Borrowing, shall be for a period commencing on the date of such Borrowing and ending one, two, three or six months thereafter (at the option of the Company); provided any such Interest Period for a Euro-Dollar Borrowing which

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begins on the last Euro-Dollar Business Day of a calendar month, or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, shall end on the last Euro-Dollar Business Day of a calendar month.

2.3. Money Market Borrowings.

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2.3.1. In addition to Syndicated Loans, if the Company has a Level I Rating, a Level II Rating, a Level III Rating or a Level IV Rating on the date that the Company transmits to the Agent a Quote Request, the Company may, pursuant to the provisions of this Section 2.3, request the Banks to provide Quotes for Money Market Loans to the Company. The Banks may, but shall have no obligation to, provide such Quotes and the Company may, but shall have no obligation to, accept any such Quotes in the manner set forth in this Section 2.3.

2.3.2. When the Company wishes to request Quotes for Money Market Loans, the Company shall transmit to the Agent by telecopy a Quote Request substantially in the form of Exhibit B so as to be received no later than 10:00 A.M. (New York City time) on (a) the fifth Euro-Dollar Business Day prior to the proposed date of the Borrowing, in the case of a LIBOR Auction or (b) the Domestic Business Day next preceding the proposed date of the Borrowing, in the case of an Absolute Rate Auction, specifying:

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

(ii) the aggregate amount of such Borrowing, which shall be \$20,000,000 or any larger multiple of \$1,000,000;

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

(iv) the duration of the Interest Period applicable thereto, which (y) in the case of a LIBOR Auction, shall (subject to Section 2.6) be for a period commencing on the date of such Borrowing and ending such whole number of months thereafter as the Company may elect in such Quote Request; provided any such Interest Period which begins on the last Euro-Dollar

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Business Day of a calendar month, or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, shall end on the last Euro-Dollar Business Day of a calendar month and (z) in the case of any Absolute Rate Auction, shall (subject to Section 2.6) be for the period commencing on the date of such Borrowing and ending such number of days thereafter (not less than 30 days) as the Company may elect in such Quote Request.

The Company may request Quotes for more than one Interest Period in a single Quote Request. The Company shall not make any Quote Request (except a Quote Request which is made within three Euro-Dollar Business Days after any Loan has been repaid pursuant to Section 2.15, 2.16 or 2.17) within three Euro-Dollar Business Days after any other Quote Request.

2.3.3. Promptly upon receipt of a Quote Request, the Agent shall send to the Banks by telex or telecopy an Invitation for Quotes substantially in the form of Exhibit C, which shall constitute an invitation by the Company to each Bank to submit Quotes in response to the related Quote Request.

2.3.4. (a) Each Bank may submit a Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Quotes sent pursuant to Section 2.3.3. Each Quote must comply with the requirements of this Section 2.3.4 and must be submitted to the Agent by telex or telecopy or by telephone promptly confirmed by telex or telecopy so as to be received no later than (i) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of the Borrowing, in the case of a LIBOR Auction or (ii) 9:00 A.M. (New York City time) on the proposed date of the Borrowing, in the case of an Absolute Rate Auction; provided that Quotes submitted by the

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Agent (or any affiliate of the Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Agent or such affiliate notifies the Company of the terms of the offer or offers contained therein not later than (y) 1:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of the Borrowing, in the case of a LIBOR Auction or (z) 8:45 A.M. (New York City time) on the proposed date of the Borrowing, in the case of an Absolute Rate Auction.

(b) Each Quote shall be in substantially the form of Exhibit D and shall in any case specify: (i) the proposed date of the Borrowing (as specified in the related Invitation for Quotes); (ii) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (x) may be greater than or less than the Commitment of the quoting Bank, (y) must be \$1,000,000 or any larger multiple thereof and (z) may not exceed the principal amount of Money Market Loans specified in the related Invitation for Quotes; (iii) in the case of (A) a LIBOR Auction, the Money Market Margin offered for each such Money Market LIBOR Loan, and (B) an Absolute Rate Auction, the Money Market Absolute Rate offered for each such Money Market Absolute Rate Loan; and (iv) the identity of the quoting Bank. No Quote shall

contain qualifying, conditional or similar language or propose terms other than, or in addition to, those set forth in the applicable Invitation for Quotes.

(c) The Agent shall disregard any Quote, and shall not communicate any Quote pursuant to Section 2.3.5, if the Quote does not meet the requirements of Section 2.3.4(b) or arrives after the time specified in Section 2.3.4(a). The Agent shall disregard any subsequent Quote received from any Bank unless such subsequent Quote is submitted solely to correct a manifest error in the original Quote.

(d) Subject to the provisions of Sections 3 and 6, any Quote made in accordance with the provisions of this Section 2.3.4 shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

2.3.5. The Agent shall notify the Company not later than (y) 4:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (z) 9:15 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction of: (a) the aggregate principal amount of Money Market Loans for which Quotes have been timely received for each Interest Period specified in the related Quote Request and (b) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, offered by each Bank for each Interest Period specified in the related Quote Request and the name of the Bank making each Quote.

2.3.6. Not later than 10:00 A.M. (New York City time) on (y) the third Euro-Dollar Business Day prior to the proposed date of the Borrowing, in the case of a LIBOR Auction or (z) the proposed date of the Borrowing, in the case of an Absolute Rate Auction, the Company shall give the Agent notice of acceptance or non-acceptance by the Company of the Quotes specified pursuant to Section 2.3.5. In the case of acceptance, the Company shall specify in such notice (a "Notice of Money Market Borrowing"), for each Interest Period, the aggregate principal amount of Quotes that are accepted, provided that:

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

(b) the aggregate principal amount of each Money Market Borrowing must be \$20,000,000 or any larger multiple of \$1,000,000; and

(c) Quotes may only be accepted on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be.

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



#### 2.4. Notice to Banks; Funding of Loans.

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2.4.1. Upon receipt of a Notice of Borrowing, the Agent shall promptly notify (a) the Company of its receipt of such Notice of Borrowing, and (b) each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing, and, subject to Section 2.15, any such Notice of Borrowing shall thereafter be irrevocable by the Company. In no event shall any Bank's obligation to participate ratably in any Syndicated Borrowing be discharged or modified by the fact that, on the date of such Syndicated Borrowing, one or more Money Market Loans made by such Bank are then outstanding.

2.4.2. No later than 12:00 Noon (New York City time) on the date of each Borrowing, each Bank participating therein shall (except as provided in Section 2.4.3) make available to the Agent its share of such Borrowing, in federal or other funds immediately available in New York City. Unless the Agent determines that any applicable condition specified in Section 3 has not been satisfied, the Agent shall transmit to the Company, or to its order, no later than 1:00 P.M. (New York City time) on the date of each Borrowing the proceeds so received from the Banks in federal or other funds immediately available in New York City.

2.4.3. If any Bank makes a new Loan on a day on which the Company is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Agent, as provided in Section 2.4.2, or remitted by the Company to the Agent, as provided in Section 2.11., as the case may be.

2.4.4. Unless the Agent shall have received notice from a Bank prior to 11:00 A.M. (New York City time) on the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with Sections 2.4.2 and 2.4.3 and the Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, (a) such Bank shall be liable to the Company for its failure to make such share available, and (b) such Bank and the Company severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Agent, at the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

#### 2.5. Notes.

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2.5.1. The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Lending Office.

2.5.2. Each Bank may, by notice to the Company and the Agent (to be given at least two Domestic Business Days before the first Borrowing) request that its Loans of a particular type be evidenced by a separate Note. Each such Note shall be in substantially the form of Exhibit A, with appropriate modifications to reflect the fact that such Note evidences solely Loans of the relevant type. Thereafter, each reference in this Agreement to the "Note" of such Bank

shall be deemed to refer to and include any or all of such Notes, as the context may require.

2.5.3. Upon receipt of each Bank's Note pursuant to Section 9.1.5, the Agent shall deliver such Note to such Bank. Each Bank shall record, and prior to any transfer of any Note of such Bank shall endorse on the schedule forming a part of such Note, appropriate notations to evidence the date, amount and maturity of each Loan made by such Bank under such Note and the date and amount of each payment of principal made by the Company with respect thereto; provided that the failure of any Bank to make any such recordation or

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 endorsement shall not affect the obligations of the Company under this Agreement or the relevant Note. Each Bank is hereby irrevocably authorized by the Company to so endorse its Note and to attach to and make a part of any Note a continuation of any such schedule as and when required.

## 2.6. Maturity of Loans.

2.6.1. Each Loan shall mature, and the principal thereof shall be due and payable, on the last day of the Interest Period applicable to such Loan; provided, however, that any Interest Period which would otherwise end

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 after the Termination Date shall end on the Termination Date.

2.6.2. Subject to Section 2.6.1, if any payments due under any of the Notes or under this Agreement shall be stated to be due (a) with respect to a Euro-Dollar Borrowing or Money Market LIBOR Borrowing, on a day other than a Euro-Dollar Business Day, then such payment shall be due and payable on (and the related Interest Period shall, if necessary, end on) the next succeeding Euro-Dollar Business Day; provided, however, in the event that the day on which

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 such payment in respect of a Euro-Dollar Borrowing or Money Market LIBOR Borrowing is due is not a Euro-Dollar Business Day but a day of the month after which no further Euro-Dollar Business Day occurs in such month, then the due date thereof shall be the next preceding Euro-Dollar Business Day, or (b) with respect to any other Borrowing or any other compensation or other amount hereunder, on a day other than a Euro-Dollar Business Day, then such payment shall be due and payable on (and the related Interest Period shall, if necessary, be extended to) the next succeeding Euro-Dollar Business Day. Any such extensions or reductions of time shall, in each case, be considered in computing interest in connection with any such payment of principal or interest.

## 2.7. Interest Rates.

2.7.1. Subject to the provisions of Section 2.9.3(e), each Base Rate Loan shall bear interest on the outstanding principal amount, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the applicable Base Rate for such day. Interest payable at the Base Rate for each Interest Period shall be paid by the Company on the last day of such Interest Period. The Agent shall give prompt notice to the Company of each change in the Base Rate and the effective date thereof.

2.7.2. (a) Subject to the provisions of Section 2.9.3(e), each CD Loan shall bear interest on the outstanding principal amount, for the Interest Period applicable thereto, at a rate per annum equal to the applicable CD Rate. Interest payable on any CD Loan shall be paid by the Company on the last day of the Interest Period relating to such CD Loan, except when such Interest Period is longer than 90 days, in which case interest shall be paid on the 90th day of such Interest Period and on the last day thereof.

(b) As used herein, the "CD Rate" applicable to any CD Loan for any Interest Period means a rate per annum equal to the sum of the CD Margin plus the applicable Adjusted CD Base Rate.

The "Adjusted CD Base Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ACDBR} = \left[ \frac{\text{CDBR}}{1.00 - \text{DRP}} \right] * + \text{AR}$$

ACDBR = Adjusted CD Base Rate  
 CDBR = CD Base Rate  
 DRP = Domestic Reserve Percentage  
 AR = Assessment Rate

\* The amount in brackets being rounded upwards, if necessary, to the next higher 1/100th of 1%.

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Agent to be the arithmetic average of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of such CD Reference Bank's portion of the CD Borrowing to which such Interest Period applies and having a maturity comparable to such Interest Period. "Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of \$100,000 or more. The CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage. "Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.4(a) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The CD Rate shall be adjusted automatically on the effective date of any change in the Assessment Rate.

2.7.3. Subject to the provisions of Section 2.9.3(e), each Euro-Dollar Loan shall bear interest on the outstanding principal amount, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable London Interbank Offered Rate. Interest payable on any Euro-Dollar Loan shall be paid by the Company on the last day of the Interest Period relating to such Euro-Dollar Loan, except when such Interest Period is longer than three months, in which case interest shall be payable on the last day of the third month of such Interest Period and on the last day thereof.

2.7.4. (a) For so long as any Bank maintains

reserves against "Euro currency liabilities" (or any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents), and as a result the cost to such Bank (or its Euro-Dollar Lending Office) of making or maintaining its Euro-Dollar Loans is increased, then such Bank may require the Company to pay, contemporaneously with each payment of interest on any Euro-Dollar Loan (but not on any Money Market LIBOR Loan or any Euro-Dollar Loan bearing interest determined on the basis of the Base Rate pursuant to Section 2.14.2(z)) of such Bank, additional interest on such Euro-Dollar Loan for the Interest Period of such Euro-Dollar Loan at a rate per annum up to but not exceeding the excess of (i)(A) the applicable London Interbank Offered Rate (or, if applicable, the base rate determined pursuant to Section 2.14.2(y)) divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) the rate specified in the preceding clause (i)(A).

(b) Any Bank wishing to require payment of such additional interest (x) shall so notify the Company and the Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall furnish to the Company at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans an officer's certificate setting forth the amount to which such Bank is then entitled under this Section (which shall be consistent with such Bank's good faith estimate of the level at which the related reserves are maintained by it). Each such certificate shall be accompanied by such information as the Company may reasonably request as to the computation set forth therein.

(c) As used herein, "Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

2.7.5. Subject to Sections 2.15 and 2.9.3(e), each Money Market LIBOR Loan shall bear interest on the outstanding principal amount, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.3. Subject to Section 2.9.3(e), each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.3. Interest payable on any Money Market Loan shall be paid by the Company on the last day of the Interest Period relating to such Money Market Loan, except when such Interest Period is longer than three months, in which case interest shall be paid at intervals of three months after the first day of such Interest Period and on the last day thereof.

2.7.6. Pursuant to the foregoing provisions of this Section 2.7, the Agent shall calculate each interest rate applicable to

each of the Loans made under this Agreement. The Agent shall give prompt notice to the Company by telecopy and to the participating Banks by telex or telecopy of each interest rate so determined, and its determination thereof shall be conclusive in the absence of manifest error.

2.7.7. Each Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section 2.7. If any Reference Bank does not furnish a timely quotation, the Agent shall calculate the relevant interest rate on the basis of the, quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 2.15 shall apply.

2.8. Facility Fees. (a) The Company shall pay a facility fee to -----  
the Agent, for the accounts of the Banks ratably in proportion to their Commitments, in an amount determined pursuant to Section 2.8(b). Such facility fee shall be calculated for each day, shall accrue from and including the Effective Date to but excluding the day on which no Bank has any Commitment hereunder and on which no amount payable under any Note remains unpaid, and shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31 prior to the Termination Date and on the Termination Date (or on demand, if payable for any day on or after the Termination Date) upon receipt of a statement from the Agent calculating the amount thereof.

(b) The facility fee payable pursuant to Section 2.8(a) shall be calculated on the aggregate amount of the Commitments, regardless of usage, or if the Commitments have terminated but any Syndicated Loan remains unpaid, on the aggregate principal amount of Syndicated Loans outstanding (i) for each day when the Company has a Level I Rating, at the rate of 0.08% per annum, (ii) for each day when the Company has or is deemed to have a Level II Rating, at the rate of 0.10% per annum, (iii) for each day when the Company has or is deemed to have a Level III Rating, at the rate of 0.125% per annum, (iv) for each day when the Company has or is deemed to have a Level IV Rating, at the rate of 0.15% per annum and (v) for each day during a Level V Period, at the rate of 0.25% per annum.

2.9. Termination or Reduction of Commitments; Replacement of a  
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Certificate Bank.  
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2.9.1. The Company may, upon at least three Domestic Business Days' notice to the Agent, (a) terminate the Commitments at any time, if no Loans are outstanding at such time, or (b) ratably reduce from time to time by an aggregate amount of \$25,000,000 or any larger multiple of \$1,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans. If the Commitments are terminated in their entirety, all fees accrued under Section 2.8 shall be payable on the effective date of such termination. Upon receipt of any notice pursuant to this Section 2.9.1, the Agent shall promptly notify each Bank of the contents thereof.

2.9.2. The Commitments shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

2.9.3. (a) Notwithstanding any other provisions of this Agreement or the Notes, the Company, at any time after any Bank has delivered a notice or certificate pursuant to Section 2.7.4(b), 2.16 or 2.17.3 (in any case, a "Certificate Bank"), shall have the right to replace the Certificate Bank in accordance with this Section 2.9.3.

(b) The Company, in exercising its right to replace the Certificate Bank, shall (i) reduce the Commitment of such Bank to zero and (ii) (A) agree with one or more Banks to increase the respective Commitment of such Bank by an aggregate amount not in excess of the Commitment of the Certificate Bank, in full substitution of the Certificate Bank, or (B) add one or more additional banks as signatories to this Agreement for Commitments not in excess of the Commitment of the Certificate Bank, in full substitution of the Certificate Bank, or (C) any combination of increases in Commitments pursuant to (A) above and additional new banks pursuant to (B) above, so long as the aggregate sum of the increases in Commitments plus the additional Commitments of the additional banks equals the Commitment of the Certificate Bank and such increases in Commitments and additional Commitments shall become effective concurrently with the reduction of the Commitment of the Certificate Bank. Any new bank becoming a signatory to this Agreement shall, without further action, be considered a Bank for all purposes of this Agreement at the time of execution of a counterpart of this Agreement.

(c) The Company shall have the right to select any additional bank or banks to become signatories to this Agreement pursuant to Section 2.9.3(b) above, subject to the consent of the Agent, which consent shall not be unreasonably withheld.

(d) A Certificate Bank may be replaced within 30 days after the date such Certificate Bank has delivered a certificate or notice pursuant to Section 2.7.4(b), 2.16 or 2.17.3 or at any time thereafter during the period that such Certificate Bank is accruing charges pursuant to Section 2.7.4, 2.16 or 2.17, provided that notice of such replacement is given by the Company to the

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Agent and such Certificate Bank at least three Domestic Business Days prior to such replacement and the Company complies with the provisions of Section 2.12.

(e) Each Bank or additional bank which replaces a Certificate Bank pursuant to this Section 2.9.3 shall acquire all (or if more than one Bank or bank is replacing a Certificate Bank pursuant to this Section 2.9.3, all of such Banks or banks shall in the aggregate severally acquire all) of the then outstanding Loans of the Certificate Bank under such terms with respect to the amounts to be paid as interest thereon as may be agreed to by the Company, such Certificate Bank and such Bank(s) or bank(s). The Company shall promptly give notice of such terms to the Agent so that the Agent may send notices to the Company and distribute payments of interest to the Banks in accordance therewith.

(f) After a Certificate Bank is replaced pursuant to this Section 2.9.3, it shall have no further rights or obligations hereunder (and shall no longer be a "Bank" for purposes hereof), provided that a replaced

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Certificate Bank shall retain its rights and obligations as a Bank hereunder with respect to the period before it was so replaced (except to the extent that it shall have assigned or otherwise transferred such rights to another Bank or additional bank).

#### 2.10. Optional Prepayments.

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2.10.1. The Company shall have the right to make prepayments at any time of the principal amount of any Syndicated Borrowing and any Money Market Borrowing bearing interest at the Prime Rate pursuant to Section 2.15, provided (a) notice of such prepayment is given by the Company to the Agent not

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later than 3:00 P.M. (New York City time) on the Domestic Business Day before the date of such prepayment, (b) the date of such prepayment is a Euro-Dollar Business Day or, in the case of a CD Borrowing or Base Rate Borrowing, a Domestic

Business Day and (c) each prepayment is in an amount of \$20,000,000 or a larger multiple of \$1,000,000 (unless the then outstanding balance of such Borrowing is to be prepaid in full, in which event the prepayment may be in the amount of such Borrowing). Each such prepayment shall be applied to prepay ratably the Loans of the several Banks included in the Borrowing being prepaid. Any such prepayment shall be made without premium or penalty but together with interest accrued, if any, on the amount prepaid to the date of prepayment provided, however, that upon prepayment of any Fixed Rate Borrowing (except a Money Market Borrowing bearing interest at the Prime Rate pursuant to Section 2.15), other than at the end of the Interest Period applicable thereto, the Company will pay such amount or amounts, if any, as are required to be paid pursuant to Section 2.12.

2.10.2. The Company may not prepay all or any portion of the principal amount of any Money Market Loan (except a Money Market Loan bearing interest at the Prime Rate) prior to the maturity thereof.

2.10.3. Upon receipt of any prepayment pursuant to this Section 2.10, the Agent shall promptly notify each Bank thereof and of such Bank's ratable share (if any) of such prepayment.

#### 2.11. General Provisions as to Payments.

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2.11.1. The Company shall make each payment of principal of and interest on the Loans and of additional compensation hereunder, on the date when due, in federal or other funds immediately available in New York City, to the Agent, and the Company agrees to instruct its bank which will be transmitting such funds with respect to such payments not later than 10:00 A.M. (New York City time) on the date when due. The Agent will promptly distribute to each Bank its ratable share (if any) of each such payment received by the Agent for the account of the Banks. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

2.11.2. Any Bank may from time to time, by notice to the Company and the Agent, designate (a) separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand or (b) separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand; in any such case all references in this Agreement to the Domestic Lending Office or Money Market Lending Office of such Bank shall be deemed to refer to either or both of such designated offices, as the context may require.

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

#### 2.12. Funding Losses. If the Company (a) makes any payment of

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principal (except a payment required by Section 2.16) with respect to any Fixed Rate Loan (except a Money Market Loan bearing interest at the Prime Rate pursuant to Section 2.15) on any day other than (i) the last

day of the Interest Period applicable to such Fixed Rate Loan or (ii) the end of an applicable period fixed pursuant to Section 2.14, or (b) fails to borrow any Fixed Rate Loan after notice has been given to any Bank in accordance with Section 2.4.1, the Company shall reimburse each Bank for any resulting loss, premium or penalty which, in the reasonable judgment of such Bank, such Bank (or an existing or prospective participant in a related Loan) incurred, including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment. The Company shall not be required to pay any such reimbursement except upon demand therefor following receipt of a certificate from any such Bank as to the amount of such loss, premium or penalty, which certificate shall be conclusive in the absence of manifest error.

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

2.14. Interest after Maturity. Any overdue principal of, and, to  
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the extent permitted by law, overdue interest on:

2.14.1. any Base Rate Loan, CD Loan or Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 1% plus the Base Rate for such day; and

2.14.2. any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, either (y) at a rate per annum equal to the sum of 1% plus the Euro-Dollar Margin plus the average (rounded upward, if necessary, to the next higher 1/16th of 1%) of the respective rates per annum at which one day (or, if such overdue payment remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Agent may elect) deposits in dollars in an amount approximately equal to the Euro-Dollar Reference Bank's respective portion of such overdue payment are offered to each of the Euro-Dollar Reference Banks in the London interbank market for the applicable period determined as provided above or, (z) if the circumstances described in Section 2.15(a) or (b) shall exist, at a rate per annum equal to the sum of 1% plus the Base Rate for such day.

2.15. Basis for Determining Interest Rate Inadequate or Unfair. If  
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on or prior to the first day of any Interest Period for any Fixed Rate Borrowing (other than a Money Market Absolute Rate Borrowing):

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

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



## Interest Period,

the Agent shall forthwith give notice thereof, but not later than 10:00 A.M. (New York City time) on the date of such Borrowing, to the Company and the Banks, whereupon until the Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended. Unless the Company notifies the Agent by 12:00 Noon (New York City time) on the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Syndicated Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Prime Rate for such day.

## 2.16. Illegality. If, after the date of this Agreement, the adoption

of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent and the Company, the Agent shall forthwith give notice thereof to the other Banks, whereupon until such Bank notifies the Company and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Company shall immediately prepay in full such Loans, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Company shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

## 2.17. Increased Cost and Reduced Return.

2.17.1. If, on or after (a) the date hereof, in the case of any Syndicated Loan or any obligation to make Syndicated Loans or (b) the date of the related Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Fixed Rate Loans, its Notes or its obligation to make Fixed Rate Loans, or shall

change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Fixed Rate Loans or any other amounts due under this Agreement in respect of its Fixed Rate Loans or its obligation to make Fixed Rate Loans (except for changes in the rate of tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (A) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (B) with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation under Section 2.7.4 during the relevant Interest Period) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Notes or its obligation to make Fixed Rate Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount determined by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

2.17.2. If any Bank shall determine that, on or after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any existing or future law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations under this Agreement to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount determined by such Bank to be material, then from time to time, and following receipt by the Agent and the Company of a certificate from such Bank pursuant to Section 2.17.3, the Agent shall adjust the amount of the facility fee payable pursuant to Section 2.8 for the account of such Bank to include such additional amount or amounts as will compensate such Bank for any such reduction.

2.17.3. Each Bank will promptly notify the Company and the Agent of any event of which it has knowledge, occurring on or after the date of this Agreement, which will entitle such Bank to compensation pursuant to this Section 2.17 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 2.17 and setting forth the calculation for the additional amount or amounts to be paid to such

Bank under this Section 2.17 shall be conclusive in the absence of manifest error. In determining any such amount, such Bank shall make its calculations (which shall be set forth in the certificate) reasonably and in good faith using any reasonable averaging and attribution methods (which shall be set forth in the certificate).

2.18. Base Rate Loans Substituted for Affected Fixed Rate Loans. If either

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 (a) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 2.16 or (b) any Bank has demanded compensation pursuant to Section 2.17.1 and the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section 2.18 shall apply to such Bank, then, unless and until such Bank notifies the Company and the Agent that the circumstances giving rise to such suspension or demand for compensation no longer apply:

2.18.1. All Loans which would otherwise be made by such Bank as CD Loans or Euro-Dollar Loans, as the case may be, shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks); and

2.18.2. After each of the CD Loans or Euro-Dollar Loans of such Bank, as the case may be, has been repaid, all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

### SECTION 3

#### CONDITIONS TO BORROWINGS

The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

3.1. Notice of Borrowing. The Agent shall have received a Notice of

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 Borrowing as required by Section 2.2 or 2.3, as the case may be.

3.2. Representations. The fact that: (a) immediately after such Borrowing,

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 (i) in the case of a Refunding Borrowing, no Event of Default shall have occurred and be continuing or (ii) in the case of any other Borrowing, no Default shall have occurred and be continuing; (b) the representations and warranties of the Company contained in this Agreement (except, in the case of a Refunding Borrowing, the representations and warranties set forth in Sections 4.5, 4.6, 4.8 and 4.9) shall be true on and as of the date of such Borrowing; and (c) immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments. Each Borrowing hereunder shall be deemed to be a representation and warranty by the Company, to the best of its knowledge, on the date of such Borrowing as to the facts specified in this Section 3.2.

### SECTION 4

#### REPRESENTATIONS AND WARRANTIES

The Company represents and warrants that:

4.1. Corporate Existence and Power. The Company is a

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corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to carry on its business as now conducted.

4.2. Corporate and Governmental Authorization; No Contravention. The

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 execution, delivery and performance by the Company of this Agreement and the Notes are within the Company's corporate power, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of reports with the Securities and Exchange Commission) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or bylaws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company.

4.3. Binding Effect. This Agreement constitutes a valid and binding

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 agreement of the Company and the Notes, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Company.

4.4. Financial Information.

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 4.4.1. The consolidated balance sheet of the Company and Subsidiaries as of February 1, 1997 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Coopers & Lybrand L.L.P. and set forth in the Company's Annual Report on Form 10-K for the Fiscal Year then ended, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

4.4.2. From February 1, 1997 to the Effective Date, there has been no material adverse change in the business, financial position or results of operations of the Company and Consolidated Subsidiaries, considered as a whole.

4.5. Litigation. There is no action, suit or proceeding pending against, or

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 to the knowledge of the Company threatened against or affecting, the Company or any Consolidated Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is, in the good faith judgment of the Company (which shall be conclusive), a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Company and Consolidated Subsidiaries considered as a whole or which in any manner draws into question the validity or enforceability of this Agreement or the Notes.

4.6. Subsidiaries. Each of the Company's corporate Consolidated Subsidiaries

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 is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate power and authority required to carry on its business as now conducted except to the extent that the failure of any such Consolidated Subsidiary to be so incorporated, existing or in good standing or to have such power and authority is not reasonably expected by the Company to have a material adverse effect on the business, financial position or results of operations of the Company and Consolidated Subsidiaries considered as a whole.

4.7. Not an Investment Company. The Company is not an

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"investment company" within the meaning of the Investment Company Act of 1940, as amended.

4.8. ERISA. Each member of the ERISA Group (a) has fulfilled its material

obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, (b) is in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and (c) has not incurred any material liability to the PBGC or a Plan under Title IV of ERISA other than a liability to PBGC for premiums under Section 4007 of ERISA; provided, that

this sentence shall not apply to (a) any member of the ERISA Group described in Section 414(m) of the Code (other than the Company or a Subsidiary) or any Plan maintained by such a member or (b) any Plan referred to in clause (c) of the definition of "Plan" in Section 1.1 (a "Multiemployer Plan"). The Company and its Subsidiaries have made all material payments to Multiemployer Plans which they have been required to make under the related collective bargaining agreement or applicable law.

4.9. Taxes. The Company and Subsidiaries have filed all United States

federal income tax returns and all other material tax returns which, in the opinion of the Company, are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary, except for assessments which are being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Company and Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

## SECTION 5

### COVENANTS

The Company agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note remains unpaid:

5.1. Information.

5.1.1. The Company will deliver to each of the Banks:

(a) as soon as available and in any event within 120 days after the end of each Fiscal Year, the Annual Report of the Company on Form 10-K for such Fiscal Year, containing financial statements reported on in a manner acceptable to the Securities and Exchange Commission by Coopers & Lybrand L.L.P. or other independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each Fiscal Year, a copy of the Company's report on Form 10-Q for such quarter with the financial statements therein contained to be certified (subject to normal year end adjustments) as to fairness of presentation, generally accepted accounting principles (except footnotes) and consistency, by the chief financial officer, the chief accounting officer or the treasurer of the Company;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer, the chief accounting officer or treasurer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance

with the requirements of Section 5.6 on the date of such financial statements and (ii) stating whether, to the best knowledge of such officer, any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements (insofar as such pertains to accounting matters);

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

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

(g) within four Domestic Business Days of any executive or financial officer of the Company obtaining knowledge of any condition or event recognized by such officer to be a Default, a certificate of the chief financial officer, the chief accounting officer or the treasurer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(h) if and when any executive or financial officer of the Company obtains knowledge that any member of the ERISA Group (i) has given or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) has received notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) has received notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice; and

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

5.1.2. Certificates delivered pursuant to this Section shall be signed manually or shall be copies of a manually signed certificate.

5.2. Maintenance of Properties. The Company will, and will cause each

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 Consolidated Subsidiary to, maintain and keep in good condition, repair and working order all properties used or useful in the conduct of its business and supply such properties with all necessary equipment and make all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Section 5.2 shall prevent the Company or  
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any Consolidated Subsidiary from discontinuing the operation and maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of the business of the Company or such Consolidated Subsidiary, as the case may be, and not disadvantageous in any material respect to the Banks.

5.3. Maintenance of Insurance. The Company will, and will cause each

Consolidated Subsidiary to, insure and keep insured, with reputable insurance companies, so much of its properties and such of its liabilities for bodily injury or property damage, to such an extent and against such risks (including fire), as companies engaged in similar businesses customarily insure properties and liabilities of a similar character; or, in lieu thereof, the Company will maintain, or cause each Consolidated Subsidiary to maintain, a system or systems of self-insurance which will be in accord with the customary practices of companies engaged in similar businesses in maintaining such systems.

5.4. Preservation of Corporate Existence. The Company shall preserve and

maintain its corporate existence, rights, franchises and privileges in the State of Delaware or in any other State of the United States which it shall select as its jurisdiction of incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary, except such jurisdictions, if any, where the failure to preserve and maintain its corporate existence, rights, franchises and privileges, or qualify or remain qualified will not have a material adverse effect on the business or property of the Company.

5.5. Inspection of Property, Books and Records. The Company will, and will

cause each Consolidated Subsidiary to, make and keep books, records and accounts in which transactions are recorded as necessary to (a) permit preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles and (b) otherwise comply with the requirements of Section 13(b)(2) of the Securities Exchange Act of 1934 as in effect from time to time. At any reasonable time during normal business hours and from time to time, the Company will permit the Agent or any of the Banks or any agents or representatives thereof at their expense (to the extent not in violation of applicable law) to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any Consolidated Subsidiaries and to discuss the affairs, finances and accounts of the Company and any Consolidated Subsidiaries with any of their respective officers or directors. Except (i) as any Bank deems it necessary in connection with the enforcement of its rights arising out of any Default or as required by law or with respect to disclosures to bank regulatory authorities or the independent auditors or counsel or the employees, officers or directors of such Bank, (ii) disclosures to any actual or potential participant or, with the prior written consent of the Company, assignee (a "Transferee") of such Bank's rights under this Agreement who signs a confidentiality agreement containing provisions substantially similar to those contained in this Section 5.5; provided that such

Bank shall promptly notify the Company of the identity of such actual or potential Transferee, or (iii) as consented to by the Company in writing, such Bank will not publish or disclose to any third Person any information gained under any inspection conducted pursuant to this Section 5.5 or information obtained pursuant to Section 5.1.1(i) unless and until such information is or becomes a matter of public knowledge through no fault of such Bank or is lawfully acquired by such Bank without restrictions of confidentiality.

5.6. Limitations on the Company. The Company will not:

5.6.1. Current Ratio. Permit the ratio of (x) the sum of Consolidated

Current Assets plus the Unused Commitments to (y) Consolidated Current Liabilities to be less than 1.33 to 1.

5.6.2. Tangible Net Worth. Permit Consolidated Tangible Net Worth to

be less than \$1,000,000,000.

5.6.3. Debt to Capital Ratio. Permit the ratio of Consolidated Debt

to Capital to exceed 0.825 to 1.

5.7. Restrictions on Liens upon Stock of Consolidated Subsidiaries. Neither

the Company nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any stock of any Consolidated Subsidiary except Liens on the stock of one or more Consolidated Subsidiaries which in the aggregate, if considered as a single Subsidiary, would not constitute a "Significant Subsidiary" as defined on the Effective Date in Rule 1-02 of Regulation S-X adopted by the Securities and Exchange Commission.

5.8. Compliance with Laws. The Company will, and will cause each

Consolidated Subsidiary to, comply in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, ERISA and the rules and regulations thereunder), except to the extent that (a) the necessity of compliance therewith is contested in good faith by appropriate proceedings or (b) the failure to so comply would not result in any material adverse effect on the business, financial condition or results of operations of the Company and Consolidated Subsidiaries taken as a whole.

5.9. Consolidated Subsidiary Debt Limitations. The Company will not permit

any Consolidated Subsidiary to create, incur, assume or suffer to exist any Debt except:

5.9.1. Debt of any Consolidated Subsidiary which is, or the direct or indirect parent of which is, acquired by the Company or any other Consolidated Subsidiary after the Effective Date, which Debt is in existence at the time such Consolidated Subsidiary (or parent) is so acquired; provided such Debt was not created at the request or with the consent of the Company or any Subsidiary, and such Debt may not be extended other than pursuant to the terms thereof as in existence at the time such Consolidated Subsidiary (or parent) was acquired; and

5.9.2. Other Debt in an aggregate principal amount for all Consolidated Subsidiaries not exceeding the lesser of (a) \$250,000,000 or (b) 15% of Consolidated Tangible Net Worth.

5.10. Consolidations, Mergers and Sales of Assets. The Company will not (a)

consolidate or merge with or into any other Person or (b) sell, lease or otherwise transfer all or any substantial part of the assets of the Company and its Consolidated Subsidiaries, taken as a whole, to any other Person; provided

that the Company may merge with another Person if (y) the corporation surviving the merger is the Company or a corporation organized under the laws of a State of the United States into which the Company desires to merge for the purpose of becoming incorporated in such State (in which case such corporation shall assume all of the Company's obligations under this Agreement and the Notes by an agreement satisfactory to the Required Banks (and the Required Banks shall not unreasonably withhold their consent to the form of such agreement) and shall deliver to the Banks such legal opinions and other documents as the Agent may reasonably request to evidence the



due authorization, validity and binding effect thereof) and (z) immediately after giving effect to such merger, no Default shall have occurred and be continuing; and provided further that the foregoing shall not be construed to

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 prohibit any Minority Interest Disposition or any other sale, lease or other transfer of assets (including by means of dividends, share repurchases or recapitalizations) that does not involve all or any substantial part of the assets of the Company and its Consolidated Subsidiaries taken as a whole.

## SECTION 6

### EVENTS OF DEFAULT AND REMEDIES

6.1. Events of Default. Any of the following shall be an "Event of Default":  
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6.1.1. Payment. The Company shall fail to make any payment of  
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principal of or interest on any Loan when due or to pay any fees or other amounts payable hereunder when due, and such failure remains unremedied for three Domestic Business Days after the Company's actual receipt of notice of such failure from the Agent at the request of any Bank;

6.1.2. Representations. Any statement of fact or representation made  
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or deemed to be made by the Company in this Agreement or by the Company or any of its officers in any certificate delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made or deemed made, and, if the consequences of such representation or statement being incorrect shall be susceptible of remedy in all material respects, such consequences shall not be remedied in all material respects within 30 days after any executive or financial officer first becomes aware of or is advised that such representation or statement was incorrect in a material respect;

6.1.3. Financial Covenants. The Company shall fail to comply with  
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any of the provisions of Section 5.6.1, 5.6.2 or 5.6.3 and, if the consequences of such failure shall be susceptible of remedy in all material respects, such consequences shall not be remedied in all material respects within 20 days after any executive or financial officer of the Company first becomes aware or is advised of such failure to comply;

6.1.4. Other Debt. (a) The Company or any Consolidated Subsidiary  
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shall fail to pay principal of or interest on any Debt (other than as evidenced by the Notes) and the longer of (i) any periods within which the Company or such Consolidated Subsidiary shall be allowed to cure such nonpayment shall have elapsed, or (ii) 10 days shall have passed since such failure, in either case without curing such nonpayment or (b) any event or condition shall occur which enables the holder of any Debt (other than as evidenced by the Notes) or any Person acting on such holder's behalf to accelerate the maturity thereof, and the longer of (i) any periods within which the Company or such Consolidated Subsidiary shall be allowed to cure such condition or event shall have elapsed, or (ii) 10 days shall have passed since the occurrence of such event or condition, in either case without curing such event or condition, or (c) the holder of any Debt (other than as evidenced by the Notes) shall accelerate the maturity of such Debt and such acceleration shall not have been rescinded within 20 days of such acceleration, provided no Default under this Section 6.1.4 shall

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 be deemed to occur where (y) the amount, individually or in the aggregate, of such Debt does not exceed \$15,000,000; or (z) if at the time such events occur, the Company has a Level I Rating, a Level II

Rating, a Level III Rating or a Level IV Rating and either (i) such Debt is owed by a Consolidated Subsidiary not incorporated under the laws of any State of the United States, the District of Columbia or Canada or any province thereof, or (ii) such Debt is permitted under Section 5.9.1;

6.1.5. Insolvency, etc. The Company or any Consolidated Subsidiary

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 shall (a) make a general assignment for the benefit of creditors; (b) apply for or consent (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, custodian, trustee or liquidator of the Company or any Consolidated Subsidiary or any substantial part of the properties of the Company or any Consolidated Subsidiary or authorize such application or consent, or proceedings seeking such appointment shall be commenced without such authorization, consent or application against the Company or any Consolidated Subsidiary and continue undismissed for 30 days (or if such dismissal of such unauthorized proceedings cannot reasonably be obtained within such 30 day period, the Company or any Consolidated Subsidiary shall fail either to proceed with due diligence to seek to obtain dismissal within such 30 day period or to obtain dismissal within 60 days); (c) authorize or file a voluntary petition in bankruptcy, suffer an order for relief under any federal bankruptcy law, or apply for or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction, or authorize such application or consent, or proceedings to such end shall be instituted against the Company or any Consolidated Subsidiary without such authorization, application or consent which are not vacated within 30 days from the date thereof (or if such vacation cannot reasonably be obtained within such 30 day period, the Company shall fail either to proceed with due diligence to seek to obtain vacation within such 30 day period or to obtain vacation within 60 days); (d) permit or suffer all or any substantial part of its properties to be sequestered, attached, or subjected to a Lien (other than a Lien expressly permitted by the exception to Section 5.7) through any legal proceeding or distraint which is not vacated within 30 days from the date thereof (or if such vacation cannot reasonably be obtained within such 30 day period, the Company shall fail either to proceed with due diligence to seek to obtain vacation within such 30 day period or to obtain vacation within 60 days); (e) generally not pay its debts as such debts become due or admit in writing its inability to do so; or (f) conceal, remove, or permit to be concealed or removed, any material part of its property, with intent to hinder, delay or defraud its creditors or any of them; provided, however, that the foregoing

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 events will not constitute an Event of Default if such events occur with respect to any Subsidiary which is: (i) a Consolidated Subsidiary not incorporated under the laws of any State of the United States, the District of Columbia or Canada or any province thereof and not engaged in the retail business, if the aggregate Value of the Company's and all Consolidated Subsidiaries' investments in and advances to such Consolidated Subsidiary and all such other Consolidated Subsidiaries to which these tests are being applied within a period of 18 months ending on the date of determination, does not exceed \$15,000,000; or (ii) a Consolidated Subsidiary incorporated under the laws of any State of the United States, the District of Columbia or Canada or any province thereof and not engaged in the retail business, if at the time such events occur (y) the Company has a Level I Rating, a Level II Rating, a Level III Rating or a Level IV Rating and (z) the aggregate Value of the Company's and all Consolidated Subsidiaries' investments and advances to such Consolidated Subsidiary and all other such Consolidated Subsidiaries to which these tests are being applied within a period of 18 months ending on the date of determination, does not exceed \$7,500,000;

6.1.6. Employee Benefit Plans. Any member of the ERISA Group

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 shall fail to pay when due an amount or amounts aggregating in excess of \$1,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Liabilities in excess of \$25,000,000 (collectively a "Material Plan") shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against any member of the ERISA Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or

6.1.7. Failure to Perform. The Company shall fail to perform

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 or observe in any material respect any other term, covenant or agreement contained in this Agreement (including without limitation Section 5.1) or the Notes on its part to be performed or observed and any such failure remains unremedied for 30 days after the Company shall have received written notice thereof from the Agent at the request of any Bank.

6.2. Remedies. If any Event of Default shall occur and be continuing,

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 the Agent shall (a) if requested by the Required Banks, by notice to the Company terminate the Commitments and they shall thereupon terminate, and (b) if requested by Banks holding Notes evidencing at least 60% of the aggregate unpaid principal amount of the Loans, by notice to the Company declare the Notes (together with accrued interest thereon and all other amounts payable by the Company hereunder) to be, and the Notes (together with accrued interest thereon and all other amounts payable by the Company hereunder) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; provided that in

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 the case of any of the bankruptcy Events of Default specified in Section 6.1.5 with respect to the Company, without any notice to the Company or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon and all other amounts payable by the Company hereunder) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

6.3. Notice of Default. The Agent shall give notice to the Company

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 under Section 6.1.1 or 6.1.7 promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

SECTION 7

THE AGENT

7.1. Appointment and Authorization. Each Bank irrevocably appoints

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 and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

7.2. Agent and Affiliates. Morgan Guaranty Trust Company of New York

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 shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same

as though it were not the Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Subsidiary or affiliate of the Company as if it were not the Agent hereunder.

7.3. Action by Agent. The obligations of the Agent hereunder are only

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those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Section 6.

7.4. Consultation with Experts. The Agent may consult with legal

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counsel (who may be counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

7.5. Liability of Agent. Neither the Agent nor any of its directors,

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officers, agents, or employees shall be liable for any action taken or not taken by it in connection herewith (a) with the consent or at the request of the Required Banks or (b) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in Section 3 or 9, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, telecopy or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

7.6. Indemnification. Each Bank shall, ratably in accordance with its

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Commitment, indemnify the Agent (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Agent hereunder.

7.7. Credit Decision. Each Bank acknowledges that it has, independently

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

7.8. Successor Agent. The Agent may resign at any time by giving

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written notice thereof to the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint another Bank as successor Agent. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent's giving notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized

under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

7.9. Agent's Fee. The Company shall pay to the Agent for its own account

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fees in the amounts and at the times previously agreed upon between the Company and the Agent.

## SECTION 8

### MISCELLANEOUS

8.1. Notices. All notices, requests and other communications to any

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party hereunder shall be in writing (including bank wire, telex (other than in the case of the Company), telecopy or similar writing) or shall be by telephone promptly confirmed in writing and shall be given to such party: (a) in the case of the Company or the Agent, at its address, telephone number, telecopy number or telex (other than in the case of the Company) number set forth on the signature pages hereof, (b) in the case of any Bank at its address, telephone number, telecopy number or telex number set forth in its Administrative Questionnaire or (c) in the case of any party such other address, telephone number, telecopy number or telex number as such party may hereafter specify for the purpose of notice to the Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by telecopy or telex, when such telecopy or telex is transmitted to the telecopy number or telex number specified in or pursuant to this Section 8.1 and the appropriate confirmation or answerback is received, (ii) if given by mail, 120 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, (iii) if given by telephone, when such notice is given subject to prompt confirmation in writing or (iv) if given by any other means, when delivered at the address specified in or pursuant to this Section; provided

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that notices to the Agent under Section 2 shall not be effective until received.

8.2. No Waivers. No failure or delay by the Agent or any Bank in

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exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

8.3. Expenses; Documentary Taxes. The Company shall pay (a) all

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reasonable out-of-pocket expenses of the Agent, including fees and disbursements of Cravath, Swaine & Moore, special counsel for the Agent, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default hereunder and (b) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Agent or any Bank, including fees and disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Company shall indemnify each Bank against any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Notes.

8.4. Sharing of Set-Offs. Each Bank agrees that if it shall, by

exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest then due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest then due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made from time to time, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank

to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Company other than its indebtedness under the Notes. The Company agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of the participation were a direct creditor of the Company in the amount of such participation.

8.5. Amendments and Waivers. Any provision of this Agreement or the

Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no

such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank except as provided in Section 2.9 or subject any Bank to any additional obligation, (ii) reduce the principal of or the rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed (a) for any payment of principal of or interest on any Loan or any fees hereunder or (b) for any termination of any Commitment, or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement.

8.6. Successors and Assigns.

8.6.1. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

8.6.2. Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Company and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such

participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of

this Agreement described in clause (i), (ii) or (iii) of Section 8.5 without the consent of the Participant. The Company agrees that each Participant to a participation, the granting of which has been approved in writing by the Company, shall, to the extent provided in its participation agreement, be entitled to the benefits of Sections 2.7.4 and 2.17 with respect to its participating interest. An assignment or other transfer which is not permitted by Section 8.6.3 or 8.6.4 below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this Section 8.6.2.

8.6.3. Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit G hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Company and the Agent; provided that (a) if an Assignee is a Bank

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or an affiliate of such transferor Bank, no consent shall be required, (b) such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans and (c) any such assignment shall be for at least \$10,000,000 of the Commitment of such Bank. Upon execution and delivery of such instrument and any necessary payment by such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this Section 8.6.3 the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment (other than in the case of the replacement of a Bank pursuant to Section 2.1.3 or Section 2.9.3) the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of \$2,000.

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

8.6.5. No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 2.17 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 2.16 or 2.17 requiring such Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

8.6.6. If any Reference Bank assigns its Notes to an unaffiliated institution as permitted by Section 8.6.1, the Agent shall, in consultation with the Company and with the consent of the Required Banks, appoint another Bank to act as a Reference Bank hereunder.

8.7. Collateral. Each of the Banks represents to the Agent and each of -----  
the other Banks that it in good faith is not relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

8.8. New York Law. This Agreement and each Note shall be construed in -----  
accordance with and governed by the law of the State of New

York.

8.9. Counterparts; Integration. This Agreement may be signed in any

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 number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

8.10. Indemnity by Company. The Company agrees to indemnify each Bank

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 and hold each Bank harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind (including, without limitation, the reasonable fees and disbursements of counsel for any Bank in connection with any investigative, administrative or judicial proceeding, whether or not such Bank shall be designated a party thereto) which may be incurred by any Bank (or by the Agent in connection with its actions as Agent hereunder), relating to or arising out of any actual or proposed use of proceeds of Loans hereunder for the purpose of acquiring equity securities of any Person; provided, that no Bank

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 shall have the right to be indemnified hereunder (a) with respect to the acquisition of equity securities (i) of a wholly-owned Subsidiary, or (ii) of a Person who prior to such acquisition did not conduct any business, or (b) for its own gross negligence or willful misconduct.

#### SECTION 9

##### EFFECTIVENESS

9.1. Conditions. This Agreement shall become effective upon

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 satisfaction of the following conditions:

9.1.1. the Agent shall have received duly executed counterparts of this Agreement signed by the Company and the Banks (or, in the case of any party as to which an executed counterpart shall not have been received, the Agent shall have received telegraphic, telex or other written confirmation from such party of execution of a counterpart by such party);

9.1.2. the Agent shall have received opinions of each of Samuel P. Fried, Esq., General Counsel of the Company, and Davis Polk & Wardwell, special counsel for the Company, substantially in the forms of Exhibits E-1 and E-2 hereto, respectively, and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

9.1.3. the Agent shall have received an opinion of Cravath, Swaine & Moore, special counsel for the Agent, substantially in the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

9.1.4. the Agent shall have received a certificate signed by the chief financial officer or the treasurer of the Company, to the effect that the representations and warranties of the Company contained in Section 4 are true on and as of the date of such certificate;

9.1.5. the Agent shall have received, for the account of each Bank, a duly executed Note, dated on or before the Effective Date and complying with the provisions of Section 2.5 of this Agreement;



9.1.6. the Agent shall have received all documents it may reasonably request relating to the existence of the Company, the corporate authority for the validity of this Agreement, and any other matters relevant hereto, all in form and substance satisfactory to the Agent; and

9.1.7. the Agent shall have received evidence satisfactory to it of the termination of lending commitments under, and the payment of all amounts outstanding under, the Existing Credit Agreement.

The opinions and certificate referred to in clauses 9.1.2, 9.1.3 and 9.1.4 above shall be dated the Effective Date.

9.2. Termination of Agreement. The Banks that are parties to the Existing Credit Agreement, comprising the "Required Banks" as defined therein, and the Company agree to waive notice of the termination of the commitments under the Existing Credit Agreement, and such commitments shall terminate in their entirety simultaneously with and subject to the effectiveness of this Agreement and that the Company shall be obligated to pay the accrued facility fees thereunder to but excluding the Effective Date. Each Bank that is a party to the Existing Credit Agreement agrees that, immediately upon the effectiveness of this Agreement, it will mark all notes issued under the Existing Credit Agreement and held by it "CANCELLED" and will promptly return all such Notes to the Company or, in the event such notes have been lost, will indemnify the Company in respect of any loss arising from such loss pursuant to such Bank's customary indemnification for lost securities.

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

THE LIMITED, INC.

By: /s/ Patrick Hectorne

-----  
Name: Patrick Hectorne  
Title: Treasurer

Three Limited Parkway  
P.O. Box 16000  
Columbus, Ohio 43216  
Telecopy number:614-415-7060  
Telephone number:614-415-7033  
Attn: Patrick Hectorne  
Treasurer

With copy to:

Kenneth B. Gilman,  
Vice Chairman and  
Chief Administrative Officer  
Telecopy number:614-415-7185

Commitments

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\$98,000,000

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By: /s/ Diana H. Imhof  
 -----  
 Name: Diana H. Imhof  
 Title: Vice President

\$75,000,000

THE CHASE MANHATTAN BANK

By: /s/ William P. Rindfuss  
 -----  
 Name: William P. Rindfuss  
 Title: Vice President

\$75,000,000

CITIBANK, N.A.

By: /s/ Charles C. Philipp  
 -----  
 Name: Charles C. Philipp  
 Title: Vice President

\$75,000,000

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

By: /s/ Susan M. O'Connor  
 -----  
 Name: Susan M. O'Connor  
 Title: Director

By: /s/ Joel D. Makowsky  
 -----  
 Name: Joel D. Makowsky  
 Title: Assistant Vice President

\$60,000,000

THE BANK OF NEW YORK

By: /s/ Paula DiPonzio  
 -----  
 Name: Paula DiPonzio  
 Title: Vice President

\$60,000,000

THE HONGKONG AND SHANGHAI BANKING CORPORATION  
LIMITED

By: /s/ Michael C. Cutlip  
 -----  
 Name: Michael C. Cutlip  
 Title: Vice President

\$60,000,000

NATIONSBANK, N.A.

By: /s/ Michael D. McKay  
 -----  
 Name: Michael D. McKay  
 Title: Senior Vice President

\$42,000,000

BANK OF AMERICA ILLINOIS

By: /s/ Sandra S. Ober  
 -----  
 Name: Sandra S. Ober  
 Title: Vice President

\$42,000,000

BANK ONE, NA

By: /s/ David A. Hammond  
 -----  
 Name: David A. Hammond  
 Title: Vice President

\$42,000,000

CORESTATES BANK, N.A.

By: /s/ Thomas J. McDonnell  
 -----  
 Name: Thomas J. McDonnell  
 Title: Vice President

\$42,000,000

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Debora K. Oberling  
 -----  
 Name: Debora K. Oberling  
 Title: Vice President

\$42,000,000

MELLON BANK, N.A.

By: /s/ Joan W. Bird  
 -----  
 Name: Joan W. Bird  
 Title: Vice President

\$42,000,000

STANDARD CHARTERED BANK

By: /s/ John Biscette  
 -----  
 Name: John Biscette  
 Title: Assistant Vice President

By: /s/ David D. Cutting  
 -----  
 Name: David D. Cutting  
 Title: Senior Vice President

\$35,000,000

BANK OF TOKYO-MITSUBISHI, LTD.,  
CHICAGO BRANCH

By: /s/ Hajime Watanabe  
 -----  
 Name: Hajime Watanabe  
 Title: Deputy General Manager

\$35,000,000

HUNTINGTON NATIONAL BANK

By: /s/ James R. Willet  
-----  
Name: James R. Willet  
Title: Vice President

\$35,000,000 NATIONAL CITY BANK OF COLUMBUS

By: /s/ Susan Bottiggi  
-----  
Name: Susan Bottiggi  
Title: Vice President

\$30,000,000 BANKBOSTON, N.A.

By: /s/ Peter L. Griswold  
-----  
Name: Peter L. Griswold  
Title: Director

\$30,000,000 FLEET NATIONAL BANK

By: /s/ Richard Seufert  
-----  
Name: Richard Seufert  
Title: Vice President

\$30,000,000 KEYBANK NATIONAL ASSOCIATION

By: /s/ Thomas A. Crandell  
-----  
Name: Thomas A. Crandell  
Title: Vice President

\$30,000,000 SUNTRUST BANK, CENTRAL FLORIDA,  
NATIONAL ASSOCIATION

By: /s/ Janet P. Sammons  
-----  
Name: Janet P. Sammons  
Title: Vice President

\$20,000,000 THE FIFTH THIRD BANK OF COLUMBUS

By: /s/ Charles D. Hale  
-----  
Name: Charles D. Hale  
Title: Vice President

- - - - -  
Total Commitments

\$1,000,000,000

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MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK,  
as Agent

By: /s/ Diana H. Imhof

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Name: Diana H. Imhof  
Title: Vice President

Morgan Guaranty Trust Company of New York  
60 Wall Street  
New York, New York 10260  
Telex  
Number/Answerbank:  
177615/MGTUI

## THE LIMITED, INC. AND SUBSIDIARIES

## COMPUTATION OF PER SHARE EARNINGS

(Thousands except per share amounts)

	Thirteen Weeks Ended	
	November 1, 1997	November 2, 1996
Net Income	\$ 79,682	\$ 159,513
Common shares outstanding:		
Weighted average	379,454	379,454
Dilutive effect of stock options	3,399	736
Weighted average treasury shares	(107,334)	(108,462)
Weighted average used to calculate net income per share	275,519	271,728
Net income per share	\$ .29	\$ .59

	Thirty-nine Weeks Ended	
	November 1, 1997	November 2, 1996
Net Income	\$ 132,129	\$ 220,815
Common shares outstanding:		
Weighted average	379,454	379,454
Dilutive effect of stock options	1,942	855
Weighted average treasury shares	(107,659)	(95,544)
Weighted average used to calculate net income per share	273,737	284,765
Net income per share	\$ .48	\$ .78

Note: Exercise of the Wexner Agreement (which cannot occur prior to January 31, 1998) was determined not to dilute reported earnings per share.

THE LIMITED, INC. AND SUBSIDIARIES  
RATIO OF EARNINGS TO FIXED CHARGES  
(Thousands except ratio amounts)

	Thirty-nine Weeks Ended	
	November 1, 1997	November 2, 1996
Adjusted Earnings		
Income before income taxes	\$236,129	\$299,815
Portion of minimum rent (\$565,157 in 1997 and \$546,176 in 1996) representative of interest	186,502	182,059
Interest on indebtedness	50,744	55,902
Minority Interest	23,910	17,023
Total earnings as adjusted	\$497,285	\$554,799
Fixed Charges		
Portion of minimum rent representative of interest	\$186,502	\$182,059
Interest on indebtedness	50,744	55,902
Total fixed charges	\$237,246	\$237,961
Ratio of earnings to fixed charges	2.10x	2.33x

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[LETTERHEAD OF COOPERS & LYBRAND APPEARS HERE]

Securities and Exchange Commission  
450 5th Street, N.W.  
Judiciary Plaza  
Washington, D.C. 20549

We are aware that our report dated November 17, 1997, on our review of the interim consolidated financial information of The Limited, Inc. and Subsidiaries for the thirteen-week and thirty-nine-week periods ended November 1, 1997 and included in this Form 10-Q is incorporated by reference in the Company's registration statements on Form S-8, Registration Nos. 33-18533, 33-25005, 2-92277, 33-24829, 33-24507, 33-24828, 2-95788, 2-88919, 33-24518, 33-6965, 33-14049, 33-22844, 33-44041, 33-49871, 333-04927, 333-04941, and the registration statements on Form S-3, Registration Nos. 33-20788, 33-31540, 33-43832, and 33-53366. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/s/ Coopers & Lybrand L.L.P.  
COOPERS & LYBRAND L.L.P.

Columbus, Ohio  
December 11, 1997





This schedule contains summary financial information extracted from the Consolidated Financial Statements (unaudited) of The Limited, Inc. and Subsidiaries for the quarter ended November 1, 1997 and is qualified in its entirety by reference to such financial statements.

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9-MOS		
	JAN-31-1998	
	FEB-02-1997	
	NOV-01-1997	
		37,046
		0
		113,356
		0
		1,442,866
	1,790,078	
		3,291,774
	1,563,705	
	4,237,434	
1,029,892		650,000
	0	
		0
		180,352
	1,804,561	
4,237,434		5,920,423
	5,920,423	
		4,259,063
	4,259,063	
	1,443,844	
		0
	50,744	
	236,129	
	104,000	
132,129		
	0	
	0	
		0
	132,129	
	.48	
	.48	