SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the fiscal year ended February 1, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from_____ to _____

Commission file number 1-8344

LIMITED BRANDS, 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, Ohio	**43216**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (614) 415-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.50 Par Value	**The New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

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 and (2) has been subject to the filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: $7,221,409,992.

Number of shares outstanding of the registrant's Common Stock as of April 8, 2003: 522,020,988.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year ended February 1, 2003 are incorporated by reference into Part I, Part II and Part IV, and portions of the registrant's proxy statement for the Annual Meeting of Shareholders scheduled for May 19, 2003 are incorporated by reference into Part III.

The Exhibit Index is located on page 18 hereof.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Annual Report on Form 10-K ("Report") or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of 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. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2003 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production including the impact in Asia and elsewhere of the recent outbreak of severe acute respiratory syndrome (SARS) and availability of suitable store locations on appropriate terms.

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 I

ITEM 1. BUSINESS.

GENERAL.

Limited Brands, Inc., a Delaware corporation (including its subsidiaries, the "Company"), sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.

DESCRIPTION OF OPERATIONS.

General.

As of February 1, 2003, the Company conducted its business in three primary segments: (1) Victoria's Secret, which derives its revenues from sales of women's intimate and other apparel, personal care products and accessories marketed under the Victoria's Secret brand name and sold through its stores and direct response (catalog and e-commerce) businesses; (2) Bath & Body Works, which derives its revenues from the sale of personal care products and accessories and home fragrance products marketed under the Bath & Body Works and White Barn Candle Company brand names; and (3) the Apparel segment, which derives its revenues from the sale of women's and men's apparel through Express and Limited Stores.

On March 21, 2002, the Company completed a tax-free tender offer and merger which resulted in the acquisition of the minority interest of Intimate Brands, Inc. ("IBI"), previously an 84%-owned subsidiary of the Company. See Note 2 to the Consolidated Financial Statements in the Company's 2002 Annual Report, incorporated herein by reference, for additional information regarding this transaction. Following the acquisition of the IBI minority interest, the Company resegmented its business into the three reportable segments discussed above. Previously, the Company's reportable segments were Intimate Brands and Apparel. Historical financial information has been reclassified to reflect this new segmentation.

In addition, on November 27, 2002, the Company sold one of its apparel businesses, Lerner New York ("Lerner"), to an investor group led by the business unit's President and Chief Executive Officer and affiliates of Bear Stearns Merchant Banking. The Company's consolidated financial statements reflect Lerner's operating results as a discontinued operation for all periods presented. See Note 3 to the Consolidated Financial Statements in the Company's 2002 Annual Report, incorporated herein by reference, for additional information regarding this transaction.

The following chart reflects the retail businesses and the number of stores in operation for each segment at February 1, 2003 and February 2, 2002.

RETAIL BUSINESSES

	NUMBER OF STORES	
	February 1, 2003	Februay 2, 2002
Victoria's Secret Stores	1,014	1,002
Bath & Body Works	1,639	1,615
Apparel Businesses		
Express Women's	624	667
Express Men's	358	439
Express Dual Gender	49	—
Total Express	1,031	1,106
Limited Stores	351	368
Total apparel businesses	1,382	1,474
Other		
Henri Bendel	1	1
Lerner New York	—	522
Total	4,036	4,614

The following table shows the changes in the number of retail stores operated by the Company for the past five fiscal years:

Fiscal Year	Beginning of Year	Acquired	Opened	Closed	Businesses Disposed of or Closed	Express Integration (e)	End of Year
1998	5,640	—	251	(350)	(a) (159)	—	5,382
1999	5,382	—	295	(301)	(b) (353)	—	5,023
2000	5,023	—	330	(224)	—	—	5,129
2001	5,129	—	275	(137)	(c) (653)	—	4,614
2002	4,614	—	108	(158)	(d) (512)	(16)	4,036

(a) Represents A&F stores at the May 19, 1998 split-off.
(b) Represents 18 Galyan's Trading Co. stores at August 31, 1999 (the date of the third party purchase of a 60% majority interest in Galyan's Trading Co.) and 335 Limited Too stores at the August 23, 1999 spin-off.
(c) Represents Lane Bryant stores at August 16, 2001, the date of sale to a third party.
(d) Represents Lerner stores at November 27, 2002, the date of sale to a third party.
(e) Express Integration represents the conversion of Express Women's and Express Men's stores to Express Dual Gender stores.

The Company also owns Mast Industries, Inc. ("Mast"), a contract manufacturer and apparel importer which purchases merchandise on behalf of the Company and certain third parties. During fiscal year 2002, approximately 35% of the Company's merchandise purchases were sourced through Mast. Mast had external sales of $329 million in 2002. Mast's operating results are included in the Other segment. For additional information, see Note 14 to the Consolidated Financial Statements in the Company's 2002 Annual Report, incorporated herein by reference.

During fiscal year 2002, the Company purchased merchandise from approximately 2,500 suppliers and factories located throughout the world. In addition to purchases through Mast, the Company purchases merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. The Company purchased approximately 10% of its merchandise from a single supplier, the loss of which would not have a material adverse effect on the Company's ability to source its products.

Most of the merchandise and related materials for the Company's stores is shipped to the Company's distribution centers in the Columbus, Ohio area. In connection with the distribution of merchandise, the Company uses a range of shipping terms that result in the transfer of title to the merchandise at either the point of origin or point of destination.

The Company's policy is to maintain sufficient quantities of inventory on hand in its retail stores and distribution centers so that it can offer customers an appropriate selection of current merchandise. The Company emphasizes rapid turnover and takes markdowns as required to keep merchandise fresh and current with fashion trends.

The Company's operations are seasonal in nature and consist of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of net sales in 2002, 2001 and 2000. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday season.

Merchandise sales are paid for with cash, by personal check, and with credit and debit cards issued by third parties, including credit cards issued by Alliance Data Systems, which is approximately 20% owned by the Company.

The Company offers its customers a return policy stated as "No Sale is Ever Final." The Company believes that certain of its competitors offer similar service policies.

The following is a brief description of each of the Company's Brand businesses, including their respective target markets.

VICTORIA'S SECRET

Victoria's Secret Stores—is a leading specialty retailer of women's intimate apparel and related products. Victoria's Secret Stores had net sales of $2.647 billion in 2002 and operated 1,014 stores nationwide.

Victoria's Secret Beauty—is a leading specialty retailer of high quality beauty products. Victoria's Secret Beauty had net sales of $640 million in 2002 and operated 95 stand-alone stores, 406 side-by-side locations and niches within Victoria's Secret lingerie stores. Victoria's Secret Beauty stores and sales are consolidated within Victoria's Secret Stores in the preceding paragraph and in the 2002 Annual Report.

Victoria's Secret Direct—is a leading catalog and e-commerce retailer of women's intimate and other apparel. Through its web site, www.VictoriasSecret.com, certain of its products may be purchased worldwide. Victoria's Secret Direct mailed approximately 394 million catalogs and had net sales of $939 million in 2002.

BATH & BODY WORKS

Bath & Body Works—is a leading specialty retailer of personal care products. Launched in 1990, Bath & Body Works, which also operates the White Barn Candle Company, had net sales of $1.781 billion in 2002 and operated 1,639 stores nationwide.

APPAREL BUSINESSES

Express—is a modern fashion leader for women's and men's apparel, sportswear and accessories. Express' strategy is to offer cutting edge style for the casual, professional and urban customer. Express, which includes the results of Express Men's (formerly Structure), had net sales of $2.073 billion in 2002 and operated 1,031 stores nationwide.

Limited Stores—is a mall-based specialty store retailer. Limited Stores' strategy is to focus on sophisticated sportswear for modern American women. Founded in 1963, Limited Stores had net sales of $638 million in 2002 and operated 351 stores nationwide.

OTHER

Henri Bendel—operates a single specialty store in New York City which features fashions for sophisticated, higher-income women. The business had net sales of $38 million in 2002.

Additional information about the Company's business, including its revenues and profits for the last three years and selling square footage, is set forth under the caption "Management's Discussion and Analysis" of the 2002 Annual Report and is incorporated herein by reference. For the financial results of the Company's reportable operating segments, see Note 14 of the Notes to the Consolidated Financial Statements included in the 2002 Annual Report, incorporated herein by reference.

COMPETITION.

The sale of intimate and other apparel and personal care products through retail stores is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and discount retailers. Brand image, marketing, fashion design, price, service, fashion selection and quality are the principal competitive factors in retail store sales. The Company's direct response business competes with numerous national and regional catalog and e-commerce merchandisers. Image presentation, fulfillment and the factors in retail store sales discussed above are the principal competitive factors in catalog and e-commerce sales.

The Company is unable to estimate the number of competitors or its relative competitive position due to the large number of companies selling apparel and personal care products through retail stores, catalogs and e-commerce.

ASSOCIATE RELATIONS.

On February 1, 2003, the Company employed approximately 98,900 associates, 70,500 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

AVAILABLE INFORMATION.

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available, free of charge, on the Company's website, www.LimitedBrands.com. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

ITEM 2. PROPERTIES.

The Company's business is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York City, New York; Andover, Massachusetts; Kettering, Ohio; Rio Rancho, New Mexico; Paramus, New Jersey; Hong Kong and London, England. The Company also operates small sourcing-related office facilities in various foreign locations.

The distribution and shipping facilities owned by the Company consist of seven buildings located in the Columbus, Ohio area. Including attached office space, these buildings comprise approximately 6.1 million square feet.

Substantially all of the retail stores operated by the Company are located in leased facilities, primarily in shopping centers throughout the continental United States. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. The leases expire at various dates between 2003 and 2020.

Typically, when space is leased for a retail store in a shopping center, all improvements, including interior walls, floors, ceilings, fixtures and decorations, are supplied by the tenant. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide a construction allowance to fund all or a portion of the cost of improvements. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. Certain operating costs such as common area maintenance, utilities, insurance and taxes are typically paid by tenants.

ITEM 3. LEGAL PROCEEDINGS.

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

On January 13, 1999, two lawsuits were filed against the Company, as well as other defendants, including many national retailers. Both lawsuits relate to labor practices allegedly employed on the island of Saipan, Commonwealth of the Northern Mariana Islands, by apparel manufacturers unrelated to the Company (some of which have sold goods to the Company) and seek injunctions, unspecified monetary damages, and other relief. One lawsuit, on behalf of a class of unnamed garment workers, was filed in the United States District Court for the Central District of California, Western Division and subsequently transferred to the United States District Court for the Northern Mariana Islands. It alleged violations of federal statutes, the United States Constitution, and international law. The second lawsuit was filed by a national labor union and other organizations in the Superior Court of the State of California, San Francisco County, and alleges unfair business practices under California law. On October 31, 2002, the United States District Court for the Northern Mariana Islands granted conditional preliminary approval to a settlement applicable to both cases. A hearing on the final approval of that settlement was held on March 22, 2003. An order has not yet been issued.

In May and June 1999, purported shareholders of the Company filed three derivative actions in the Court of Chancery of the State of Delaware, naming as defendants the members of the Company's board of directors and the Company, as nominal defendant. The actions thereafter were consolidated. The operative complaint generally alleged that the rescission of the Contingent Stock Redemption Agreement previously entered into by the Company with Leslie H. Wexner and The Wexner Children's Trust (the "Contingent Stock Redemption Agreement") constituted a waste of corporate assets and a breach of the board members' fiduciary duties, and that the issuer tender offer completed on June 3, 1999 was a "wasteful transaction in its own right." On February 16, 2000, plaintiffs filed a first amended consolidated derivative complaint (the "amended complaint"), which made allegations similar to the first complaint but added allegations apparently intended to show that certain directors were not disinterested in those decisions. Defendants moved to dismiss the amended complaint on April 14, 2000 and oral argument was heard on March 28, 2001. On March 27, 2002, the Court granted the motion in part and denied the motion in part. On May 10, 2002, the Company's board of directors appointed a special litigation committee composed of directors Donald B. Shackelford and Raymond Zimmerman and granted that committee the authority to investigate the claims asserted in the amended complaint and to determine the Company's response to them. On October 31, 2002, the special litigation committee filed a motion on behalf of the Company to dismiss the action on the basis that pursuit of the claims was not in the best interests of the Company. The individual defendants also filed motions to dismiss on the basis of the Company's motion. Briefs on these motions are to be submitted to the Court.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding the executive officers of the Company.

Leslie H. Wexner, 65, has been Chairman of the Board of Directors of the Company for more than five years and its Chief Executive Officer since he founded the Company in 1963.

Leonard A. Schlesinger, 50, has been a member of the Board of Directors of the Company since 1996 and became Vice Chairman and Chief Operating Officer of the Company in February 2003. Mr. Schlesinger was Executive Vice President and Chief Operating Officer from March 2001 until February 2003 and Executive Vice President, Organization, Leadership and Human Resources from October 1999 until March 2001. Mr. Schlesinger was a Professor of Sociology and Public Policy and Senior Vice President for Development at Brown University from 1998 to 1999. He was also Professor of Business Administration at Harvard Business School ("Harvard") from 1988 to 1998.

V. Ann Hailey, 52, was appointed to the Board of Directors of the Company on March 1, 2001 and has been Executive Vice President and Chief Financial Officer of the Company since August 1997. Ms. Hailey was Senior Vice President and Chief Financial Officer of The Pillsbury Co. from 1994 to 1997.

Daniel P. Finkelman, 47, has been Senior Vice President, Brand and Business Planning since March 2001. Prior to joining the Company, Mr. Finkelman was Executive Vice President of Marketing for Cardinal Health. Mr. Finkelman also spent thirteen years as a consultant with McKinsey & Company, most recently as Principal and co-leader of the firm's Marketing Practice.

Mark A. Giresi, 45, has been Senior Vice President, Chief Stores Officer since December 2001. Mr. Giresi was Vice President, Store Operations from February 2000 until December 2001. Prior to joining the Company, Mr. Giresi was Senior Vice President of U.S. Franchise Operations and Development at Burger King Corporation. Previously he held the position of Worldwide General Counsel and Secretary for Burger King Corporation.

All of the above officers serve at the pleasure of the Board of Directors of the Company.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Information regarding markets in which the Company's common stock was traded during fiscal years 2002 and 2001, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 2002 and 2001 is set forth under the caption "Market Price and Dividend Information" on page 43 of the 2002 Annual Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data is set forth under the caption "Financial Summary" on page 20 of the 2002 Annual Report and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's discussion and analysis of financial condition and results of operations is set forth under the caption "Management's Discussion and Analysis" on pages 20 through 30 of the 2002 Annual Report and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required by this item is set forth on pages 30 and 41 of the 2002 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company and subsidiaries, the Notes to Consolidated Financial Statements and the Report of Independent Accountants are set forth in the 2002 Annual Report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Information regarding changes in accountants is set forth under the caption "INDEPENDENT PUBLIC ACCOUNTANTS" on page 22 of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 19, 2003 (the "Proxy Statement") and is incorporated herein by reference.

In addition, as noted within the aforementioned caption, there were no disagreements with accountants on accounting and financial disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of the Company is set forth under the captions "ELECTION OF DIRECTORS—Nominees and directors", "—Information concerning the Board of Directors", "—Committees of the Board of Directors" and "—Security ownership of directors and management" on pages 3 through 7 of the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption "EXECUTIVE COMPENSATION—Section 16(a) beneficial ownership reporting compliance" on page 15 of the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption "EXECUTIVE COMPENSATION" on pages 11 through 15 of the Proxy Statement and is incorporated herein by reference. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions "ELECTION OF DIRECTORS—Security ownership of directors and management" on pages 6 and 7 of the Proxy Statement and "SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS" on page 20 of the Proxy Statement and is incorporated herein by reference.

Information regarding equity compensation plans approved and not approved by security holders is set forth under the captions "EXECUTIVE COMPENSATION—Stock Options" in the table entitled "Equity Compensation Plan Information" on page 13 of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is set forth under the caption "ELECTION OF DIRECTORS—Nominees and directors" on pages 3 through 4 of the Proxy Statement and is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES.

(a) *Evaluation of disclosure controls and procedures.* Our chief executive officer and our chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c) and including our internal controls for financial reporting) as of a date (the "Evaluation Date") within 90 days of the filing date of this annual report, have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

(b) *Changes in internal controls.* There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) List of Financial Statements.

The following consolidated financial statements of Limited Brands, Inc. and Subsidiaries and the related notes are filed as a part of this report pursuant to ITEM 8:

Consolidated Statements of Income for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001.

Consolidated Balance Sheets as of February 1, 2003 and February 2, 2002.

Consolidated Statements of Shareholders' Equity for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001.

Consolidated Statements of Cash Flows for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

(a)(2) List of Financial Statement Schedules.

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(a)(3) List of Exhibits.

3. Articles of Incorporation and Bylaws.

3.1. Certificate of Incorporation of the Company, dated March 8, 1982 incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.2. Certificate of Amendment of Certificate of Incorporation, dated May 19, 1986 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.3. Certificate of Amendment of Certificate of Incorporation, dated May 19, 1987 incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.4. Certificate of Amendment of Certificate of Incorporation dated May 31, 2001 incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001.

3.5. 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 January 30, 1999.

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. Five-year revolving credit agreement dated as of July 13, 2001 among the Company, The Chase Manhattan Bank and the lenders listed therein incorporated by reference to Exhibit 4.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2001.

4.4. 364-day revolving credit agreement dated as of June 28, 2002 among the Company, JPMorgan Chase Bank and the lenders listed therein.

4.5. Not used.

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. Copy of the form of Global Security representing the Company's 6 1/8% Debentures due 2012, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 25, 2002.

10. Material Contracts.

10.1. The 1987 Stock Option Plan of Limited Brands, Inc. (formerly The Limited, Inc.), incorporated by reference to Exhibit 28(a) to the Company's Registration Statement on Form S-8 (File No. 33-18533).

10.2. Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").

10.3. The Limited Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

10.4. Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.

10.5. Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.

10.6. The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).

10.7. Stock Purchase Agreement dated as of July 9, 2001 among Charming Shoppes, Inc., Venice Acquisition Corporation, LFAS, Inc. and Limited Brands, Inc. (formerly The Limited, Inc.) related to the Purchase and Sale of 100% of the Common Stock of LBH, Inc. incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 3, 2001.

10.8. Not Used.

10.9. The 1997 Restatement of Limited Brands, Inc. (formerly 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.

10.10. Limited Brands, Inc. (formerly 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.

10.11. Limited Brands, Inc. (formerly The Limited, Inc.) Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.

10.12. Not Used.

10.13. Agreement dated as of May 3, 1999 among Limited Brands, Inc. (formerly The Limited, Inc.), Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.

10.14. Not Used.

10.15. The 1998 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.

10.16. Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and V. Ann Hailey dated as of July 27, 1998 incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1998.

10.17. Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Leonard A. Schlesinger dated as of October 1, 1999, incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000.

10.18. Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Daniel P. Finkelman dated as of July 27, 1998, incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002.

10.19. Indemnification Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Daniel P. Finkelman dated as of September 4, 1996, incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002.

10.20. Not used.

10.21. Indemnification Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Mark A. Giresi dated December 10, 2001, incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002.

10.22. Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Mark Giresi dated as of August 15, 2002.

10.23. The 2002 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan.

10.24. Stock Purchase Agreement dated as of November 22, 2002 among NY & Co. Group, Inc., LFAS, Inc. and Limited Brands, Inc. related to the Purchase and Sale of 100% of the Common Stock of Lerner New York Holding Inc.

13.	Excerpts from the 2002 Annual Report to Shareholders including “Financial Summary,” “Management’s Discussion and Analysis,” “Consolidated Financial Statements and Notes to Consolidated Financial Statements” and “Report of Independent Accountants” on pages 20 through 43.
16.	Letter from PricewaterhouseCoopers LLP regarding the change in independent accountants dated as of March 4, 2003, incorporated by reference to Exhibit 16 to the Company’s Current Report on Form 8-K dated February 16, 2003.
21.	Subsidiaries of the Registrant.
23.	Consent of Independent Accountants.
24.	Powers of Attorney.
99.1	Cautionary Statements Relating to Forward-Looking Information.

(b) Reports on Form 8-K.

Form 8-K, dated November 25, 2002, regarding the sale of $300 million in 6 1/8% notes due December 1, 2012, filed with the Securities and Exchange Commission on December 4, 2002.

(c) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

SIGNATURES

Pursuant to the requirements of Section 13 or l5(d) 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.

Date: April 18, 2003

LIMITED BRANDS, INC
(registrant)

By /s/ V. ANN HAILEY

V. Ann Hailey,
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 31, 2003:

Signature	Title
/s/ LESLIE H. WEXNER*	Chairman of the Board of Directors and Chief Executive Officer
Leslie H. Wexner	
/s/ EUGENE M. FREEDMAN*	Director
Eugene M. Freedman	
/s/ E. GORDON GEE*	Director
E. Gordon Gee	
/s/ V. ANN HAILEY*	Director
V. Ann Hailey	
/s/ JAMES L. HESKETT*	Director
James L. Heskett	
/s/ DAVID T. KOLLAT*	Director
David T. Kollat	
/s/ DONNA JAMES*	Director
Donna James	
/s/ LEONARD A. SCHLESINGER*	Director
Leonard A. Schlesinger	
/s/ DONALD B. SHACKELFORD*	Director
Donald B. Shackelford	
/s/ ALEX SHUMATE*	Director
Alex Shumate	
/s/ ALLAN R. TESSLER*	Director
Allan R. Tessler	
/s/ MARTIN TRUST*	Director
Martin Trust	
/s/ ABIGAIL S. WEXNER*	Director
Abigail S. Wexner	
/s/ RAYMOND ZIMMERMAN*	Director
Raymond Zimmerman	

*The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By /s/ V. ANN HAILEY

V. Ann Hailey
Attorney-in-fact

I, Leslie H. Wexner, certify that:

1. I have reviewed this annual report on Form 10-K of Limited Brands, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -14 and 15d - 14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

Date: April 18, 2003

I, V. Ann Hailey, certify that:

1. I have reviewed this annual report on Form 10-K of Limited Brands, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -14 and 15d - 14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ V. ANN HAILEY

V. Ann Hailey
Executive Vice President and
Chief Financial Officer

Date: April 18, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

LIMITED BRANDS, INC.
(exact name of Registrant as specified in its charter)

EXHIBITS

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EXHIBIT INDEX

Exhibit No.	Document
*4.4	364-day revolving credit agreement dated as of June 28, 2002 among the Company, JPMorgan Chase Bank and the lenders listed therein.
10.22	Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Mark Giresi dated as of August 15, 2002.
10.23	The 2002 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan.
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13	Excerpts from the 2002 Annual Report to Shareholders including “Financial Summary,” “Management’s Discussion and Analysis,” “Consolidated Financial Statements and Notes to Consolidated Financial Statements” and “Report of Independent Accountants” on pages 20 through 43.
21	Subsidiaries of the Registrant.
23	Consent of Independent Accountants.
24	Powers of Attorney.
99.1	Cautionary Statements Relating to Forward-Looking Information.

* Schedules omitted. The Registrant will furnish a supplementary copy of any omitted schedule to the Commission upon request.

EXHIBIT 4.4

EXECUTION COPY

US$500,000,000
364-DAY REVOLVING CREDIT AGREEMENT

dated as of

June 28, 2002

among

LIMITED BRANDS, INC.,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK,
as Administrative Agent

BANK OF AMERICA, N.A.
and
CITIBANK, N.A.,
as Co-Syndication Agents

and

HSBC BANK USA
and
FLEET NATIONAL BANK,
as Co-Documentation Agents

and

J.P. MORGAN SECURITIES INC.
and
BANC OF AMERICA SECURITIES LLC,
as Joint Advisors, Joint Lead Arrangers and
Joint Bookrunners

TABLE OF CONTENTS

ARTICLE VIII

Miscellaneous

364-DAY CREDIT AGREEMENT dated as of June 28, 2002 among LIMITED BRANDS, INC., the LENDERS party hereto, JPMORGAN CHASE BANK, as Administrative Agent, and BANK OF AMERICA, N.A., as Syndication Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Administrative Agent" means JPMorgan Chase Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day or (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurodollar Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt, provided that the rates per annum set forth below under the caption "Eurodollar Spread" shall increase by 0.25% per annum after the Termination Date:

Index Debt Ratings:	Eurodollar Spread	Facility Fee Rate
Category 1 A/A2	0.190%	0.060%
Category 2 A-/A3	0.305%	0.070%
Category 3 BBB+/Baa1	0.400%	0.100%
Category 4 BBB/Baa2	0.500%	0.125%
Category 5 BBB-/Baa3	0.700%	0.175%

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition) the Applicable Rate shall be determined on the basis of the rating agency that does then have a rating for the Index Debt in effect, (b) if neither Moody's nor S&P has in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition) then the Index Debt shall be deemed to be rated in Category 5, (c) the Index Debt shall be deemed to be rated in Category 5 at any time that an Event of Default has occurred and is continuing, (d) if the ratings established or deemed to have been established by Moody's or S&P for the Index Debt are not in the same Category, then the Applicable Rate will be determined by reference to the Category next above that of the lower of the two ratings and (e) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in an Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to

amend this definition to reflect such changed rating system, or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, each Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 8.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding (or, if the Borrower shall have elected to convert Revolving Loans into a term loan on the Termination Date pursuant to Section 2.18, including) the earlier of the Termination Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Limited Brands, Inc., a Delaware corporation.

"Borrowing" means (a) Revolving Loans of the same Type made converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

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

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than the Permitted Holders of shares representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Change in Law" means (a) the adoption of any law, rule or regulation after (i) with respect to any Revolving Loan or the Commitments, the date of this Agreement or (ii) with respect to any Competitive Loan, the date of the related Competitive Bid, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after (i) with respect to any Revolving Loan or the Commitments, the date of this Agreement or (ii) with respect to any Competitive Loan, the date of the related Competitive Bid, or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after (i) with respect to any Revolving Loan or the Commitments, the date of this Agreement or (ii) with respect to any Competitive Loan, the date of the related Competitive Bid.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 8.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $500,000,000.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Debt" means, at any date of determination, the sum, without duplication, of (a) the total Indebtedness of the Borrower and the Consolidated Subsidiaries at such date, (b) an amount equal to six times the fixed minimum store rent commitments (less related sublease income) of the Borrower and the Consolidated Subsidiaries for the then current Fiscal Year, as reflected in the footnotes to the most recent audited financial statements of the Borrower, and (c) an amount equal to six times the fixed minimum store rent commitments (less related sublease income) for the then current Fiscal Year of any Person other than the Borrower or a Consolidated Subsidiary to the extent Guaranteed or assumed by the Borrower or any Consolidated Subsidiary, all determined on a consolidated basis in accordance with GAAP; provided that, for the purposes of calculating the fixed minimum store rent commitments referred to in clause (b) or (c) above, if on or prior to the applicable

date of determination an acquisition or disposition outside of the ordinary course of business has occurred that has the effect of increasing or decreasing any such fixed minimum store rent commitments, then such fixed minimum store rent commitments shall be determined on a pro forma basis to give effect to such acquisition or disposition as if such acquisition or disposition had occurred immediately prior to the commencement of the then current Fiscal Year.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) consolidated interest expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period and (iv) any extraordinary or nonrecurring charges for such period, and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, any extraordinary or nonrecurring gains for such period, all determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDAR" means, for any period, Consolidated EBITDA for such period plus, without duplication and to the extent deducted in the determination of such Consolidated EBITDA, consolidated fixed minimum store rental expense for such period, all determined on a consolidated basis in accordance with GAAP; provided that, if on or prior to the applicable date of determination of Consolidated EBITDAR, an acquisition or disposition outside of the ordinary course of business has occurred that has the effect of increasing or decreasing Consolidated EBITDAR, then Consolidated EBITDAR shall be determined on a pro forma basis to give effect to such acquisition or disposition as if such acquisition or disposition had occurred immediately prior to the commencement of the period for which Consolidated EBITDAR is to be determined.

"Consolidated Fixed Charges" means, for any period, the sum of (a) consolidated interest expense, both expensed and capitalized (including the interest component in respect of Capital Lease Obligations), of the Borrower and the Consolidated Subsidiaries for such period, plus (b) consolidated fixed minimum store rental expense of the Borrower and the Consolidated Subsidiaries for such period, all determined on a consolidated basis in accordance with GAAP; provided that, if on or prior to the applicable date of determination of Consolidated

Fixed Charges, an acquisition or disposition outside of the ordinary course of business has occurred that has the effect of increasing or decreasing Consolidated Fixed Charges, then Consolidated Fixed Charges shall be determined on a pro forma basis to give effect to such acquisition or disposition as if such acquisition or disposition had occurred immediately prior to the commencement of the period for which Consolidated Fixed Charges is to be determined.

"Consolidated Net Income" means, for any period, the net income or loss of the Borrower and the Consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"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 Borrower in the Borrower'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 Maturity 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 July 6, 2001 and (ii) all investments, loans and advances by the Borrower or any Consolidated Subsidiary in or to any Unrestricted Subsidiary, all determined with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis.

"Control" means, with respect to a specified Person, the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings.

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

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.05.

"dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 8.02).

"Environmental Laws" means all applicable laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by any Governmental Authority, relating to the environment, preservation or reclamation of natural resources or the management, release or threatened release of any Hazardous Material.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Consolidated Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VI.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, (b) income, franchise or similar taxes imposed by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or which are imposed by reason of any present or former connection between such Lender and the jurisdiction imposing such taxes, other than solely as a result of this Agreement or any Loan or transaction contemplated thereby, (c) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) or (b) above and (d) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.17(b)), any withholding tax that (i) is in effect and would apply to amounts payable to such Foreign Lender under applicable law at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, under applicable law at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to any withholding tax pursuant to Section 2.15(a), or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.15(e).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from

three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Fiscal Year" means the fiscal year of the Borrower 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.

"Five-Year Credit Agreement" means the Five-Year Revolving Credit Agreement dated as of July 13, 2001 among the Borrower, the lenders party thereto and JPMorgan Chase Bank, as "Administrative Agent" under and as defined in the Five-Year Credit Agreement.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the

economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes in each case which are regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person in respect of the deferred purchase price of property (other than inventory) or services (excluding accruals and trade accounts payable arising in the ordinary course of business), (d) all Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (e) all Guarantees by such Person of Indebtedness of others, (f) all Capital Lease Obligations of such Person and (g) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances.

"Indemnified Taxes" means Taxes other than Excluded Taxes and Other Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated June, 2001 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on (i) the date that is one or two weeks thereafter or (ii) the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, in each case as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than seven days or more than 180 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to

the next succeeding Business Day unless, in the case of a Eurodollar Borrowing with an Interest Period of an integral number of months only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period pertaining to a Eurodollar Borrowing with an Interest Period of an integral number of months that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period and (iii) any Interest Period that would otherwise end after the Maturity Date will end on the Maturity Date. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

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

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial position or results of operations of the Borrower and the Consolidated Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Consolidated Subsidiaries in an aggregate principal amount exceeding $75,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Consolidated Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Consolidated Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means the Termination Date or, if the Borrower exercises its option under Section 2.18, the first anniversary of the Termination Date.

"Minority Interest Disposition" means a sale, transfer or other disposition by the Borrower or any of the Subsidiaries (including the issuer thereof) of up to 20% of the Equity Interests in any Subsidiary of the Borrower.

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

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Other Taxes" means any and all present or future recording, stamp, documentary, excise, property or similar taxes, charges or levies imposed by the United States of America or any political subdivision thereof arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and security obligations that are not overdue by more than 30 days;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (j) of Section 6.01; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Holders" means Leslie H. Wexner, all descendants of any of his grandparents, any spouse or former spouse of any of the foregoing, any descendant of any such spouse or former spouse, the estate of any of the foregoing, any trust for the benefit, in whole or in

part, of one or more of the foregoing and any corporation, limited liability company, partnership or other entity Controlled by one or more of the foregoing.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 8.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VI, and for all purposes after the Loans become due and payable pursuant to Article VI or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's Ratings Services.

"Statutory Reserve Percentage" means for any day the percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board, for determining the maximum reserve requirement for a member bank of the Federal Reserve System for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentage shall include those imposed pursuant to such Regulation D. The Statutory Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Termination Date" means June 27, 2003, subject to extension pursuant to Section 2.07(d).

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans and the use of the proceeds thereof.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate, the Alternate Base Rate or a Fixed Rate.

"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 the Borrower or any ERISA Affiliate 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 the Borrower or any ERISA Affiliate 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 Borrower to the Administrative 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 Authority; (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 Borrower or a Consolidated Subsidiary in the normal course of business; or (e) primarily as a carrier transporting goods in both intrastate and interstate commerce, provided that (i) the Borrower may by notice to the Administrative Agent change the 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 Borrower 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 Borrower and all Consolidated Subsidiaries would be in compliance with all of the provisions of this Agreement.

"Value" means, when used in Section 6.01(e) 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 6.01(e) occurred with respect to such Consolidated Subsidiary.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after July 13, 2001 in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that (after giving effect to the making of such Revolving Loans and any concurrent repayment of Loans) will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be

responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $20,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $20,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $20,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 12 Eurodollar Revolving Borrowings outstanding.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time (after giving effect to the borrowing of such Competitive Loans and any concurrent repayment of Loans) shall not exceed the total Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and (b) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) five Competitive Bid Requests on the same day, but a Competitive Bid Request shall not

be made within three Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, (x) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall

notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further that if a Competitive Loan

must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable

Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the greater of the interest rate applicable to the Loans of the other Lenders included in the applicable Borrowing and a rate determined by the Administrative Agent to equal its cost of funds for funding such amount. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing.

SECTION 2.07. Termination, Reduction and Increase of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Termination Date, subject to the Borrower's option to extend the Termination Date pursuant to paragraph (d) of this Section.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $25,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) The Borrower may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) given not less than 45 days and not more than 60 days prior to the Termination Date at any time in effect, request that the Lenders extend the Termination Date for an additional period of not more than 364 days as specified in such notice; provided that the Borrower may exercise such option no more than a total of three times. Each Lender shall, by notice to the Borrower and the Administrative Agent given not earlier that the 30th day and not later than the 25th day prior to the Termination Date then in effect, advise the Borrower whether or not it agrees to such extension on the terms set forth in such notice. Any Lender that has not so advised the Borrower and the Administrative Agent by such day shall be deemed to have declined to agree to such extension. If the Borrower shall have requested and Lenders representing more than 50% of the aggregate

Commitments shall have agreed to an extension of the Termination Date, then the Termination Date shall be extended for the additional period and on the terms specified in the Borrower's notice. The decision to agree or withhold agreement to any extension of the Termination Date hereunder shall be at the sole discretion of each Lender. The Commitments of any Lender that has declined to agree to any requested extension of the Termination Date (a "Non-Extending Lender") shall terminate on the Termination Date in effect prior to giving effect to any such extension (the "Existing Termination Date"), and the principal amount of any outstanding Loans accepted by such Lender, together with any accrued interest thereon, and any accrued fees and other amounts payable to or for the account of such Lender hereunder, shall be due and payable on the Existing Termination Date. Notwithstanding the foregoing provisions of this paragraph, the Borrower shall have the right, pursuant to Section 2.17(b), to replace a NonExtending Lender with a Lender or other financial institution that will agree to an extension of the Termination Date.

(e) The Borrower may, by written notice to the Administrative Agent, executed by the Borrower and one or more financial institutions (any such financial institution referred to in this Section being called an "Increasing Lender"), which may include any Lender, cause Commitments of the Increasing Lenders to become effective (or, in the case of an Increasing Lender that is an existing Lender, cause its Commitment to be increased, as the case may be) in an amount for each Increasing Lender set forth in such notice, provided, that (i) the aggregate amount of all new Commitments and increases in existing Commitments pursuant to this paragraph during the term of this Agreement shall not exceed $150,000,000, (ii) each Increasing Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and (iii) each Increasing Lender, if not already a Lender hereunder, shall become a party to this Agreement by completing and delivering to the Administrative Agent a duly executed accession agreement in a form satisfactory to the Administrative Agent and the Borrower. New Commitments and increases in Commitments pursuant to this Section shall become effective on the date specified in the applicable notices delivered pursuant to this Section. Following any extension of a new Commitment or increase of a Lender's Commitment pursuant to this paragraph, any Revolving Loans outstanding prior to the effectiveness of such

increase or extension shall continue outstanding until the ends of the respective Interests Periods applicable thereto, and shall then be repaid or refinanced with new Revolving Loans made pursuant to Section 2.01. Following any increase in the Commitments pursuant to this paragraph, the Borrower will use its reasonable best effort to ensure that, to the extent there are outstanding Revolving Loans, each Lender's outstanding Revolving Loans will be in accordance with such Lender's pro rata portion of the Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Indebtedness. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date and (ii) to the Administrative Agent for the account of each Lender that shall have made any Competitive Loan the then unpaid principal amount of each Competitive Loan of such Lender on the last day of the Interest Period applicable to such Loan.

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

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

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

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the

Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 8.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment and (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the

Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure (or an outstanding term loan pursuant to Section 2.18) after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure (or outstanding term loan) from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure (or the date on which such term loan is repaid in full). Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the Maturity Date, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the Maturity Date shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a utilization fee, which shall accrue at a rate of 0.125% per annum on all Revolving Loans during any period that the sum of (i) the aggregate Competitive Loans and Revolving Loans and (ii) the aggregate "Competitive Loans" and "Revolving Loans" under and as defined in the Five-Year Credit Agreement are equal to or in excess of 50% of the sum of the aggregate Commitments and the aggregate "Commitments" under and as defined in the Five-Year Credit Agreement; provided that if any Lender continues to have any Revolving Credit Exposure (or an outstanding term loan pursuant to Section 2.18) when its Commitment terminates, then such utilization fee shall continue to accrue during any period that the sum of (i) the aggregate Competitive Loans, Revolving Loans and term loans outstanding pursuant to Section 2.18 and (ii) the aggregate "Competitive Loans" and "Revolving Loans" under and as defined in the Five-Year Credit Agreement are equal to or in excess of 50% of the sum of the aggregate Commitments immediately before termination of the Commitments on the Termination Date and the aggregate "Commitments" under and as defined in the Five-Year Credit Agreement. Accrued utilization fees shall be payable in arrears on the last day of March, June, September and December of each year and on the Maturity Date (or the date on which such term loan is repaid in

full), commencing on the first such date to occur after the date hereof; provided that any utilization fees accruing after the Maturity Date shall be payable on demand. All utilization fees will be calculated on the basis of actual days elapsed in a year of 360 days (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) (i) For so long as any Lender maintains reserves against "Eurocurrency liabilities" (or any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Revolving Loans is determined or any category of

extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents), and as a result the cost to such Lender (or its lending office for Eurodollar Revolving Loans) of making or maintaining its Eurodollar Revolving Loans is increased, then such Lender may require the Borrower to pay, contemporaneously with each payment of interest on any Eurodollar Revolving Loan of such Lender, additional interest on such Eurodollar Revolving Loan for the Interest Period of such Eurodollar Revolving Loan at a rate per annum up to but not exceeding the excess of (A)(x) the applicable LIBO Rate divided by (y) one minus the Statutory Reserve Percentage over (B) the rate specified in the preceding clause (x).

(ii) Any Lender wishing to require payment of additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Eurodollar Revolving Loans of such Lender shall be payable to such Lender at the place indicated in such notice with respect to each Interest Period commencing at least three Business Days after the giving of such notice and (y) shall furnish to the Borrower at least five Business Days prior to each date on which interest is payable on the Eurodollar Revolving Loans an officer's certificate setting forth the amount to which such Lender is then entitled under this Section (which shall be consistent with such Lender'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 Borrower may reasonably request as to the computation set forth therein.

(f) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(g) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter, but not later than 10:00 A.M. (New York City time) on the first day of such Interest Period, and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, then, unless the Borrower notifies the Administrative Agent by 12:00 noon (New York City time) on the date of such Borrowing that it elects not to borrow on such date, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive

Borrowings may be made to Lenders that are not affected thereby.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Statutory Reserve Percentage); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender (other than an imposition or change in Taxes, Other Taxes or Excluded Taxes, or any Change in Law relating to capital requirements or the rate of return on capital, with respect to which Section 2.15 and paragraph (b) of this Section, respectively, shall apply);

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining, or reduce the amount receivable by any Lender with respect to, any Eurodollar Loan (or of maintaining its obligation to make any such Loan), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered

to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(b) and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event which, in the reasonable judgment of such Lender, such Lender (or an existing or prospective participant in a related Loan) incurred, including any loss incurred in obtaining, liquidating or employing

deposits from third parties, but excluding loss of margin for the period after any such payment. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender within 15 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; provided, that the Borrower shall not be obligated to make payment to such Lender or Administrative Agent for penalties, interest or expenses attributable to the gross negligence or wilful misconduct of such Lender or Administrative Agent. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or by the Administrative Agent

on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, provided that such Foreign Lender has received written notice from the Borrower advising it of the availability of such exemption or reduction and containing all applicable documentation.

(f) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other

information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) on the date when due, in immediately available funds, without set-off or counterclaim, and the Borrower 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. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13, 2.14, 2.15 and 8.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied towards payment of principal, interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal, interest and fees then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any such

participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.16(d) then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests

compensation under Section 2.13 or additional interest under Section 2.11(e), or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13, 2.11(e) or 2.15, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13 or additional interest under Section 2.11(e), or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Lender fails to agree to an extension of the Termination Date as provided in Section 2.07(d), then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 8.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans), accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13, additional interest under Section 2.11(e) or payments required to be made pursuant to Section 2.15, such assignment will result in a material reduction in such

compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) In connection with any proposed amendment, modification or waiver of or with respect to any provision of this Agreement (a "Proposed Change") requiring the consent of all Lenders, if the consent of the Required Lenders to such Proposed Change is obtained, but the consent to such Proposed Change of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this Section 2.17(c) being referred to as a "Non-Consenting Lender"), then the Borrower may, at its sole expense and effort, upon notice to each Non-Consenting Lender and the Administrative Agent, require each Non-Consenting Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 8.04) all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Non-Consenting Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans), accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) the Borrower shall not be permitted to require any Non-Consenting Lender to make any such assignment unless all Non-Consenting Lenders are required to make such assignments and, as a result thereof, the Proposed Change will become effective.

SECTION 2.18. Term-Out Option. The Borrower may, so long as no Default shall have occurred and be continuing and upon 60 days' prior written notice to the Administrative Agent, convert Revolving Loans outstanding on the Termination Date into a term loan that will mature on the first anniversary of the Termination Date; provided that all Commitments will terminate on the Termination Date, and additional Borrowings will not be permitted after the Termination Date. This Section shall not apply to Competitive Loans. After the Termination

Date, any term loans outstanding as a result of the exercise by the Borrower of its rights under this Section shall continue to constitute Revolving Loans for purposes of this Agreement.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Corporate Existence and Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to carry on its business as now conducted.

SECTION 3.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement and the Transactions are within the Borrower'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 Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower.

SECTION 3.03. Binding Effect. This Agreement has been duly executed and delivered by the Borrower and constitutes a valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.04. Financial Information. (a) The consolidated balance sheet of the Borrower and the Subsidiaries and the related consolidated statements of income, shareholders' equity and cash flows as of and for (i) the Fiscal Year ended February 2, 2002, reported on by PricewaterhouseCoopers L.L.P. and set forth in the Borrower's Annual Report on Form 10-K for such Fiscal

Year, a copy of which has been delivered to each of the Lenders, and (ii) the fiscal quarter ending May 4, 2002, certified by a Financial Officer, in each case fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and the Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year or portion of such Fiscal Year, as applicable.

(b) From May 4, 2002 to the Effective Date, there has been no material adverse change in the business, financial position or results of operations of the Borrower and the Consolidated Subsidiaries, considered as a whole.

SECTION 3.05. Litigation and Environmental Matters. (a) There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower 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 Borrower (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 Borrower and the Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, are not reasonably expected in the good faith judgment of the Borrower (which shall be conclusive) to materially adversely affect the business, financial position or results of operations of the Borrower and the Consolidated Subsidiaries considered as a whole, neither the Borrower nor any of the Consolidated Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate in the good faith judgment of the Borrower (which shall be conclusive), has resulted in a material adverse effect on the business,

financial position or results of operations of the Borrower and the Consolidated Subsidiaries considered as a whole.

SECTION 3.06. Subsidiaries. Each of the Consolidated Subsidiaries is a corporation duly incorporated, validly existing and, to the extent applicable, 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 Borrower to have a material adverse effect on the business, financial position or results of operations of the Borrower and the Consolidated Subsidiaries considered as a whole.

SECTION 3.07. Not an Investment Company. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 3.08. ERISA. The Borrower and its ERISA Affiliates (a) have fulfilled their material obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, (b) are in compliance in all material respects with the presently applicable provisions of ERISA and the Code and (c) have not incurred any liability in excess of $75,000,000 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 (i) any ERISA Affiliate as described in Section 414(m) of the Code (other than the Borrower or a Subsidiary) or any Plan maintained by such an ERISA Affiliate or (ii) any Multiemployer Plan. The Borrower 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.

SECTION 3.09. Taxes. The Borrower and its Subsidiaries have filed all United States federal income tax returns and all other material tax returns which, in the opinion of the Borrower, 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 Borrower 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 Borrower and Subsidiaries in respect of taxes or other

governmental charges are, in the opinion of the Borrower, adequate.

SECTION 3.10. Disclosure. The Information Memorandum, the financial statements delivered pursuant to Section 5.01(a)(i) and (ii), the registration statements delivered pursuant to Section 5.01(a)(vi) (in each case in the form in which such registration statements were declared effective, as amended by any post-effective amendments thereto) and the reports on Forms 10-K, 10-Q and 8-K delivered pursuant to Section 5.01(a)(vi), do not, taken as a whole and in each case as of the date thereof, contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 8.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of each of (i) Samuel P. Fried, Esq., General Counsel of the Borrower, and (ii) Davis Polk & Wardwell, counsel for the Borrower, substantially in the form of Exhibits B-1 and B-2, respectively, and covering such other matters relating to the Borrower, this Agreement or the

Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) The Administrative Agent shall have received evidence satisfactory to it of the termination of lending commitments under, and the payment of all amounts outstanding under, the $500,000,000 364-Day Revolving Credit Agreement dated as of July 13, 2001 among the Borrower, the banks party thereto and JPMorgan Chase Bank, as administrative agent for such banks.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 8.02) at or prior to 3:00 p.m., New York City time, on July 12, 2002 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Covenants

The Borrower agrees that, so long as any Lender has any Commitment hereunder or any amount payable hereunder remains unpaid:

SECTION 5.01. Information. (a) The Borrower will deliver to the Administrative Agent and each of the Lenders:

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

(ii) 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 Borrower'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 a Financial Officer;

(iii) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of a Financial Officer (1) setting forth in reasonable detail the calculations required to establish

whether the Borrower was in compliance with the requirements of Sections 5.06 and 5.07 on the date of such financial statements and (2) stating whether, to the best knowledge of such Financial 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 Borrower is taking or proposes to take with respect thereto;

(iv) 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);

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

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

(vii) within four Business Days of any executive officer of the Borrower or any Financial Officer obtaining knowledge of any condition or event recognized by such officer to be a Default, a certificate of a Financial Officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(viii) if and when any executive officer of the Borrower or any Financial Officer obtains knowledge that any ERISA Affiliate (1) 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, (2) has received notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice or (3) 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

(ix) from time to time such additional information regarding the financial position or business of the Borrower and Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

(b) Certificates delivered pursuant to this Section shall be signed manually or shall be copies of manually signed certificate.

SECTION 5.02. Maintenance of Properties. The Borrower will, and will cause each 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 Borrower 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 shall prevent the Borrower or any Consolidated Subsidiary from discontinuing the operation and maintenance of any of such properties if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of the business of the Borrower or such Consolidated Subsidiary, as the case may be, and not disadvantageous in any material respect to the Lenders.

SECTION 5.03. Maintenance of Insurance. The Borrower 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 Borrower 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.

SECTION 5.04. Preservation of Corporate Existence. The Borrower 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 Borrower.

SECTION 5.05. Inspection of Property, Books and Records. The Borrower 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 Borrower'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 Borrower will permit the Administrative Agent or any of the Lenders 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 Borrower and any Consolidated Subsidiaries and to discuss the affairs, finances and accounts of the Borrower and any Consolidated Subsidiaries with any of their respective officers or directors. Any information obtained pursuant to this Section or Section 5.01(a)(i) shall be subject to Section 8.12.

SECTION 5.06. Fixed Charge Coverage Ratio. The Borrower will not permit the ratio of Consolidated EBITDAR to Consolidated Fixed Charges for any period of four consecutive fiscal quarters to be less than 1.75 to 1.00.

SECTION 5.07. Debt to Capital Ratio. The Borrower will not permit the ratio of Consolidated Debt to Capital to exceed 0.825 to 1.

SECTION 5.08. Limitations on Liens. The Borrower will not, and will not permit any Consolidated Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Consolidated Subsidiary existing on the date hereof and set forth in Schedule 5.08; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Consolidated Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Consolidated Subsidiary or existing on any property or asset of any Person that becomes a Consolidated Subsidiary after the date hereof prior to the time such Person becomes a Consolidated Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Consolidated Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Consolidated Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Consolidated Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Consolidated Subsidiary; provided that (i) with respect to a Consolidated Subsidiary, such security interests secure Indebtedness permitted by Section 5.10, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not

exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Consolidated Subsidiary; and

(e) other Liens securing obligations in an aggregate principal amount not exceeding 15% of Consolidated Tangible Net Worth.

SECTION 5.09. Compliance with Laws. The Borrower 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 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 Borrower and Consolidated Subsidiaries taken as a whole.

SECTION 5.10. Limitations on Subsidiary Indebtedness. The Borrower will not permit any Consolidated Subsidiary to create, incur, assume or suffer to exist any Indebtedness except:

(a) Indebtedness of any Consolidated Subsidiary which is, or the direct or indirect parent of which is, acquired by the Borrower or any other Consolidated Subsidiary after the Effective Date, which Indebtedness is in existence at the time such Consolidated Subsidiary (or parent) is so acquired; provided such Indebtedness was not created at the request or with the consent of the Borrower or any Subsidiary, and such Indebtedness 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

(b) other Indebtedness in an aggregate principal amount for all Consolidated Subsidiaries not exceeding 10% of Consolidated Tangible Net Worth.

SECTION 5.11. Transactions with Affiliates. The Borrower will not, and will not permit any of its Consolidated Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of

its Affiliates, except (a) at prices and on terms and conditions not less favorable to the Borrower or such Consolidated Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) any transaction determined by a majority of the disinterested directors of the Borrower's board of directors to be fair to the Borrower and its Subsidiaries, (c) transactions between or among the Borrower and its Consolidated Subsidiaries not involving any other Affiliate and (d) any transaction with respect to which neither the fair market value of the related property or assets, nor the consideration therefor, exceeds $5,000,000.

SECTION 5.12. Consolidations, Mergers and Sales of Assets. The Borrower will not (a) consolidate or merge with or into any other Person, (b) liquidate or dissolve or (c) sell, lease or otherwise transfer all or any substantial part of the assets of the Borrower and its Consolidated Subsidiaries, taken as a whole, to any other Person; provided that the Borrower may merge with another Person if (i) the corporation surviving the merger is the Borrower or a corporation organized under the laws of a State of the United States into which the Borrower desires to merge for the purpose of becoming incorporated in such State (in which case such corporation shall assume all of the Borrower's obligations under this Agreement by an agreement satisfactory to the Required Lenders (and the Required Lenders shall not unreasonably withhold their consent to the form of such agreement) and shall deliver to the Administrative Agent and the Lenders such legal opinions and other documents as the Administrative Agent may reasonably request to evidence the due authorization, validity and binding effect thereof) and (ii) 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 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 Borrower and its Consolidated Subsidiaries taken as a whole.

ARTICLE VI

Events of Default and Remedies

SECTION 6.01. Events of Default. Any of the following shall be an "Event of Default":

(a) The Borrower shall fail to make any payment of 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 Business Days after the Borrower's actual receipt of notice of such failure from the Administrative Agent at the request of any Lender;

(b) Any statement of fact or representation made or deemed to be made by the Borrower in this Agreement or by the Borrower 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 officer of the Borrower or any Financial Officer first becomes aware of or is advised that such representation or statement was incorrect in a material respect;

(c) The Borrower shall fail to comply with any of the provisions of Sections 5.06 or 5.07 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 officer of the Borrower or any Financial Officer first becomes aware or is advised of such failure to comply;

(d) (i) The Borrower or any Consolidated Subsidiary shall fail to pay principal of or interest on any Material Indebtedness and the longer of any periods within which the Borrower or such Consolidated Subsidiary shall be allowed to cure such nonpayment shall have elapsed, or 10 days shall have passed since such failure, in either case without curing such nonpayment, (ii) any event or condition shall occur which enables the holder of any Material Indebtedness or any Person acting on such holder's behalf to accelerate the maturity thereof, and the longer of any periods within which the Borrower or such Consolidated Subsidiary shall be allowed to cure such condition or event shall have elapsed, or 10 days shall have passed since the occurrence of such event or condition, in either case without curing such event or condition, or

(iii) the holder of any Material Indebtedness shall accelerate the maturity of such Material Indebtedness and such acceleration shall not have been rescinded within 20 days of such acceleration, provided no Default under this clause (d) shall be deemed to occur if (1) at the time the relevant event or condition described in this clause (d) occurs, the Borrower's Index Debt is rated (A) Baa3 or better by Moody's and BBB- or better by S&P, if both Moody's and S&P shall have in effect a rating for the Borrower's Index Debt, or (B) Baa3 or better by Moody's or BBB- or better by S&P, if both Moody's and S&P shall not have in effect a rating for the Borrower's Index Debt, (2) the Borrower's Index Debt does not cease to have the ratings described in clause (1) above for reasons attributable to the relevant event or condition described in this clause (d), and (3) all Material Indebtedness that is affected by any event or condition described in this clause (d) is either (A) 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 (B) permitted under clause (a) of Section 5.10;

(e) The Borrower or any Consolidated Subsidiary shall (i) make a general assignment for the benefit of creditors, (ii) 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 Borrower or any Consolidated Subsidiary or any substantial part of the properties of the Borrower 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 Borrower 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 Borrower 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), (iii) 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 Borrower 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 Borrower 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), (iv) 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 5.08) 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 Borrower 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), (v) generally not pay its debts as such debts become due or admit in writing its inability to do so, or (vi) 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 events will not constitute an Event of Default if such events occur with respect to any Subsidiary which is: (1) 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 Borrower'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 $75,000,000, or (2) 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 (A) at the time the relevant event or condition described in this clause (e) occurs, the Borrower's Index Debt is rated (x) Baa3 or better by Moody's and BBB- or better by S&P, if both Moody's and S&P shall have in effect a rating for the Borrower's Index Debt, or (y) Baa3 or better by Moody's or BBB- or better by S&P, if both Moody's

and S&P shall not have in effect a rating for the Index Debt, (B) the Borrower's Index Debt does not cease to have the rankings described in clause (A) above for reasons attributable to the relevant event or condition described in this clause (e) and (C) the aggregate Value of the Borrower'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 $37,500,000;

(f) The Borrower or any ERISA Affiliate shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 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 $75,000,000 (collectively a "Material Plan") shall be filed under Title IV of ERISA by the Borrower or any ERISA Affiliate, 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 the Borrower or any ERISA Affiliate 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;

(g) The Borrower shall fail to perform or observe in any material respect any other term, covenant or agreement contained in this Agreement (including without limitation Section 5.01) on its part to be performed or observed and any such failure remains unremedied for 30 days after the Borrower shall have received written notice thereof from the Administrative Agent at the request of any Lender;

(h) a Change in Control shall occur; or

(i) one or more judgments for the payment of money in an aggregate amount in excess of $75,000,000, exclusive of amounts covered by third party insurance, shall be rendered against the

Borrower, any Consolidated Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Consolidated Subsidiary to enforce any such judgment; provided that in calculating the amounts covered by third party insurance, amounts covered by third party insurance shall not include amounts for which the third party insurer has denied liability.

SECTION 6.02. Remedies. If any Event of Default shall occur and be continuing, the Administrative Agent shall (a) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, and (b) if requested by Lenders holding more than 50% of the aggregate unpaid principal amount of the Loans, by notice to the Borrower declare the Loans (together with accrued interest thereon and all other amounts payable by the Borrower hereunder) to be, and the Loans (together with accrued interest thereon and all other amounts payable by the Borrower 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 Borrower; provided that in the case of any of the bankruptcy Events of Default specified in Section 6.01(e) with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Lenders, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon and all other amounts payable by the Borrower 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 Borrower.

SECTION 6.03. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 6.01(a) or 6.01(g) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE VII

The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the

Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 8.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 8.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection

herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of

the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 8.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender 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 Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder. The Joint Advisors, Joint Lead Arrangers, Joint Bookrunners, Co-Syndication Agents and Co-Documentation Agents (each as identified on the cover page of this Agreement), in their capacities as such, shall have no rights, powers, duties, liabilities, fiduciary relationships or obligations under this Agreement or any of the other documents related hereto.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier

service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at Three Limited Parkway, P.O. Box 16000, Columbus, Ohio 43216, Attention of Assistant Treasurer (Telecopy No. (614) 415-7060);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Mary McCormack (Telecopy No. (212) 552-5650), with a copy to JPMorgan Chase Bank, 270 Park Avenue, New York 10017, Attention of Ruby Tulloch (Telecopy No. (212) 270-7594);

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 8.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent without the prior written consent of the Administrative Agent. Notwithstanding the foregoing, any provision of this Agreement may be amended by an agreement in writing entered into by the Borrower, the Required Lenders and the Administrative Agent if (i) by the terms of such agreement the Commitment of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment in full of the principal of and interest accrued on each Loan made by it and all other amounts owing to it or accrued for its account under this Agreement.

SECTION 8.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of a single counsel for Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated

hereby or thereby shall be consummated) and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitee shall be designated a party thereto, which may be incurred by any Indemnitee, 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 Indemnitee shall have the right to be indemnified hereunder (i) with respect to the acquisition of equity securities of a wholly-owned Subsidiary, or of a Person who prior to such acquisition did not conduct any business, or (ii) for its own gross negligence or willful misconduct.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof; provided that the foregoing waiver shall not apply to special, indirect or consequential damages (but shall apply to punitive damages) attributable to the failure of a Lender to fund Loans, when required to do so

hereunder, promptly after the receipt of notice of such failure.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 8.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to

paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 8.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent sell participations

to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii) (iii) or (iv) of the first proviso to Section 8.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 8.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a

security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 8.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 8.03 and Article VII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 8.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as

delivery of a manually executed counterpart of this Agreement.

SECTION 8.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 8.08. Right of Setoff. If any Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations then due of the Borrower now or hereafter existing under this Agreement held by such Lender. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 8.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees, to the fullest extent permitted under applicable law, that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this

Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 8.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 8.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 8.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 8.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and

other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 8.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until

such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 8.14. Waiver Under Existing Credit Agreement. By their execution hereof, the undersigned Lenders that are also parties to the Credit Agreement dated as of September 25, 1997, among the Borrower, the banks party thereto and Morgan Guaranty Trust Company of New York, as agent for such banks, which Lenders constitute, in the aggregate, "Required Banks" thereunder, and as defined therein, hereby waive the provisions of such Credit Agreement that would otherwise require advance notice for the termination of commitments thereunder or the prepayment of loans thereunder; provided that the foregoing waiver shall apply only to the termination of all commitments under such Credit Agreement and repayment of all loans outstanding thereunder, in each case in connection with the effectiveness of this Agreement.

SECTION 8.15. Collateral. Each of the Lenders represents to the Administrative Agent and each of the other Lenders that it in good faith is not relying upon any "margin stock" (as defined in Regulation U of the Board) as collateral in the extension or maintenance of the credit provided for in this Agreement. In addition, the Borrower will not use or permit any proceeds of the Loans to be used in any manner which would violate or cause any Lender to be in violation of Regulation U of the Board.

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

LIMITED BRANDS, INC.,

by /s/ V. Ann Hailey

Name : V. Ann Hailey
Title: EVP-Chief Financial Officer

JPMORGAN CHASE BANK,
individually and as
Administrative Agent,

by

Name:
Title:

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

JPMorgan Chase Bank

by: /s/ Barry K. Bergman

Name: BARRY K. BERGMAN
Title: VICE PRESIDENT

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

Bank of America, N. A.

by: /s/ Amy Krovocheck

Name: Amy Krovocheck
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

CITIBANK, N. A.

by: /s/ Robert A. Snell

Name: ROBERT A. SNELL
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

HSBC Bank USA

by: /s/ Robert Corder

Name: Robert Corder
Title: First Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

Fleet National Bank

by: /s/ Judith C. E. Kelly

Name: Judith C. E. Kelly
Title: Director

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Wachovia Bank, National Association

by: /s/ William F. Fox

Name: William F. Fox
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

THE BANK OF NEW YORK

by: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

NATIONAL CITY BANK

by: /s/ Joeseph L. Kwasny

Name: Joeseph L. Kwasny
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Bank One, NA (Main Office Chicago):

by: /s/ Christopher M. Murphy

Christopher Murphy
Director

Signature page to 364-day revolving credit agreement dated as of June 26, 2002, among The Limited Brands, Inc., the Banks party thereto, and JPMorgan Chase as administrative agent.

STANDARD CHARTERED BANK

/s/ Alan Babcock

ALAN BABCOCK
Senior Vice President

/s/ Naeem Zafar

NAEEM ZAFAR
DEPUTY HEAD OF SCS
COIN 99/019

DATE

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

Firstar Bank, N.A.

by: /s/ Celia V. Conlon

Name: Celia V. Conlon
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

PNC Bank, National Association

by: /s/ Jeffrey L. Stein

Name: Jeffrey L. Stein
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Wells Fargo Bank, National Association

by: /s/ Mary D. Falck

Name: Mary D. Falck
Title: Senior Vice President

by: /s/ Scott Miller

Name: Scott Miller
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

KeyBank National Association

by: /s/ Brendan A. Lawlor

Name: Brendan A. Lawlor
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

Huntington National Bank

by: /s/ John M. Luehmann

Name: John M. Luehmann
Title: Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

FIFTH THIRD BANK, CENTRAL OHIO

by: /s/ John K. Beardslee

Name: JOHN K. BEARDSLEE
Title: VICE PRESIDENT

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

The Northern Trust Company

by: /s/ Christopher McKean

Name: Christopher McKean
Title: Second Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

BANCA DI ROMA - CHICAGO BRANCH

by: /s/ James Semonchik

Name: James Semonchik
Title: Vice President

by: /s/ Enrico Verdoscia

Name: Enrico Verdoscia
Title: Sr. Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

Mizuho Corporate Bank, Ltd.

by: /s/ Nobuyasu Fukatsu

Name: Nobuyasu Fukatsu
Title: Senior Vice President

SIGNATURE PAGE TO 364-DAY REVOLVING CREDIT AGREEMENT DATED AS OF JUNE 28, 2002, AMONG THE LIMITED BRANDS, INC., THE BANKS PARTY THERETO, AND JPMORGAN CHASE BANK AS ADMINISTRATIVE AGENT

Name of Institution:

BANCA NAZIONALE DEL LAVORO S.p.A., NEW YORK BRANCH

by: /s/ Francesco DiMario

Name: Francesco DiMario
Title: Vice President

by: /s/ Leonardo Valentini

Name: Leonardo Valentini
Title: First Vice President

EXHIBIT 10.22

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of August 15, 2002 by and between The Limited, Inc., a Delaware corporation (the "Company") and Mark Giresi (the "Executive") (hereinafter referred to as "the parties").

WHEREAS, the Executive is employed as the Senior Vice President and Chief Stores Officer and is experienced in all phases of the Company's business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods, and personnel; and

WHEREAS, the Company has determined that it is essential and in its best interests to retain the services of key management personnel and to ensure their continued dedication and efforts; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company to secure the services and employment of the Executive, and the Executive is willing to render such services on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties hereby agree as follows:

1. Term. The initial term of employment under this Agreement shall be for the period commencing on August 15 2002 (the "Commencement Date") and ending on the sixth anniversary of the Commencement Date (the "Initial Term"); provided, however, that thereafter this Agreement shall be automatically renewed from year to year, unless either the Company or the Executive shall have given written notice to the other at least six (6) months prior thereto that the term of this Agreement shall not be so renewed.

2. Employment.

(a) Position. The Executive shall be employed as Senior Vice President and Chief Stores Officer or such other position of reasonably comparable or greater status and responsibilities, as may be determined by the Board of Directors. The Executive shall perform the duties, undertake the responsibilities, and exercise the authority customarily performed, undertaken, and exercised by persons employed in a similar executive capacity. The Executive shall report to the Executive Vice President & Chief Operating Officer of The Limited, Inc.

(b) Obligations. The Executive agrees to devote his full business time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civic, or charitable boards or committees or managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

3. Base Salary. The Company agrees to pay or cause to be paid to the Executive during the term of this Agreement an annual base salary at the rate of $525,000, less applicable withholding. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the

Executive's responsibilities, compensation of similar executives within the Company and in other companies, performance of the Executive, and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Executive shall be entitled to receive annual stock option grants or other stock awards based on the performance of the Executive as determined by the Board.

5. Employee Benefits. The Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company and made available to senior executives generally and as may be in effect from time to time. The Executive's participation in such plans, practices and programs shall be on the same basis and terms as are applicable to senior executives of the Company generally.

6. Bonus. The Executive shall be entitled to participate in the Company's applicable incentive compensation plan on such terms and conditions as may be determined from time to time by the Board. In addition, the Company agrees to guarantee the Executive's minimum incentive compensation for Spring 2002 and Fall 2002 at the target level of sixty percent (60%) of the Executive's Base Salary. Further, the Executive will receive any actual incentive compensation payout earned in excess of the target level.

7. Other Benefits.

(a) Expenses. Subject to applicable Company policies, the Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by his in connection with the performance of his duties hereunder or for promoting, pursuing, or otherwise furthering the business or interests of the Company.

(b) Office and Facilities. The Executive shall be provided with appropriate offices and with such secretarial and other support facilities as are commensurate with the Executive's status with the Company and adequate for the performance of his duties hereunder.

8. Paid Time Off (PTO) Program. The Executive shall be entitled to paid time off in accordance with the policies as periodically established by the Board for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder is subject to the following terms and conditions:

(a) Disability. The Company shall be entitled to terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of at least six months in any twelve-month calendar period as determined in accordance with The Limited, Inc. Long-Term Disability Plan.

(b) Cause. The Company shall be entitled to terminate the Executive's employment for "Cause." For purposes of this Agreement, "Cause" shall mean that the Executive (1) willfully failed to perform his duties with the Company (other than a

failure resulting from the Executive's incapacity due to physical or mental illness); or (2) has plead "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

The Executive shall be given written notice by the Board of termination for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall be entitled to a hearing before the Board or a committee thereof established for such purpose and to be accompanied by legal counsel. Such hearing shall be held within 15 days of notice to the Company by the Executive, provided the Executive requests such hearing within 30 days of the written notice from the Board of the termination for Cause.

(c) Termination by the Executive. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive in a capacity contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities, and reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement, or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale, or similar transaction; provided, however, that "Good Reason" shall not include (A) acts not taken in bad faith which are cured by the Company in all respects not later than thirty (30) days from the date of receipt by the Company of a written notice from the Executive identifying in reasonable detail the act or acts constituting "Good Reason" (a "Preliminary Notice of Good Reason") or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement. A Preliminary Notice of Good Reason shall not, by itself, constitute a Notice of Termination.

(d) Notice of Termination. Any purported termination for Cause by the Company or for Good Reason by the Executive shall be communicated by a written Notice of Termination to the other party two weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Any termination by the Company other than for Cause or by the Executive without Good Reason shall be communicated by a written Notice of Termination to the other party two (2) weeks prior to the Termination Date. However, the Company may elect to pay the Executive in lieu of two (2) weeks written notice. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

(e) Termination Date, Etc. "Termination Date" shall mean in the case of the Executive's death, the date of death, or in all other cases, the date specified in the Notice of Termination; provided, however, that if the Executive's employment is terminated by the Company due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive.

10. Compensation Upon Termination.

(a) If during the term of this Agreement (including any extensions thereof), the Executive's employment is terminated by the Company for Cause, by reason of the Executive's death, or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligation hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon) (collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date.

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Executive shall be entitled to receive the applicable benefits available under the Company's Long-Term Disability Plan.

(d) If the Executive's employment is terminated by reason of the Company's written notice to the Executive of its decision not to extend the term of this Agreement as contemplated in Section 1 hereof, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the expiration of such term.

(e) During the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii) or 10(d)(ii) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation with respect to the foregoing benefits shall be reduced to the extent that the Executive or the Executive's beneficiaries obtains any such benefits pursuant to a subsequent employer's benefit plans.

(f) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment.

11. Employee Covenants.

(a) For the purposes of this Section 11, the term "Company" shall include The Limited, Inc., Intimate Brands, Inc. and all their subsidiaries and affiliates thereof.

(b) Confidentiality. The Executive shall not, during the term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean use by the Executive for his own benefit or disclosure by the Executive to any person other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any confidential information relating to the business or prospects of the Company (including, but not limited to, any information and materials pertaining to any Intellectual Property as defined below ; provided, however, that such term shall not include the use or disclosure by the Executive, without consent, of any publicly available information (other than information available as a result of disclosure by the Executive in violation of this Section 11(b)). This confidentiality covenant has no temporal, geographical or territorial restriction.

(c) Non-Competition. During the Non-Competition Period described below, the Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that competes or plans to compete, directly or indirectly, with the Company, or any of its products in a market in which the Company is competing; provided, however, that the "beneficial ownership" by the Executive after termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of Section 11 of this Agreement.

The "Non-Competition Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason, or (ii) by the Executive for any reason.

(d) Non-Solicitation. During the No-Raid Period described below, the Executive shall not directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company, nor assist anyone else in doing so. Further, during the No-Raid Period, the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

The "No-Raid Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason, or (ii) by the Executive for any reason.

(e) Intellectual Property. The Executive agrees that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during his employment with the Company including those developed on his own time, which relates to or is useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. The Executive understands that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All intellectual Property is either work made for hire for the Company within the meaning of the United States Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then the Executive irrevocably assigns all rights, titles and interests in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. The Executive agrees that he will, without any additional consideration, execute all documents and take all other actions needed to convey his complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. The Executive also agrees that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and the Executive waives all right to claim or disclaim authorship. The Executive represents and warrants that any Intellectual Property that he assigns to the Company, except as otherwise disclosed in writing at the time of assignment, will be the Executive's sole, exclusive, original work. The Executive also represents that he has not previously invented any Intellectual Property or has advised the Company in writing of any prior inventions or ideas.

(f) Remedies. The Executive agrees that any breach of the terms of this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent, such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants

is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable.

The provisions of this Section 11 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 11; provided, however, that this paragraph shall not, in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

12. Limitation of Payments.

(a) Gross-Up Payment. In the event it shall be determined that any payment or distribution of any type to or for the benefit of the Executive, by the Company, any of its affiliates, any Person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any affiliate of such Person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments (not including any Gross-Up Payment).

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest five accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures

established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

13. Employee Representation. The Executive expressly represents and warrants to the Company that the Executive is not a party to any contract or agreement and is not otherwise obligated in any way, and is not subject to any rules or regulations, whether governmentally imposed or otherwise, which will or may restrict in any way the Executive's ability to fully perform the Executive's duties and responsibilities under this Agreement.

14. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

15. Arbitration. Except with respect to the remedies set forth in Section 11(f) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by binding arbitration. The American Arbitration Association, under its Commercial Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to add to, alter, amend, or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination.

16. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:
Mark Giresi
6685 Highland Lakes Place
Westerville, Ohio 43082

To the Company:
The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

17. Settlement of Claims. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or others.

18. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof.

20. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

THE LIMITED, INC.

By: /s/ LESLIE H. WEXNER

Name: Leslie H. Wexner
Title: Chairman of the Board

/s/ MARK GIRESI

Mark Giresi

EXHIBIT 10.23

THE LIMITED, INC.

1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN
(2002 Restatement)

TABLE OF CONTENTS

THE LIMITED, INC.

1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN
(2002 RESTATEMENT)

ARTICLE 1
Establishment And Purpose

Section 1.01. Establishment And Effective Date The Limited, Inc., a Delaware corporation (the "Company"), hereby establishes a stock incentive plan to be known as "The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (2002 Restatement)" (the "Plan"). The Plan shall become effective on May 20, 2002, subject to the approval of the Company's stockholders at the 2002 Annual Meeting. Upon approval by the Board of Directors of the Company (the "Board"), awards may be made as provided herein, subject to stockholder approval.

Section 1.02. Purpose. The Company desires to attract and retain the best available executive and key management associates for itself and its subsidiaries and to encourage the highest level of performance by such associates in order to serve the best interests of the Company and its stockholders. The Plan is expected to contribute to the attainment of these objectives by offering eligible associates the opportunity to acquire stock ownership interests in the Company, and other rights with respect to stock of the Company, and to thereby provide them with incentives to put forth maximum efforts for the success of the Company and its subsidiaries.

ARTICLE 2
Awards

Section 2.01. Form Of Awards. Awards under the Plan may be granted in any one or all of the following forms: (i) incentive stock options ("Incentive Stock Options") meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) nonstatutory stock options ("Nonstatutory Stock Options") (unless otherwise indicated, references in the Plan to Options shall include both Incentive Stock Options and Nonstatutory Stock Options); (iii) stock appreciation rights ("Stock Appreciation Rights"), as described in Article 7, which may be awarded either in tandem with Options ("Tandem Stock Appreciation Rights") or on a stand-alone basis ("Nontandem Stock Appreciation Rights"); (iv) shares of common stock of the Company ("Common Stock") which are restricted as provided in Article ii ("Restricted Shares"); (v) units representing shares of Common Stock, as described in Article i2 ("Performance Shares"); (vi) units which do not represent shares of Common Stock but which may be paid in the form of Common Stock, as described in Article 13 ("Performance Units");

(vii) shares of unrestricted Common Stock ("Unrestricted Shares"); and (viii) tax offset payments ("Tax Offset Payments"), as described in Article 15. "Substitute Awards" are Awards granted in assumption of, or in substitution for, any outstanding awards previously granted by a company acquired by the Company or with which the Company (or a subsidiary thereof) combines.

Section 2.02. Maximum Shares Available. The maximum aggregate number of shares of Common Stock available for award under the Plan is 21,154,951 subject to adjustment pursuant to Article 16, plus shares of Common Stock issuable upon the exercise of Substitute awards; provided, however, that no more than 4,230,990 of shares of Common Stock may be issued other than pursuant to awards of Options or SARs under the Plan. In addition, Tax Offset Payments which may be awarded under the Plan will not exceed the number of shares available for issuance under the Plan. Shares of Common Stock issued pursuant to the Plan may be either authorized but unissued shares or issued shares reacquired by the Company. In the event that prior to the end of the period during which Options may be granted under the Plan, any Option or any Nontandem Stock Appreciation Right under the Plan expires unexercised or is terminated, surrendered or canceled (other than in connection with the exercise of a Stock Appreciation Right) without being exercised in whole or in part for any reason, or any Restricted Shares, Performance Shares or Performance Units are forfeited, or if such awards are settled in cash in lieu of shares of Common Stock, then such shares or units may, at the discretion of the Committee (as defined below) to the extent permissible under Rule 16b-3 under the Securities Exchange Act of 1934 (the "Act"), be made available for subsequent awards under the Plan, upon such terms as the Committee may determine, provided however, that the foregoing shall not apply to or in respect of Substitute Awards.

ARTICLE 3
Administration

Section 3.01. Committee. The Plan shall be administered by a Committee (the "Committee") appointed by the Board and consisting of not less than two (2) members of the Board. Each member of the Committee shall be an "outside director" (within the meaning of Section 162(m) of the Code) and a "non-employee director" (within the meaning of Rule 16b-3(b)(3)(i) under the Act).

Section 3.02. Powers Of Committee. Subject to the express provisions of the Plan, the Committee shall have the power and authority (i) to grant Options and to determine the purchase price of the Common Stock covered by each Option, the term of each Option, the number of shares of Common Stock to be covered by each Option and any performance objectives or vesting standards applicable to each Option; (ii) to designate Options as Incentive Stock Options or Nonstatutory Stock Options and to determine which Options, if any, shall be accompanied by Tandem Stock Appreciation Rights; (iii) to grant Tandem Stock

Appreciation Rights and Nontandem Stock Appreciation Rights and to determine the terms and conditions of such rights; (iv) to grant Restricted Shares and to determine the term of the restricted period and other conditions and restrictions applicable to such shares; (v) to grant Performance Shares and Performance Units and to determine the performance objectives, performance periods and other conditions applicable to such shares or units; (vi) to grant Unrestricted Shares; (vii) to determine the amount of, and to make, Tax Offset Payments; and (viii) to determine the associates to whom, and the time or times at which, Options, Stock Appreciation Rights, Restricted Shares, Performance Shares, Performance Units and Unrestricted Shares shall be granted.

Section 3.03. Delegation. The Committee may delegate to one or more of its members or to any other person or persons such ministerial duties as it may deem advisable; provided, however, that the Committee may not delegate any of its responsibilities hereunder if such delegation will cause (i) transactions under the Plan to fail to comply with Section 16 of the Act or (ii) the Committee to fail to qualify as "outside directors" under Section 162(m) of the Code. The Committee may also employ attorneys, consultants, accountants or other professional advisors and shall be entitled to rely upon the advice, opinions or valuations of any such advisors.

Section 3.04. Interpretations. The Committee shall have sole discretionary authority to interpret the terms of the Plan, to adopt and revise rules, regulations and policies to administer the Plan and to make any other factual determinations which it believes to be necessary or advisable for the administration of the Plan. All actions taken and interpretations and determinations made by the Committee in good faith shall be final and binding upon the Company, all associates who have received awards under the Plan and all other interested persons.

Section 3.05. Liability; Indemnification. No member of the Committee, nor any person to whom duties have been delegated, shall be personally liable for any action, interpretation or determination made with respect to the Plan or awards made thereunder, and each member of the Committee shall be fully indemnified and protected by the Company with respect to any liability he or she may incur with respect to any such action, interpretation or determination, to the extent permitted by applicable law and to the extent provided in the Company's Certificate of Incorporation and Bylaws, as amended from time to time.

ARTICLE 4
Eligibility

Section 4.01. Eligibility. Awards shall be limited to executive and key management associates who are regular, full-time associates of the Company and its present and future subsidiaries. In determining the associates to whom awards shall be granted and the number of shares to be covered by each award, the

Committee shall take into account the nature of the services rendered by such associates, their present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Committee in its sole discretion shall deem relevant. As used in this Plan, the term "subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" set forth in Section 424(f) of the Code, or any successor provision hereafter enacted. No associate may be granted in any calendar year awards covering more than 2,000,000 shares of Common Stock.

ARTICLE 5
Stock Options

Section 5.01. Grant Of Options. Options may be granted under this Plan for the purchase of shares of Common Stock. Options shall be granted in such form and upon such terms and conditions, including the satisfaction of corporate or individual performance objectives and other vesting standards, as the Committee shall from time to time determine.

Section 5.02. Option Price. The option price of each Option to purchase Common Stock shall be determined by the Committee at the time of the grant, but, except in the case of Substitute Awards, shall not be less than 100 percent of the fair market value of the Common Stock subject to such Option on the date of grant. The option price so determined shall also be applicable in connection with the exercise of any Tandem Stock Appreciation Right granted with respect to such Option.

Section 5.03. Terms Of Options. The term of each Option granted under the Plan shall not exceed ten (10) years from the date of grant, subject to earlier termination as provided in Articles 9 and 10, except as otherwise provided in Section 6.01 with respect to ten (10) percent stockholders of the Company.

Section 5.04. Exercise Of Options. An Option may be exercised, in whole or in part, at such time or times as the Committee shall determine. The Committee may, in its discretion, accelerate the exercisability of any Option at any time. Options may be exercised by an associate by giving written notice to the Committee stating the number of shares of Common Stock with respect to which the Option is being exercised and tendering payment therefor. Payment for the Common Stock issuable upon exercise of the Option shall be made in full in cash or by certified check or, if the Committee, in its sole discretion, permits, in shares of Common Stock (valued at fair market value on the date of exercise). As soon as reasonably practicable following such exercise, a certificate representing the shares of Common Stock purchased, registered in the name of the associate, shall be delivered to the associate.

Section 5.05. Cancellation Of Stock Appreciation Rights. Upon exercise of all or a portion of an Option, the related Tandem Stock Appreciation Rights shall be canceled with respect to an equal number of shares of Common Stock.

ARTICLE 6
Special Rules Applicable To Incentive Stock Options

Section 6.01. Ten Percent Stockholder. Notwithstanding any other provision of this Plan to the contrary, no associate may receive an Incentive Stock Option under the Plan if such associate, at the time the award is granted, owns (after application of the rules contained in Section 424(d) of the Code) stock possessing more than ten (10) percent of the total combined voting power of all classes of stock of the Company or its subsidiaries, unless (i) the option price for such Incentive Stock Option is at least 110 percent of the fair market value of the Common Stock subject to such Incentive Stock Option on the date of grant and (ii) such Option is not exercisable after the date five (5) years from the date such Incentive Stock Option is granted.

Section 6.02. Limitation On Grants. The aggregate fair market value (determined with respect to each Incentive Stock Option at the time such Incentive Stock Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an associate during any calendar year (under this Plan or any other plan of the Company or a subsidiary) shall not exceed $100,000.

Section 6.03. Limitations On Time Of Grant. No grant of an Incentive Stock Option shall be made under this Plan more than ten (10) years after the earlier of the date of adoption of the Plan by the Board or the date the Plan is approved by stockholders.

ARTICLE 7
Stock Appreciation Rights

Section 7.01. Grants Of Stock Appreciation Rights. Tandem Stock Appreciation Rights may be awarded by the Committee in connection with any Option granted under the Plan, either at the time the Option is granted or thereafter at any time prior to the exercise, termination or expiration of the Option. Nontandem Stock Appreciation Rights may also be granted by the Committee at any time. At the time of grant of a Nontandem Stock Appreciation Right, the Committee shall specify the number of shares of Common Stock covered by such right and the base price of shares of Common Stock to be used in connection with the calculation described in Section 7.04 below. The base price of a Nontandem Stock Appreciation Right shall be not less than 100 percent of the fair market value of a share of Common Stock on the date of grant. Stock

Appreciation Rights shall be subject to such terms and conditions not inconsistent with the other provisions of this Plan as the Committee shall determine.

Section 7.02. Limitations On Exercise. A Tandem Stock Appreciation Right shall be exercisable only to the extent that the related Option is exercisable and shall be exercisable only for such period as the Committee may determine (which period may expire prior to the expiration date of the related Option). Upon the exercise of all or a portion of Tandem Stock Appreciation Rights, the related Option shall be canceled with respect to an equal number of shares of Common Stock. Shares of Common Stock subject to Options, or portions thereof, surrendered upon exercise of a Tandem Stock Appreciation Right, shall not be available for subsequent awards under the Plan. A Nontandem Stock Appreciation Right shall be exercisable during such period as the Committee shall determine.

Section 7.03. Surrender Or Exchange Of Tandem Stock Appreciation Rights. A Tandem Stock Appreciation Right shall entitle the associate to surrender to the Company unexercised the related option, or any portion thereof and to receive from the Company in exchange therefor that number of shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one (I) share of Common Stock as of the date the Tandem Stock Appreciation Right is exercised over (ii) the option price per share specified in such Option, multiplied by (B) the number of shares of Common Stock subject to the Option, or portion thereof, which is surrendered. Cash shall be delivered in lieu of any fractional shares.

Section 7.04. Exercise Of Nontandem Stock Appreciation Rights. The exercise of a Nontandem Stock Appreciation Right shall entitle the associate to receive from the Company that number of shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one (1) share of Common Stock as of the date on which the Nontandem Stock Appreciation Right is exercised over (ii) the base price of the shares covered by the Nontandem Stock Appreciation Right, multiplied by (B) the number of shares of Common Stock covered by the Nontandem Stock Appreciation Right, or the portion thereof being exercised. Cash shall be delivered in lieu of any fractional shares.

Section 7.05. Settlement Of Stock Appreciation Rights. As soon as is reasonably practicable after the exercise of a Stock Appreciation Right, the Company shall (i) issue, in the name of the associate, stock certificates representing the total number of full shares of Common Stock to which the associate is entitled pursuant to Section 7.03 or 7.04 hereof, and cash in an amount equal to the fair market value, as of the date of exercise, of any resulting fractional shares, and (ii) if the Committee causes the Company to elect to settle all or part of its obligations arising out of the exercise of the Stock Appreciation Right in cash pursuant to Section 7.06, deliver to the associate an amount in cash equal to the fair market value, as of the date of exercise, of the shares of Common Stock it would otherwise be obligated to deliver.

Section 7.06. Cash Settlement. The Committee, in its discretion, may cause the Company to settle all or any part of its obligation arising out of the exercise of a Stock Appreciation Right by the payment of cash in lieu of all or part of the shares of Common Stock it would otherwise be obligated to deliver in an amount equal to the fair market value of such shares on the date of exercise.

ARTICLE 8
Nontransferability Of Options And Stock Appreciation Rights

Section 8.01. Nontransferability Of Options And Stock Appreciation Rights. No Option or Stock Appreciation Right may be transferred, assigned, pledged or hypothecated (whether by operation of law or otherwise), except as provided by will or the applicable laws of descent and distribution, and no Option or Stock Appreciation Right shall be subject to execution, attachment or similar process. Any attempted assignment transfer, pledge, hypothecation or other disposition of an Option or a Stock Appreciation Right not specifically permitted herein shall be null and void and without effect. An Option or Stock Appreciation Right may be exercised by an associate only during his or her lifetime, or following his or her death pursuant to Article 10.

ARTICLE 9
Termination Of Employment

Section 9.01. Exercise After Termination Of Employment. Except as the Committee may at any time provide, in the event that the employment of an associate to whom an Option or Stock Appreciation Right has been granted under the Plan shall be terminated (for reasons other than death or total disability), such Option or Stock Appreciation Right may be exercised (to the extent that the associate was entitled to do so at the termination of his employment) at any time within three (3) months after such termination of employment.

Section 9.02. Total Disability. In the event that an associate to whom an Option or Stock Appreciation Right has been granted under the Plan shall become totally disabled, except as the Committee may at anytime provide, such Option or Stock Appreciation Right may be exercised at any time during the first nine (9) months that the associate receives benefits under The Limited, Inc. Long-Term Disability Plan (the "Disability Plan"). For purposes hereof, "total disability" shall have the definition set forth in the Disability Plan, which definition is hereby incorporated by reference.

ARTICLE 10
Death Of Associate

Section 10.01. Death Of Associate. If an associate to whom an Option or Stock Appreciation Right has been granted under the Plan shall die while employed by the Company or one of its subsidiaries or within three (3) months after the termination of such employment, except as the Committee may at anytime provide, such Option or Stock Appreciation Right may be exercised to the extent that the associate was entitled to do so at the time of his or her death, by the associate's estate or by the person who acquires the right to exercise such Option or Stock Appreciation Right upon his or her death by bequest or inheritance. Such exercise may occur at any time within one (1) year after the date of the associate's death or such other period as the Committee may at anytime provide, but in no case later than the date on which the Option or Stock Appreciation Right terminates.

ARTICLE 11
Restricted Shares

Section 11.01. Grant Of Restricted Shares. The Committee may from time to time cause the Company to grant Restricted Shares under the Plan to associates, subject to such restrictions, conditions and other terms as the Committee may determine.

Section 11.02. Restrictions. At the time a grant of Restricted Shares is made, the Committee shall establish a period of time (the "Restricted Period") applicable to such Restricted Shares. Each grant of Restricted Shares may be subject to a different Restricted Period. The Committee may, in its sole discretion, at the time a grant is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which shall be applicable to all or any portion of the Restricted Shares. Except with respect to grants of Restricted Shares intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code, the Committee may also, in its sole discretion, shorten or terminate the Restricted Period or waive any other restrictions applicable to all or a portion of such Restricted Shares. None of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Committee with respect to such Restricted Shares.

Section 11.03. Restricted Stock Certificates. If the Committee deems it necessary or appropriate, the Company may issue, in the name of each associate to whom Restricted Shares have been granted, stock certificates representing the total number of Restricted Shares granted to the associate, provided that such certificates bear an appropriate legend or other restriction on transfer. The Secretary of the Company shall hold such certificates, properly endorsed for

transfer, for the associate's benefit until such time as the Restricted Shares are forfeited to the Company, or the restrictions lapse.

Section 11.04. Rights Of Holders Of Restricted Shares. Except as determined by the Committee either at the time Restricted Shares are awarded or any time thereafter prior to the lapse of the restrictions, holders of Restricted Shares shall not have the right to vote such shares or the right to receive any dividends with respect to such shares. All distributions, if any, received by an associate with respect to Restricted Shares as a result of any stock split-up, stock distribution, a combination of shares, or other similar transaction shall be subject to the restrictions of this Article lb.

Section 11.05. Forfeiture. Except as the Committee may at any time provide, any Restricted Shares granted to an associate pursuant to the Plan shall be forfeited if the associate terminates employment with the Company or its subsidiaries prior to the expiration or termination of the Restricted Period and the satisfaction of any other conditions applicable to such Restricted Shares. Upon such forfeiture, the Secretary of the Company shall either cancel or retain in its treasury the Restricted Shares that are forfeited to the Company.

Section 11.06. Delivery Of Restricted Shares. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to the Restricted Shares shall lapse and a stock certificate for the number of Restricted Shares with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the associate or the associate's beneficiary or estate, as the case may be.

Section 11.07. Performance-based Objectives. At the time of the grant of Restricted Shares to an associate, and prior to the beginning of the performance period to which performance objectives relate, the Committee may establish performance objectives based on any one or more of the following: price of Company Common Stock or the stock of any affiliate, shareholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution or market share. These factors shall have a minimum performance standard below which, and a maximum performance standard above which, no payments will be made. These performance goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures. The Committee may not use any discretion to modify award results except as permitted under Section 162(m) of the Code.

ARTICLE 12
Performance Shares

Section 12.01. Award Of Performance Shares. For each Performance Period (as defined in Section 12.02), Performance Shares may be granted under the Plan to such associates of the Company and its subsidiaries as the Committee shall determine. Each Performance Share shall be deemed to be equivalent to one (1) share of Common Stock. Performance Shares granted to an associate shall be credited to an account (a "Performance Share Account") established and maintained for such associate.

Section 12.02. Performance Period. "Performance Period" shall mean such period of time as shall be determined by the Committee in its sole discretion. Different Performance Periods may be established for different associates receiving Performance Shares. Performance Periods may run consecutively or concurrently.

Section 12.03. Right To Payment Of Performance Shares. With respect to each award of Performance Shares under this Plan, the Committee shall specify performance objectives (the "Performance Objectives") which must be satisfied in order for the associate to vest in the Performance Shares which have been awarded to him or her for the Performance Period. If the Performance Objectives established for an associate for the Performance Period are partially but not fully met, the Committee may, nonetheless, in its sole discretion, determine that all or a portion of the Performance Shares have vested. If the Performance Objectives for a Performance Period are exceeded, the Committee may, in its sole discretion, grant additional, full vested Performance Shares to the associate. The Committee may also determine, in its sole discretion, that Performance Shares awarded to an associate shall become partially or fully vested upon the associate's death, total disability (as defined in Article 9) or retirement, or upon the termination of the associate's employment prior to the end of the Performance Period.

Section 12.04. Payment For Performance Shares. As soon as practicable following the end of a Performance Period, the Committee shall determine whether the Performance Objectives for the Performance Period have been achieved (or partially achieved to the extent necessary to permit partial vesting at the discretion of the Committee pursuant to Section 12.03). If the Performance Objectives for the Performance Period have been exceeded, the Committee shall determine whether additional Performance Shares shall be granted to the associate pursuant to Section 12.03. As soon as reasonably practicable after such determinations, or at such later date as the Committee shall determine at the time of grant, the Company shall pay to the associate an amount with respect to each vested Performance Share equal to the fair market value of a share of Common Stock on such payment date or, if the Committee shall so specify at the time of grant, an amount equal to (i) the fair market value of a share of Common Stock on the payment date less (ii) the fair market value of a share of Common Stock on the date of grant of the Performance Share. Payment shall be made entirely in

cash, entirely in Common Stock (including Restricted Shares) or in such combination of cash and Common Stock as the Committee shall determine.

Section 12.05. Voting And Dividend Rights. Except as the Committee may otherwise provide, no associate shall be entitled to any voting rights, to receive any dividends, or to have his or her Performance Share Account credited or increased as a result of any dividends or other distribution with respect to Common Stock. Notwithstanding the foregoing, within sixty (60) days from the date of payment of a dividend by the Company on its shares of Common Stock, the Committee, in its discretion, may credit an associate's Performance Share Account with additional Performance Shares having an aggregate fair market value equal to the dividend per share paid on the Common Stock multiplied by the number of Performance Shares credited to his or her account at the time the dividend was declared.

ARTICLE 13
Performance Units

Section 13.01. Award Of Performance Units. For each Performance Period (as defined in Section 12.02). Performance Units may be granted under the Plan to such associates of the Company and its subsidiaries as the Committee shall determine. The award agreement covering such Performance Units shall specify a value for each Performance Unit or shall set forth a formula for determining the value of each Performance Unit at the time of payment (the "Ending Value"). If necessary to make the calculation of the amount to be paid to the associate pursuant to Section 13.03, the Committee shall also state in the award agreement the initial value of each Performance Unit (the "Initial Value"). Performance Units granted to an associate shall be credited to an account (a "Performance Unit Account") established and maintained for such associate.

Section 13.02. Right To Payment Of Performance Units. With respect to each award of Performance Units under this Plan, the Committee shall specify Performance Objectives which must be satisfied in order for the associate to vest in the Performance Units which have been awarded to him or her for the Performance Period. If the Performance Objectives established for an associate for the Performance Period are partially but not fully met, the Committee may, nonetheless, in its sole discretion, determine that all or a portion of the Performance Units have vested. If the Performance Objectives for a Performance Period are exceeded, the Committee may, in its sole discretion, grant additional, fully vested Performance Units to the associate. The Committee may also determine, in its sole discretion, that Performance Units awarded to an associate shall become partially or fully vested upon the associate's death, total disability (as defined in Article 9) or retirement, or upon the termination of employment of the associate by the Company.

Section 13.03. Payment For Performance Units. As soon as practicable following the end of a Performance Period, the Committee shall determine whether the Performance Objectives for the Performance Period have been achieved (or partially achieved to the extent necessary to permit partial vesting at the discretion of the Committee pursuant to Section 13.02). If the Performance Objectives for the Performance Period have been exceeded, the Committee shall determine whether additional Performance Units shall be granted to the associate pursuant to Section 13.02. As soon as reasonably practicable after such determinations, or at such later date as the Committee shall determine, the Company shall pay to the associate an amount with respect to each vested Performance Unit equal to the Ending Value of the Performance Unit or, if the Committee shall so specify at the time of grant, an amount equal to (i) the Ending Value of the Performance Unit less (ii) the Initial Value of the Performance Unit. Payment shall be made entirely in cash, entirely in Common Stock (including Restricted Shares) or in such combination of cash and Common Stock as the Committee shall determine.

ARTICLE 14
Unrestricted Shares

Section 14.01. Award Of Unrestricted Shares. The Committee may cause the Company to grant Unrestricted Shares to associates at such time or times, in such amounts and for such reasons as the Committee, in its sole discretion, shall determine. No payment shall be required for Unrestricted Shares.

Section 14.02. Delivery Of Unrestricted Shares. The Company shall issue, in the name of each associate to whom Unrestricted Shares have been granted, stock certificates representing the total number of Unrestricted Shares granted to the associate, and shall deliver such certificates to the associate as soon as reasonably practicable after the date of grant or on such later date as the Committee shall determine at the time of grant.

ARTICLE 15
Tax Offset Payments

Section 15.01. Tax Offset Payments. The Committee shall have the authority at the time of any award under this Plan or anytime thereafter to make Tax Offset Payments to assist associates in paying income taxes incurred as a result of their participation in this Plan. The Tax Offset Payments shall be determined by multiplying a percentage established by the Committee by all or a portion (as the Committee shall determine) of the taxable income recognized by an associate upon (i) the exercise of a Nonstatutory Stock Option or a Stock Appreciation Right, (ii) the disposition of shares received upon exercise of an Incentive Stock Option; (iii) the lapse of restrictions on Restricted Shares, (iv) the

award of Unrestricted Shares, or (v) payments for Performance Shares or Performance Units. The percentage shall be established, from time to time, by the Committee at that rate which the Committee, in its sole discretion, determines to be appropriate and in the best interests of the Company to assist associates in paying income taxes incurred as a result of the events described in the preceding sentence. Tax Offset Payments shall be subject to the restrictions on transferability applicable to Options and Stock Appreciation Rights under Article 8.

ARTICLE 16
Adjustments

Section 16.01. Adjustments. Notwithstanding any other provision of the Plan, the Committee may at any time make or provide for such adjustments to the Plan, to the number and class of shares available thereunder or to any outstanding Options, Stock Appreciation Rights, Restricted Shares or Performance Shares as it shall deem appropriate to prevent dilution or enlargement of rights, including adjustments in the event of changes in the number of shares of outstanding Common Stock by reason of stock dividends, extraordinary cash dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations and the like.

ARTICLE 17
Amendment And Termination

Section 17.01. Amendment And Termination. The Board may suspend, terminate, modify or amend the Plan, provided that any amendment that would materially increase the aggregate number of shares which may be issued under the Plan shall be subject to the approval of the Company's stockholders, except that any such increase or modification that may result from adjustments authorized by Article 16 does not require such approval. If the Plan is terminated, the terms of the Plan shall, notwithstanding such termination, continue to apply to awards granted prior to such termination. No suspension, termination, modification or amendment of the Plan may, without the consent of the associate to whom an award shall theretofore have been granted, adversely affect the rights of such associate under such award.

ARTICLE 18
Written Agreement

Section 18.01. Written Agreements. Each award of Options, Stock Appreciation Rights, Restricted Shares, Performance Shares, Performance Units, Unrestricted Shares and Tax Offset Payments shall be evidenced by a written

agreement, executed by the associate and the Company, and containing such restrictions, terms and conditions, if any, as the Committee may require. In the event of any conflict between a written agreement and the Plan, the terms of the Plan shall govern.

ARTICLE 19
Miscellaneous Provisions

Section 19.01. Fair Market Value. "Fair market value" for purposes of this Plan shall be the closing price of the Common Stock as reported on the principal exchange on which the shares are listed for the date on which the grant, exercise or other transaction occurs, or if there were no sales on such date, the most recent prior date on which there were sales.

Section 19.02. Tax Withholding. The Company shall have the right to require associates or their beneficiaries or legal representatives to remit to the Company an amount sufficiently to satisfy federal, state and local withholding tax requirements, or to deduct from all payments under this Plan, including Tax Offset Payments, amounts sufficient to satisfy all withholding tax requirements. Whenever payments under the Plan are to be made to an associate in cash, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements. The Committee may, in its discretion, permit an associate to satisfy his or her tax withholding obligation either by (i) surrendering shares owned by the associate or (ii) having the Company withhold from shares otherwise deliverable to the associate. Shares surrendered or withheld shall be valued at their fair market value as of the date on which income is required to be recognized for income tax purposes. In the case of an award of Incentive Stock Options, the foregoing right shall be deemed to be provided to the associate at the time of such award.

Section 19.03. Compliance With Section 16(b) And Section 162(m). In the case of associates who are or may be subject to Section 16 of the Act, it is the intent of the corporation that the Plan and any award granted hereunder satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3, so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Act and will not be subjected to liability thereunder. If any provision of the Plan or any award would otherwise conflict with the intent expressed herein, that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, such provision shall be deemed void as applicable to associates who are or may be subject to Section 16 of the Act. If any award hereunder is intended to qualify as performance-based for purposes of Section 162(m) of the Code, the Committee shall not exercise any discretion to increase the payment under such award except to the extent permitted by Section 162(m) and the regulations thereunder.

Section 19.04. Successors. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and businesses of the Company. In the event of any of the foregoing, the Committee may, at its discretion prior to the consummation of the transaction, cancel, offer to purchase, exchange, adjust or modify any outstanding awards, at such time and in such manner as the Committee deems appropriate and in accordance with applicable law.

Section 19.05. General Creditor Status. Associates shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any associate or beneficiary or legal representative of such associate. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

Section 19.06. No Right To Employment. Nothing in the Plan or in any written agreement entered into pursuant to Article 18, nor the grant of any award, shall confer upon any associate any right to continue in the employ of the Company or a subsidiary or to be entitled to any remuneration or benefits not set forth in the Plan or such written agreement or interfere with or limit the right of the Company or a subsidiary to modify the terms of or terminate such associate's employment at any time.

Section 19.07. Notices. Notices required or permitted to be made under the Plan shall be sufficiently made if sent by registered or certified mail addressed (a) to the associate at the associate's address set forth in the books and records of the Company or its subsidiaries, or (b) to the Company or the Committee at the principal office of the Company.

Section 19.08. Severability. In the event that any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

Section 19.09. Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall he construed in accordance with and governed by the laws of the State of Delaware.

Section 19.10. Term Of Plan. Unless earlier terminated pursuant to Article 17 hereof, the Plan shall terminate on May 19, 2012.

EXHIBIT 10.24

STOCK PURCHASE AGREEMENT

dated as of

November 22, 2002

among

NY & CO. GROUP, INC.,

LFAS, INC.

and

LIMITED BRANDS, INC.

relating to the purchase and sale

of

100% of the Common Stock

of

LERNER NEW YORK HOLDING INC.

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STOCK PURCHASE AGREEMENT

AGREEMENT dated as of November 22, 2002 among NY & Co. Group, Inc., a Delaware corporation ("Buyer"), LFAS, INC., a Delaware corporation ("Seller"), and LIMITED BRANDS, INC., a Delaware corporation ("Parent").

W I T N E S S E T H:

WHEREAS, Seller is the record and beneficial owner of the Shares; and

WHEREAS, each of Parent and Seller desires that Seller sell the Shares to Buyer, and Buyer desires to purchase the Shares from Seller, in each case, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
Definitions

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

"ADS" means ADS Alliance Data Systems, Inc.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, for purposes of this Agreement, none of the Company, any Subsidiary or ADS shall be considered an Affiliate of Seller or Parent.

"Balance Sheet" means the consolidated balance sheet of the Company and Subsidiaries as of August 3, 2002, including all notes thereto, included in Section 3.08 of the Disclosure Schedule.

"Balance Sheet Date" means August 3, 2002.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by Law to close.

"Change of Control Payments" means all payments which any employee or director of the Company or any Subsidiary is entitled to receive as a result of, or related to, the consummation of the Closing pursuant to arrangements approved

by Parent prior to the Closing, whether such payments shall be due at the time of the Closing or shall become due at any time following the Closing Date, including any such payments which shall become due in connection with continuing employment or director status with the Company or any Subsidiary for a period of time following the Closing, including the arrangements set forth on Appendix 1.01(a).

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Combined Tax" means any state, local or foreign income or franchise Tax with respect to which Parent or any of its Affiliates files Returns on a consolidated, combined or unitary basis with the Company or any Subsidiary.

"Common Stock" means the common stock, par value $1.00 per share, of the Company.

"Company" means Lerner New York Holding, Inc., a Delaware corporation.

"Company Cash" means, for any date of determination, the amount of cash and cash equivalents held by the Company and the Subsidiaries, including in any bank account of the Company and the Subsidiaries, as determined in accordance with GAAP.

"Customs & International Trade Laws" means any law, statute, Executive Order, regulation, rule, permit, license, directive, order, decree, ordinance, award, or other decision or requirement having the force or effect of law, of any arbitrator, court, government or governmental agency or instrumentality (domestic or foreign), concerning the importation of merchandise, the export of products and technology, the terms and conduct of international transactions, and making or receiving international payments, including the Tariff Act of 1930 as amended and other laws administered by the United States Customs Service, regulations issued or enforced by the United States Customs Service, the Export Administration Act of 1979 as amended, the Export Administration Regulations, the International Emergency Economic Powers Act, the Arms Export Control Act, the International Traffic in Arms Regulations, any other export controls administered by an agency of the United States government, Executive Orders of the President regarding embargoes and restrictions on trade with designated countries and persons, the embargoes and restrictions administered by the United States Office of Foreign Assets Control, requirements for the marking of wearing apparel, prohibitions or restrictions on the importation of merchandise made with the use of slave labor, the Foreign Corrupt Practices Act, the antiboycott regulations administered by the United States Department of Commerce, the antiboycott regulations administered by the United States

Department of the Treasury, legislation and regulations of the United States and other countries implementing the North American Free Trade Agreement, antidumping and countervailing duty laws and regulations, and other laws and regulations adopted by the governments or agencies of other countries relating to the same subject matter as the United States statutes and regulations described above.

"Database Marketing Agreement" means the Consumer Marketing Database Services Agreement among ADS Alliance Data Systems, Inc., Intimate Brands, Inc. and Parent, Inc. dated September 1, 2000.

"Disclosure Schedule" means the Disclosure Schedule attached as Attachment A to this Agreement.

"Environmental Laws" means any and all Laws including all common law concerning or relating to pollution or the protection of the environment, including all those relating to hazardous or toxic substances, wastes or materials, including asbestos, petroleum, and polychlorinated biphenyls.

"Excluded Deferred Compensation Liability" means any liability relating to deferred compensation payable to current or former employees of the Company and the Subsidiaries in excess of the sum of (x) $6.0 million and (y) the Final Closing Excess DC Amount.

"Excluded Escheat Liability" means (i) any escheat liability or similar item under state unclaimed property laws, in each case in respect of matters arising prior to the Closing (including sales of gift certificates, issuances of checks and other transactions occurring prior to the Closing, regardless of when the obligation to file an unclaimed property report arises), together with any interest or penalties imposed with respect thereto, and (ii) any Damages arising out of Buyer's performance of the obligations set forth in Section 6.03(c)(ii), which together exceed $1.2 million in the aggregate.

"Excluded Insurance Liability" means any liability related to (i) general liability, automotive liability, product liability and workers' compensation liability of the Company and the Subsidiaries (of the type reflected in the "Insurance: Workers' Compensation General Liability and Auto" line item in the Base Statement of Net Working Capital) in excess of the sum of (x) $1.1 million and (y) the amount set forth on the Closing Statement of Net Working Capital as the "Insurance; Workers' Compensation, General Liability and Auto" line item, in the aggregate, relating to claims arising out of the period prior to the Closing Date and (1) asserted on or prior to the Closing Date and set forth on Section 3.13 of the Disclosure Schedule, or (2) asserted following the Closing Date and on or prior to the eighteen-month anniversary of the Closing Date; (ii) general liability, automotive liability, product liability or workers' compensation liability of the Company and the Subsidiaries relating to claims asserted on or prior to the Closing Date but not disclosed on Section 3.13 of the Disclosure Schedule;

(iii) general liability, automotive liability, product liability or workers' compensation liability of the Company and the Subsidiaries for claims arising out of the period prior to the Closing Date that are asserted following the eighteen-month anniversary of the Closing Date and are in excess of $1.0 million per occurrence; and (iv) employment practices liability (other than any liability relating to employment discrimination claims in an amount not to exceed $50,000 in the aggregate), fiduciary liability and directors and officers liability of the Company and the Subsidiaries arising out of the period prior to the Closing Date.

"Excluded Real Property Liability" means any liability or obligation arising out of or relating in any way to (a) environmental conditions at or emanating from the property located at 143-145 Smith Street, Perth Amboy, New Jersey or (b) the Retained Owned Real Property.

"Federal Tax" means any Tax imposed under Subtitle A of the Code with respect to which the Company or any Subsidiary has filed or will file a Return with a member of the Limited Tax Group on a consolidated basis.

"Final Determination" shall mean (i) any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise (including the expiration of a statute of limitations or a period for the filing of claims for refunds, amended returns or appeals from adverse determinations), including a "determination" as defined in Section 1313(a) of the Code or execution of an Internal Revenue Service Form 870AD or (ii) the payment of Tax by Buyer, Parent, Seller or any of their Affiliates, whichever is responsible for payment of such Tax under applicable law, with respect to any item disallowed or adjusted by a Taxing Authority; provided that such responsible party determines that no action should be taken to recoup such payment and the other party agrees.

"Financial Statements" means (a) the unaudited consolidated balance sheet of the Company and Subsidiaries as of February 3, 2001 and February 2, 2002 and the related unaudited consolidated statement of income and cash flows of the Company and Subsidiaries for the years ended February 3, 2001 and February 2, 2002 (in each case, including the notes thereto); and (b) the unaudited consolidated balance sheet of the Company and Subsidiaries as of August 4, 2001 and August 3, 2002 and the related unaudited consolidated statement of income and cash flows of the Company and Subsidiaries for the twenty-six week period ended August 4, 2001 and August 3, 2002 (in each case, including the notes thereto).

"Four Wall Profit Contribution" means, for any retail store, the amount set forth opposite such retail store's identifying code on Appendix 5.09.

"Four Wall Contribution Threshold" means $375,000.

"GAAP" means United States generally accepted accounting principles consistently applied.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"IBNR Accrual" means, for any date of determination, the accrual for estimated medical, dental and disability claims incurred but not yet reported as of such date. The accrual shall be determined in a manner consistent with the manner in which the "Insurance: Medical" line item included in Appendix 2.03(a) was determined by applying an historical "lag" estimate for Parent based on the level of claims paid during Parent's most recently completed fiscal year.

"Indebtedness" means (i) all obligations of the Company or any Subsidiary for borrowed money or evidenced by bonds, debentures, notes, letters of credit or other similar instruments excluding trade letters of credit and surety bonds, (ii) obligations as lessee under capital leases, (iii) obligations to pay the deferred purchase price of property or services, except accounts payable arising in the ordinary course of business consistent with past custom and practice and except for deferred compensation, (iv) all debts of others (of the type set forth in clauses (i) - (iii) of this defined term) guaranteed or otherwise supported by the Company or any Subsidiary or secured by a Lien on any of the assets of any of the Company or any Subsidiary that are due and payable at the Closing, (v) all amounts owed by the Company or any Subsidiary, or obligations of the Company or any Subsidiary, to Parent, Seller, any of their Affiliates or any officer, director, or employee of Parent, Seller or their respective Affiliates, (vi) all fees and expenses incurred by the Company or any Subsidiary in connection with the Credit Card Litigation that are due and payable at the Closing, (vii) all Relevant Costs that are due and payable at the Closing, (viii) any cost to terminate any hedging obligation, and (ix) any interest, principal, prepayment penalty, fees, or expenses in respect of those items listed in clauses (i) through (viii) of this defined term, in each case determined in accordance with GAAP.

"Intellectual Property" means all of the following in any jurisdiction throughout the world: (i) patents, patent applications, and patent disclosures; (ii) trademarks, service marks, trade dress, logos, slogans, trade names, and corporate names (and all translations, adaptations, derivations, and combinations of the foregoing), and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights, copyrightable works and mask works, (iv) registrations and applications for any of the foregoing; (v) confidential business information, know-how and trade secrets, (vi) computer software (including executable code, source code, databases, data and related documentation); and (vii) all other similar intellectual property rights.

"Key Employee" means any person who is listed on Appendices 5.04(a)(1) and 5.04(a)(2).

"Knowledge of Parent and Seller" or any other similar knowledge qualification in this Agreement means that (1) any director or officer of the Company or any Subsidiary, (2) any employee of the Company or any Subsidiary who is listed on Appendix 1.01(b), (3) any officer of Parent or Seller who is reported to directly by any officer or employee of the Company or any Subsidiary, or (4) the Chief Financial Officer, the General Counsel or the Vice President Treasury, Mergers and Acquisitions of Parent is actually aware of a fact or other matter.

"Laws" means any law, statute (including all applicable building, zoning, subdivision, health and safety and other land use statutes), regulation, rule, permit, license, certificate, judgment, order, award or other legally binding decision or requirement of any arbitrator, court, government or governmental agency or instrumentality (domestic or foreign).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, claim, option, security interest, encumbrance or restriction of any kind in respect of, binding upon or applicable to such property or asset.

"Limited Tax Group" means, with respect to any Federal Tax, the affiliated group of corporations (as defined in Section 1504(a) of the Code) of which Parent is the common parent corporation and, with respect to any Combined Tax, the applicable consolidated, combined or unitary group of which Parent or any of its Affiliates is a member.

"Loss of Fundamental Tenant Rights" means: (i) shared space arrangements are no longer permitted under the lease; (ii) certain "permitted" assignments are no longer permitted; (iii) loss of landlord contribution rights or the forfeiture of previous landlord contributions; (iv) loss of "kick-out" and/or co-tenancy rights; (v) loss of right to complete improvements without landlord's consent; (vi) loss of expansion, renewal or extension rights/options to the extent provided under a lease; or (vii) acceleration of rent or increases to the base rent or other obligations under a lease.

"Material Adverse Effect" means a material adverse effect on the business, properties, assets, results of operations or financial condition of the Company and the Subsidiaries, taken as whole.

"1933 Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Operational Tax" means any sales and use taxes or real and personal property taxes and, if and to the extent that interest pertains to and originates from such taxes, then interest, but not penalties, additions to tax or additional amounts, pertaining to such taxes imposed by any Taxing Authority.

"Party in Interest" means any Person whose consent, approval, waiver, authorization is required, or for or from whom some other condition or notice is required to be obtained, given or otherwise satisfied, under the terms of the Retail Leases or any other agreement in connection with the consummation of the transactions contemplated by the Transaction Documents as they relate to the Retail Leases.

"Permits" means all governmental licenses, permits, certificates, consents, approvals, or other governmental authorizations owned or held by, granted to, or held for the benefit of, any Person.

"Permitted Liens and Exceptions" means (1) Liens for Taxes, assessments and similar charges that are not yet due and payable; (2) mechanic's, materialman's, carrier's, repairer' s and other similar Liens arising or incurred in the ordinary course of business or that are not yet due and payable; (3) Liens incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date, except any Liens incurred in connection with the borrowing of money and Liens relating to liabilities resulting from breach of contract, breach of warranty, tort, infringement, claim, lawsuit, violation of law or environmental liability or clean up obligation; or (4) Liens created, permitted or suffered by any landlord or other superior lessor with respect to any Leased Real Property.

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

"Pre-Closing Tax Period" means (1) any Tax period ending at or before the end of the Closing Date; and (2) with respect to a Straddle Period, the portion of such period ending at the end of the Closing Date.

"Reference Rate" means the rate per annum equal to the "Prime Rate" as published in The Wall Street Journal, Eastern Edition.

"Related Party" means, with respect to any Person (i) any Person who, directly or indirectly, owns more than 10% of the capital stock, partnership interests, membership interests or other equity interests of such other Person or (ii) any Person 10% or more of the capital stock, partnership interests, membership interests or other equity interests of which are held by such other Person. Notwithstanding the foregoing, for purposes of this Agreement, none of the Company, any Subsidiary or ADS shall be considered a Related Party of Seller or Parent.

"Required Consent" means, for any Retail Lease, all consents, approvals, waivers, authorizations and notices or other conditions that are required to be obtained from or given to any Person, including any Party in Interest, or otherwise satisfied under the terms of such Retail Lease in connection with the

consummation of the transactions contemplated by the Transaction Documents as they relate to such Retail Lease.

"Retail Lease" means any Lease listed on Schedule 3.14 of the Disclosure Schedule, other than any Lease for a property that is not for a retail store.

"Retained Litigation Liabilities" means all liabilities (including reasonable expenses and reasonable attorneys' fees and expenses) arising from any action, suit, charge, complaint, proceeding, order, investigation or claim (whether now existing or hereinafter brought), or any settlement, conciliation or similar agreement, with respect to or in connection with (i) Doe I, et al. v. The Gap, Inc., et al. (the United States District Court, D.N.M.I.) (99-00717), (ii) Union of Needletrade Industrial and Textile Employees (Unite), et al. v. The Gap, Inc., et al., (Superior Court of California, County of San Francisco) (300474), (iii) Express, LLC et al v. National Processing Company, Inc. et al. (Court of Common Pleas, Franklin County, Ohio) (02CVH111279); (iv) any allegation or finding that California store managers of the Company are not exempt from receiving overtime under California wage and hour laws as of or before the Closing Date; (v) any liability relating to employment discrimination in aggregate in excess of $50,000; (vi) Nantong Angang Garments Co. Ltd. v. Hellman International Forwarders Ltd. v. Silking Development Ltd. and Lerner Stores, Inc.) (Commercial Action No. 117 of 1994); (vii) Potomac Electric Power Co. v. Lerner (Superior Court of the District of Columbia) (Civil Action CV01CA2827 and CV01CA2828); (viii) Nordlinger v. Lerner (United States District Court for District of Columbia) (02-CV-00543); (ix) Crossroads Plaza Assoc. v. Limited Stores et al including Lerner (Superior Court of the District of Columbia) (Civil Case No. 020902086); (x) Carole Oberloh's application for, employment with and termination from, Parent, Seller, the Company, and any Subsidiary, or any of their respective Affiliates; (xi) Citizens Against Unfair Treatment v. The Limited et al (Superior Court of California, County of San Diego) (GIC 772696); and (xii) Litigation against National Processing Co., Inc, and National Bank of Kentucky. Seven of Limited Brands' merchants, including Lerner New York Inc. have filed suit against the corporation. We are alleging breach of contract, conversion and indemnification against National Processing, and breach of contract conversion, violation of the Uniform Commercial Code and indemnification against National City Bank of Kentucky, all of which, as set forth in clauses (i)-(xii) above, shall be retained by Parent.

"Shares" means 100 shares of Common Stock which constitute all of the outstanding capital stock of the Company.

"Straddle Period" means any Tax period that begins on or before the Closing Date and ends after the Closing Date.

"Subsidiary" means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors

or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"Tax" means (1) any tax, governmental fee or other like assessment or charge of any kind whatsoever; including withholding on amounts paid to or by any Person, federal and state income taxes, real property gains taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, capital stock taxes, real and personal property taxes, environmental taxes, transfer taxes, severance taxes, alternative or add-on minimum taxes, and custom duties, together with any interest, penalty, addition to tax or additional amount imposed by any governmental authority (whether federal, state, local, municipal, foreign or otherwise) responsible for the imposition of any such tax (a "Taxing Authority"); (2) any liability for the payment of any amount of the type described in the immediately preceding clause (1) as a result of the Company or any Subsidiary being a member of an affiliated, consolidated, combined or similar group with any other Person at any time on or prior to the Closing Date; and (3) any liability for the payment of any amount of the type described in clause (1) or clause (2) above as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person. For the avoidance of doubt, it is confirmed that the term "Tax" does not include any escheat liabilities or similar items under state unclaimed property Laws.

"Tax Asset" means any net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or any other credit or tax attribute that could be carried forward or back to reduce income or franchise Taxes (including deductions and credits related to alternative minimum Taxes) and losses or deductions deferred by the Code or other applicable Law.

"Transaction Documents" means this Agreement and any and all other agreements and documents required to be delivered by any party hereto prior to or at the Closing pursuant to this Agreement.

Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Accounting Referee	8.02
Aggregate Lost Four Wall Profit Contribution	5.09(d)
Allocation Statement	8.02
Base Net Working Capital	2.04
Base Statement of Net Working Capital	2.03(a)
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ARTICLE 2
Purchase and Sale

Section 2.01. Purchase and Sale. (a) Upon the terms and subject to the conditions of this Agreement, Seller shall sell to Buyer and Buyer shall purchase from Seller, the Shares at the Closing free and clear of all Liens. The purchase price for the Shares (the "Purchase Price") is (1) $78.5 million in cash (the "Cash Payment") and (2) the Non-Cash Consideration. The Purchase Price shall be paid as provided in Section 2.02 and shall be subject to adjustment as provided in Section 2.04.

(b) "Non-Cash Consideration" means (1) a $75 million 10% Subordinated Note of Buyer, the form of which is attached as Exhibit A, and (2) a warrant for 15% of the common stock of the Buyer (subject to dilution for

issuance of common stock pursuant to equity incentive plans and issuance of warrants, if any, in connection with the senior subordinated debt facility to be entered into on the Closing Date, to the extent set forth on Appendix 2.01) with a strike price equal to Buyer's per share purchase price for the common stock at Closing, the form of which is attached as Exhibit B.

Section 2.02. Closing. The closing (the "Closing") of the purchase and sale of the Shares hereunder shall take place at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York, as soon as possible, but in no event later than two Business Days, after satisfaction (or, to the extent permitted under Law, waiver) of the conditions set forth in Article 10, or at such other time or place as Buyer and Parent may agree. Except as expressly provided herein, for purposes of this Agreement, including the calculations set forth in Section 2.03, the Closing shall be deemed to occur at the opening of business on the Closing Date. At the Closing:

(a) Buyer shall deliver to Seller the Cash Payment in immediately available funds by wire transfer to an account or accounts designated by Parent, by written notice to Buyer which notice shall be delivered not later than two Business Days prior to the Closing Date (or if not so designated, then by certified or official bank check payable in immediately available funds to the order of Seller in such amount).

(b) Buyer shall deliver to Seller the Non-Cash Consideration.

(c) Seller shall deliver to Buyer certificates for the Shares duly endorsed or accompanied by stock powers duly endorsed in blank, with any required transfer stamps affixed thereto.

Section 2.03. Closing Net Working Capital. As promptly as practicable, but no later than 60 days, after the Closing Date Buyer will cause to be prepared and delivered to Parent: (i) the statement of Closing Net Working Capital (the "Closing Statement of Net Working Capital"); (ii) the statement (the "Closing Statement of Indebtedness") of Indebtedness of the Company as of the Closing ("Closing Date Indebtedness"); (iii) the statement (the "Closing Statement of Cash") of Company Cash as of the Closing ("Closing Date Cash"); (iv) the statement (the "Closing Statement of Excess Deferred Compensation") of all deferred compensation payable to current and former employees of the Company as of the Closing in excess of $6.0 million (the "Closing Excess DC Amount"); and (v) the statement (the "Closing Statement of IBNR Accrual") of IBNR Accrual as of the Closing (the "Closing IBNR Accrual") (collectively, the "Closing Statement"). The Closing Statement of Net Working Capital will be accompanied by a certificate of the Chief Operating Officer of the Company specifying that the Closing Statement of Net Working Capital was prepared in accordance with the provisions of this Section 2.03(a) and Appendix 2.03(a) and Buyer shall deliver back-up detail and data for the Closing Statement of Net Working Capital equivalent to the back-up detail and data

provided in Company "black books" prior to the Closing Date. Prior to January 1, 2003, Parent will provide Buyer with the information necessary to determine all "top side" adjustments to be reflected in the Closing Statement of Net Working Capital. Such information shall be in form and level of detail consistent with the supporting documentation of the Financial Statements presented to Buyer by Parent. The Closing Statement of Net Working Capital shall include only those categories of assets and liabilities and line items included in, and be in a form consistent with, the Base Statement of Net Working Capital set forth in Appendix 2.03(a) (the "Base Statement of Net Working Capital"). "Closing Net Working Capital" means the net working capital of the Company and the Subsidiaries as shown on the Closing Statement of Net Working Capital, determined as set forth in this Section 2.03(a) and Appendix 2.03(a), with such exceptions and clarifications as are specified in Appendix 2.03(a). The determination of the Closing Net Working Capital shall be made by applying the principles, policies and practices used in connection with the preparation of the Base Statement of Net Working Capital with the exceptions and clarifications set forth in the explanatory notes in Appendix 2.03(a). The Closing Statement of Indebtedness will be accompanied by a certificate of the Chief Operating Officer of the Company specifying that the Closing Statement of Indebtedness accurately sets forth the amount of Closing Date Indebtedness. The Closing Statement of Cash will be accompanied by a certificate of the Chief Operating Officer of the Company specifying that the Closing Statement of Cash accurately sets forth the amount of Closing Date Cash. The Closing Statement of Excess Deferred Compensation will be accompanied by a certificate of the Chief Operating Officer of the Company specifying that the Closing Statement of Excess Deferred Compensation accurately sets forth the Closing Excess DC Amount. The Closing Statement of IBNR Accrual will be accompanied by a certificate of the Chief Operating Officer of the Company specifying that the Closing Statement of IBNR Accrual accurately sets forth the amount of Closing IBNR Accrual.

(b) If Parent disagrees with Buyer's calculation of any of Closing Net Working Capital, Closing Date Indebtedness, Closing Date Cash, Closing Excess DC Amount or Closing IBNR Accrual delivered pursuant to Section 2.03(a), Parent may, within 20 days after delivery of the certificate referred to in Section 2.03(a), deliver a notice to Buyer disagreeing with any such calculation and setting forth Parent's calculation of such amount. Any such notice of disagreement shall specify in reasonable detail those items or amounts as to which Parent disagrees and shall specify Parent's proposed adjustment(s) to the Closing Statement, and Parent shall be deemed to have agreed with all other items and amounts contained in the Closing Statement of Net Working Capital, the Closing Statement of Indebtedness, the Closing Statement of Cash, the Closing Statement of Excess Deferred Compensation and the Closing Statement of IBNR Accrual delivered pursuant to Section 2.03(a). If Parent shall fail to give Buyer such notice of disagreement within such 20 day period, Parent shall be deemed to have agreed with Buyer as to the Closing Statement.

(c) If any notice of disagreement shall be duly and timely delivered pursuant to Section 2.03(b), Buyer and Parent shall, during the 30 days following such delivery, use their reasonable best efforts to reach agreement on the disputed items or amounts on the Closing Statement. If, during such 30 day period, Buyer and Parent are unable to reach agreement with respect to any such disagreement(s), they shall within five days of the end of such period cause KPMG in an office mutually selected by Buyer and Parent (provided that such office shall neither be located in Columbus, Ohio, Indianapolis, Indiana or New York, New York nor shall such office have a material relationship with Buyer, Parent or any of their respective Affiliates), promptly to commence a review of this Agreement and the disputed items or amounts for the purpose of calculating Closing Net Working Capital, Closing Date Indebtedness, Closing Date Cash, Closing Excess DC Amount and/or Closing IBNR Accrual, as the case may be, in accordance with the provisions of Section 2.03(a). In making any such calculation, KPMG shall consider only those items or amounts in the Closing Statement of Net Working Capital, the Closing Statement of Indebtedness, the Closing Statement of Cash, the Closing Statement of Excess Deferred Compensation and/or the Closing Statement of IBNR Accrual, as the case may be, as to which Parent has disagreed, as follows:

(i) to the extent there are any disputed items or amounts of Closing Net Working Capital, KPMG's determination of Closing Net Working Capital shall not be less than the amount thereof shown in Buyer's calculations delivered pursuant to Section 2.03(a) or more than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(b);

(ii) to the extent there are any disputed items or amounts of Closing Date Indebtedness, KPMG's determination shall not be more than the amount thereof shown in Buyer's calculations delivered pursuant to Section 2.03(a) or less than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(b);

(iii) to the extent there are any disputed items or amounts of Closing Date Cash, KPMG's determination shall not be less than the amount thereof shown in Buyer's calculations delivered pursuant to Section 2.03(a) or more than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(b);

(iv) to the extent there are any disputed items or amounts of Closing IBNR Accrual, KPMG's determination shall not be less than the amount thereof shown in Buyer's calculations delivered pursuant to Section 2.03(a) or more than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(a) or more than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(b); and

(v) to the extent that there are disputed items or amounts of Closing Excess DC Amount, KPMG's determination shall not be more than the amount thereof shown in Buyer's calculations delivered pursuant to

Section 2.03(a) or less than the amount thereof shown in Parent's calculation delivered pursuant to Section 2.03(b).

KPMG shall deliver to Buyer and Parent, as promptly as practicable, but in any event, within 30 days after KPMG has commenced any such review, a report setting forth such calculation. Any such report shall be final and binding upon the parties hereto. The Closing Net Working Capital set forth in the Closing Statement of Net Working Capital, the Closing Date Indebtedness set forth in the Closing Statement of Indebtedness, the Closing Date Cash set forth in the Closing Statement of Cash, the Closing Excess DC Amount set forth in the Closing Statement of Excess Deferred Compensation, and the Closing IBNR Accrual set forth on the Closing Statement of IBNR Accrual, in each case, either as agreed to by Parent and Buyer if such statement is not referred to KPMG or as finally determined by KPMG, shall be the "Final Closing Net Working Capital", the "Final Closing Date Indebtedness", the "Final Closing Date Cash", the "Final Closing Excess DC Amount" and the "Final Closing IBNR", respectively.

(d) The cost of any such KPMG review and report shall be borne by the party whose position with respect to the calculation in Section 2.03(a) bears the greatest difference to the final position of KPMG.

(e) Buyer and Parent agree that they will, and agree to cause their respective independent accountants and the Company and each Subsidiary to, cooperate and assist in the preparation of the Closing Statement of Net Working Capital, the Closing Statement of Indebtedness, the Closing Statement of Cash, the Closing Statement of Excess Deferred Compensation and the Closing Statement of IBNR Accrual and the calculation of the Closing Net Working Capital and in the conduct of the reviews and determinations identified by Section 2.03(c), including the making available to the extent necessary of books, records, work papers and personnel.

Section 2.04. Adjustment To Purchase Price. The Purchase Price shall be: (1)(x) reduced by the amount, if any by which the Base Net Working Capital exceeds the Final Closing Net Working Capital or (y) increased by the amount, if any by which Final Closing Net Working Capital exceeds the Base Net Working Capital; (2) reduced by the amount, if any, of Final Closing Date Indebtedness; (3) increased by the amount of Final Closing Date Cash; (4) reduced by the amount of Final Closing Excess DC Amount; and (5) increased by the amount of the Final Closing IBNR. "Base Net Working Capital" means $57.1 million.

(b) Any payment made pursuant to Section 2.04(a) shall be made in cash within five days after such calculation has been determined either by delivery by Parent to the Company, in the case of a reduction to the Purchase Price, or by Buyer to Parent, in the case of an increase in the Purchase Price, in immediately available funds by wire transfer to an account of the other party or by causing such payment to be credited to such account of such other party as may

be designated by such other party. Any amount payable shall bear interest from and including the Closing Date to but excluding the actual date of payment at the Reference Rate. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of 365 days and the actual number of days elapsed.

Section 2.05. Additional Understanding. It is understood that the establishment of $57.1 million as the amount of Base Net Working Capital (i) was a negotiated result to establish the base from which any adjustment to the Purchase Price is to be calculated, (ii) differs from the amount that would be calculated simply by adding the amounts shown on the Base Statement of Net Working Capital included in Appendix 2.03(a) and, therefore, (iii) will not influence or affect in any respect the calculation of Closing Net Working Capital.

ARTICLE 3
Representations and Warranties of Parent and Seller

Parent and Seller represent and warrant to Buyer, as of the date hereof and as of the Closing, that, except as set forth in the Disclosure Schedule, which shall be organized pursuant to the specific sections of this Agreement to which such disclosure applies:

Section 3.01. Corporate Existence and Power. Each of Parent, Seller and the Company is a corporation duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation. The Company has all necessary corporate power and authority and all material Permits required to carry on its business as now conducted, to own and lease the assets which it owns and leases and to perform all of its obligations under each agreement to which it is a party or by which it is bound. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction identified in Section 3.01 of the Disclosure Schedule, which includes each jurisdiction in which its ownership or leasing of assets or properties or the nature of its activities requires such qualification, except for those jurisdictions where the failure to be so qualified, individually or in the aggregate, has not had, or would not be reasonably likely to have, a Material Adverse Effect.

Section 3.02. Corporate Authorization. The execution, delivery and performance by each of Parent and Seller of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby are within the corporate powers and authority of each of Parent and Seller and have been duly authorized by all necessary corporate action on the part of Parent and Seller. To the extent a party thereto, each of the Transaction Documents constitutes the valid and binding obligation of Parent and Seller, as applicable, and is enforceable against each of Parent and Seller, as applicable, in accordance with its respective terms, (1) except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the

effect of statutory and other Laws concerning fraudulent conveyances and preferential transfers, and (2) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in proceeding at Law or in equity).

Section 3.03. Governmental Authorization. To the extent a party thereto, the execution, delivery and performance by Parent and Seller, as applicable, of each of the Transaction Documents and the consummation of the transactions contemplated thereby require no material action, consent or approval by or in respect of, material filing with or material notice to, any governmental body, agency or official other than: (1) compliance with any applicable requirements of the HSR Act; and (2) compliance with any applicable requirements of the 1933 Act and the 1934 Act and state securities Laws.

Section 3.04. Noncontravention. The execution, delivery and performance by Parent and Seller, as applicable, of any of the Transaction Documents to which it is a party, and the consummation of the transactions contemplated thereby do not and will not (1) violate or conflict with the certificate of incorporation or bylaws (or other organizational documents) of Parent or Seller, or the Company or any Subsidiary, (2) subject to the matters referred to in Section 3.03, contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to Parent or Seller, or the Company or any Subsidiary, (3) with or without the giving of notice or the lapse of time, or both, constitute a default under or give rise to any right of termination, foreclosure, cancellation modification, payment, or acceleration of any right or obligation of Parent or Seller, or the Company or any Subsidiary, or to a loss of any benefit to which Parent or Seller, or the Company or any Subsidiary is entitled, under any provision of any material agreement, contract or other instrument to which Parent or Seller, or the Company or any Subsidiary, is a party or by which any of them or their respective properties or assets is bound, or give to others any rights (including rights of termination, foreclosure, cancellation, modification, payment or acceleration) in or with respect to the Company, any Subsidiary or any of their respective properties or assets except for any such default, termination, cancellation, acceleration or loss that would not be material, or (4) result in, require or permit the creation or imposition of any Lien (other than Permitted Liens and Exceptions) upon or with respect to the Company, any Subsidiary, any of their respective properties or assets or the Shares; provided, however, the provisions of this Section 3.04 shall not be applicable to Required Consents for Retail Leases, for which the provisions of Section 5.09 shall apply.

Section 3.05. Capitalization. (a) The authorized capital stock of the Company consists of 100 shares of Common Stock, of which 100 shares are issued and outstanding.

(b) The Shares have been duly authorized and validly issued and are fully paid and non-assessable, and have been issued in compliance with all applicable Laws. Except for the Shares, there are no (1) outstanding shares of

capital stock or voting securities of the Company, (2) securities of the Company convertible into or exchangeable for shares of capital stock or other voting securities of the Company, (3) options, warrants or other rights to acquire from the Company, or other obligations of the Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company, or (4) stock appreciation rights, profit participation or similar rights or securities of the Company (the items in clauses (1), (2), (3) and (4) being referred to collectively as the "Company Securities"). There are no outstanding obligations of Parent, Seller, the Company, any Subsidiary or any other Person to repurchase, redeem or otherwise acquire any Company Securities. Except for this Agreement, there are no agreements or other instruments relating to the issuance, voting, sale or transfer of the Shares or any Company Securities.

Section 3.06. Ownership and Transfer of Shares. Seller is a wholly-owned subsidiary of Parent. Seller is the record and beneficial owner of the Shares, free and clear of any Lien. Subject to the matters referred to in Section 3.03, Seller has the right, authority and power to sell the Shares to Buyer free and clear of any Lien. Upon delivery to Buyer of the certificate for the Shares at the Closing, Buyer will acquire good, valid and marketable title to the Shares, free and clear of any Lien, other than as a result of any action by Buyer or any of its Affiliates.

Section 3.07. Subsidiaries. (a) The Company has five Subsidiaries. The name and jurisdiction of incorporation or organization, as the case may be, of each Subsidiary is identified in Section 3.07 of the Disclosure Schedule. Each Subsidiary is a corporation or a limited liability company, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as the case may be. Each Subsidiary has all corporate or limited liability company powers, and all material Permits required to carry on its business as now conducted, to own and lease the assets which it owns and leases and to perform all of its obligations under each agreement to which it is a party or by which it is bound. Each Subsidiary is duly qualified to do business as a foreign corporation or limited liability company, as the case may be, and is in good standing in each jurisdiction identified in Section 3.07 of the Disclosure Schedule, which includes each jurisdiction in which its ownership or leasing of assets or properties or the nature of its activities requires such qualification, except for those jurisdictions where the failure to be so qualified, individually or in the aggregate, has not had, or would not be reasonably likely to have, a Material Adverse Effect.

(b) All of the outstanding capital stock and limited liability company ownership interests of each Subsidiary, and the record and beneficial owners thereof, is set forth in Section 3.07 of the Disclosure Schedule. All of the issued and outstanding shares of capital stock or limited liability company ownership interests, as the case may be, of each Subsidiary have been duly authorized and are validly issued and fully paid and non-assessable, and have been issued in

compliance with all applicable Laws. Except for the outstanding shares of capital stock or ownership interests, as the case may be, of each Subsidiary identified in Section 3.07 of the Disclosure Schedule, there are no (1) outstanding shares of capital stock or other voting securities or ownership interests of any Subsidiary, (2) securities of the Company or any Subsidiary convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests of any Subsidiary, (3) options, warrants or other rights to acquire from the Company or any Subsidiary, or other obligation of the Company or any Subsidiary to issue, any capital stock, voting securities, ownership interests or securities convertible into or exchangeable for capital stock or voting securities or ownership interests of any Subsidiary or (4) stock appreciation rights, profit participation or similar rights or securities of any Subsidiary (the items in clauses (1), (2), (3) and (4) being referred to collectively as the "Subsidiary Securities"). There are no outstanding obligations of the Company or any Subsidiary or any other Person to repurchase, redeem or otherwise acquire any Subsidiary Securities. There are no agreements or other instruments relating to the issuance, voting, sale or transfer of any Subsidiary Securities. All of the issued and outstanding shares of capital stock or ownership interests, as the case may be, of each Subsidiary, are owned free and clear of any Lien.

(c) None of the Company or any Subsidiary directly or indirectly owns, controls or has any investment or other interest in any corporation, partnership, joint venture, business trust or other Person (or has any obligation or express contractual right to acquire any such investment or other interest) and neither the Company nor any Subsidiary has agreed, contingently or otherwise, (1) to share any of its profits with any Person, (2) other than in ordinary course commercial transactions, to share any losses, costs or liabilities of any Person or (3) to guarantee the obligations of any Person other than the Company or any Subsidiary.

Section 3.08. Financial Statements. (a) The Financial Statements are attached hereto as Appendix 3.08 and fairly present in all material respects the consolidated financial condition, cash flows and results of operations of the Company and the Subsidiaries as at the respective dates thereof and for the periods therein referred to, all in accordance with GAAP as consistently applied by the Company, except to the extent that the Financial Statements do not reflect (i) federal and state income taxes (including provision for income taxes, income taxes payable and deferred income taxes), (ii) liabilities associated with leases for locations where the Company no longer operates a store, (iii) liabilities associated with the California overtime and vacation legal matters through the anticipated closing date, (iv) the liability associated with the Company's defined benefit plan for union employees, (v) liabilities associated with lifetime annuity payments to former Lerner employees per Section 9.05(d), (vi) liabilities associated with the Jacksonville Pension Plan, and (vii) liabilities associated with Retained Litigation Liabilities.

(b) The Company and the Subsidiaries taken as a whole maintain internal accounting controls which, in the Company's reasonable judgment, provide reasonable assurance that (1) transactions are executed in accordance with management's authorization, and (2) transactions are recorded as necessary to permit preparation of reliable financial statements and to maintain accountability for earnings and assets.

(c) The accounting principles, polices and practices, adjustments and clarifications set forth on Appendix 2.03(a) are consistent with those used in the preparation of the Balance Sheet, and the accounting principles, described in the definition of IBNR Accrual are consistent with the methodology used to determine the $1.669 million in the line item for Insurance-Medical on the Balance Sheet.

Section 3.09. Inventory. Subject to any reserve therefor included in the Balance Sheet, at the Balance Sheet Date, all inventories of the Company and Subsidiaries (including inventory ordered but not yet received) consisted of items of a quality usable or saleable in the normal course of the business of the Company consistent with past practices and were in quantities sufficient for the normal operation of the business of the Company in accordance with past practices. The values at which inventories are shown on the Balance Sheet have been determined in accordance with the customary valuation policy of the Company (which is the lower of average cost, vendor specific cost or market) and in accordance with GAAP, as consistently applied by the Company. Since the Balance Sheet Date, the Company has continued to replenish its inventory and to dispose of out-of-season and slow-moving inventory in a normal and customary manner consistent with past practices prevailing in the business of the Company.

Section 3.10. Absence of Certain Changes. Except as contemplated by any of the Transaction Documents, since the Balance Sheet Date, the business of the Company and Subsidiaries has been conducted in the ordinary course consistent with past practices and there has not been:

(i) any event, occurrence or development which has had, or would be reasonably likely to have, a Material Adverse Effect, except for any such effect resulting from or arising in connection with (1) this Agreement or the transactions contemplated hereby, (2) changes or conditions in either the women's apparel sector or retail sector generally or (3) changes in economic, market regulatory or political conditions generally;

(ii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company or by any Subsidiary to any Person other than a Subsidiary or the Company, or any repurchase, redemption or other acquisition by the Company or any Subsidiary of any outstanding shares of capital stock or other securities of the Company, any Subsidiary or any other entity;

(iii) any amendment of the charter, bylaws, other constitutive documents or any outstanding security of the Company or any Subsidiary;

(iv) any incurrence, assumption or guarantee by the Company or any Subsidiary of any indebtedness for borrowed money other than in the ordinary course of business consistent with past practice and less than $25,000 in the aggregate;

(v) any making of any loan, advance or capital contributions to or investment in any Person by the Company or any Subsidiary other than loans, advances or capital contributions to a Subsidiary or investments made in a Subsidiary in the ordinary course of business consistent with past practice and less than $100,000 in the aggregate and other than travel, relocation and similar advances to employees in the ordinary course of business and in an amount less than $25,000 for any employee and less than $100,000 in the aggregate;

(vi) any change in any method of accounting or accounting practice by the Company or any Subsidiary (except for any such change required by reason of a concurrent change in GAAP);

(vii) any (1) employment, deferred compensation, severance, retirement or other similar agreement entered into between the Company or any Subsidiary on the one hand, and any director, officer or employee of the Company or any Subsidiary (or any amendment to any such existing agreement) on the other, (2) grant of any severance or termination pay to any director, officer or employee of the Company or any Subsidiary for which the Company or any Subsidiary is liable, or (3) any change (other than in connection with hiring or firing directors, officers or employees) in compensation or other benefits payable by the Company or any Subsidiary to any director, officer or employee of the Company or any Subsidiary other than, with respect to employees receiving annual cash or other compensation less than $100,000, for any changes in the ordinary course of business;

(viii) any agreement, license, contract or commitment pursuant to which any trade secret, confidential or other proprietary information, or any customer information of the Company or any Subsidiary may be transferred, disclosed to or used by any third party outside the ordinary course of business;

(ix) any adoption of or change in any Employee Plan or Benefit Arrangement maintained by the Company or any Subsidiary or any compensation or labor policy;

(x) any sale (other than sales of inventory in the ordinary course of business), assignment, conveyance, license, lease or other

disposition of any material asset or property (including any material Company Intellectual Property) of the Company or any Subsidiary or imposition of any Lien (other than Permitted Liens and Exceptions) on any material asset or property (including any material Company Intellectual Property) of the Company or any Subsidiary;

(xi) any delay or postponement of the payment of accounts payable and other liabilities outside the ordinary course of business;

(xii) any cancellation, compromise, waiver or release of any right or claim (or series of related rights and claims) either involving more than $25,000 or outside the ordinary course of business;

(xiii) any write-down or write-off of the value of any material asset except for write-downs or write-offs of accounts receivable and inventory in the ordinary course of business consistent with past practice;

(xiv) any other material transaction or commitment made, or any material contract or agreement entered into, by the Company or any Subsidiary relating to its assets or business, other than transactions and commitments in the ordinary course of business and those contemplated by any of the Transaction Documents;

(xv) any entry into, material amendment, termination or receipt of notice of termination of any Lease of Real Property or any other agreement or commitment required to be disclosed on Section 3.14 of the Disclosure Schedule;

(xvi) any agreement, whether or not in writing, to do any of the foregoing by the Company or any Subsidiary; or

(xvii) any election, change in accounting period, adoption or change of accounting method, filing of any amended Return, settlement of any Tax claim or assessment relating to the Company or any Subsidiary, extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company or any Subsidiary or any other similar action, if such election, change, adoption, filing, settlement, extension, waiver or other action would have the effect of materially increasing the Tax liability of the Company or any Subsidiary for any period ending after the Closing Date.

Section 3.11. Material Contracts. (a) Except as contemplated by any of the Transaction Documents, none of the Company nor any Subsidiary has or is bound by:

(i) any agreement, indenture or other instrument relating to Indebtedness in excess of $150,000 (other than any such agreement with Parent or any of its Affiliates), other than in connection with the issuance

of letters of credit in the ordinary course of business; provided that for purposes of this Section 3.11 the term "Indebtedness" shall be deemed to refer only to clauses (i) - (iv) of the definition thereof;

(ii) any agreement, contract or commitment, or group of related agreements, contracts or commitments, relating to a single capital expenditure of greater than $150,000;

(iii) any loan or advance to, or investment in, any Person or any agreement, contract or commitment relating to the making of any such loan, advance or investment, other than travel, relocation and similar advances to employees in the ordinary course of business and in an amount less than $25,000 for any employee;

(iv) any guarantee or other contingent liability in respect of any indebtedness or obligations of any Person (other than in connection with relocation of employees in the ordinary course of business and in an amount less than $25,000 for any employee or the endorsement of negotiable instruments for collection in the ordinary course of business);

(v) any collective bargaining agreement;

(vi) any management service, sales agency, sales representative, distributorship or any other similar type contract, except for any such agreements with Parent or any of its Affiliates;

(vii) any agreement relating to the licensing of Intellectual Property by the Company or any Subsidiary to a third party, or by a third party to the Company or any Subsidiary (except for any licenses related to commercially available off-the-shelf software of a value less than $25,000 per annum) and any other agreement affecting the Company's or any Subsidiary's ability to use or disclose any Intellectual Property;

(viii) any contract, agreement or commitment to which the Company or any Subsidiary is a party or is otherwise bound (other than customary "percentage rent" provisions contained in Leases for Real Property) providing for payments to or by any person or entity based on sales, purchases or profits, other than direct payments for goods;

(ix) any agreement, contract or commitment limiting the freedom of the Company or any Subsidiary to engage in any line of business or to compete with any Person except for customary exclusives and restrictions as may be contained in leases or other occupancy contracts that relate to a certain shopping center and not the business generally;

(x) any contract for the purchase of assets or services (other than employment arrangements and inventory) in an amount exceeding $100,000;

(xi) any power of attorney;

(xii) any settlement of any dispute, grievance or litigation, or any labor conciliation or similar agreement which, in either case, is for an amount in excess of $25,000 or which results in any performance or non-performance obligation on the part of the Company or any Subsidiary; or

(xiii) any other material contract, agreement or commitment, to which the Company or any Subsidiary is a party or by which any of them or their assets are otherwise bound which is entered into outside the ordinary course of business of a type that is not referred to in any of the other clauses of this Section 3.11.

Parent has furnished or made available to Buyer accurate and complete copies of each agreement, license, lease, plan or other document required to be disclosed in Section 3.11 of the Disclosure Schedule, including any amendment or modification thereto, or any waiver pertaining to any provision thereof (each a "Material Contract").

(b) Each Material Contract to which the Company or any Subsidiary is a party or by which they or their assets are bound (including each agreement or contract required to be disclosed pursuant to this Agreement), was made in the ordinary course of business, is in full force and effect, constitutes the valid and binding obligation of the Company and Subsidiaries, as applicable, and is enforceable against each of the Company and Subsidiaries, as applicable, in accordance with its respective terms, (1) except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws concerning fraudulent conveyances and preferential transfers, and (2) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in proceeding at Law or in equity). To the Knowledge of Parent and Seller, there exists no default or event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default thereunder which has had, or would be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect. Neither the Company nor any Subsidiary is now in violation of any of the terms or conditions of any Material Contract to which it is a party, and to the Knowledge of Parent and Seller, all of the covenants to be performed by any other party thereto have been performed in all material respects. No approval, consent of or notice to any Person is necessary for all of the Material Contracts to continue in effect following the consummation of the transactions contemplated by this Agreement.

Section 3.12. Certain Related Party Agreements. Except as set forth in Section 3.12 of the Disclosure Schedule, there are no agreements, contracts, commitments or other arrangements by and between Parent, Seller, their

respective Affiliates and Related Parties, or any officer, director and employee of Parent, Seller or their respective Affiliates, on the one hand, and the Company or any Subsidiary, on the other hand, including any tax-sharing agreements or other agreements pursuant to which Parent, Seller, such Affiliate or any officer, director or employee of Parent, Seller or any Affiliate or Related Party thereof provides or receives any payments, information, assets, properties, support or other services to or from the Company or any Subsidiary (including accounting, tax, data processing, information technology and legal services) (collectively, "Related Party Agreements").

Section 3.13. Litigation. There is no claim, legal action, suit, arbitration, investigation or proceeding pending against or, to the Knowledge of Parent and Seller, threatened against or affecting the Company or any Subsidiary or any of their respective properties or, to the extent relating to the Company or any Subsidiary or any of their respective properties or to the transactions contemplated by any of the Transaction Documents, Parent or its Affiliates before (or that could come before) any court or arbitrator or any governmental body, agency, official or authority where there is a reasonable possibility of a judgment adverse to the Company or any Subsidiary which would result in the Company or any Subsidiary suffering damages in excess of $25,000 or in any material injunctive or equitable relief. As of the date hereof, there is no claim, legal action, suit, arbitration, investigation or proceeding pending against or, to the Knowledge of Parent and Seller, threatened against or affecting the Company or any Subsidiary, Parent, Seller or any of their Affiliates, before any court or arbitrator or any governmental body, agency, official or authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by any of the Transaction Documents. To the Knowledge of Parent and Seller, there are no facts which could reasonably serve as a basis for any claim, action, suit, investigation or proceeding which could be reasonably likely to cause a Material Adverse Effect, or which could in any manner challenge or seek to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement. There are no material unsatisfied judgments, penalties or awards against or affecting the Company or any Subsidiary or any of their businesses, properties or assets.

Section 3.14. Properties. (a) Section 3.14(a) of the Disclosure Schedule correctly describes by common address all real property owned by the Company or any Subsidiary (the "Owned Real Property"). The Company or a Subsidiary has good and marketable title to each parcel of Owned Real Property free and clear of Liens, except Permitted Liens and Exceptions, and there are no leases, subleases or licenses affecting the Owned Real Property, nor any outstanding options to purchase the Owned Real Property.

(b) Section 3.14(b) of the Disclosure Schedule contains (i) an accurate and complete list and summary description of all leases, subleases, licenses, concessions and other agreements, (the "Leased Real Property", and collectively with the Owned Real Property, the "Real Property"), pursuant to which the

Company or a Subsidiary holds a leasehold or subleasehold estate in, or is granted the right to use or occupy, any land, buildings, improvements, fixtures or other interest in real property, including all amendments and modifications thereto (the "Leases"), which Leases have been made available to Buyer. In addition, (ii) an accurate and compete list of each Lease which by its terms expires on or before February 28, 2003 is separately identified on Disclosure Schedule 3.14(b), and (iii) an accurate and complete list of each Lease which relates to stores that are shared by (A) the Company or any Subsidiary and (B) Parent, its Affiliates or any other party which is not an Affiliate of the Company or a Subsidiary (the "Shared Stores") is separately identified on Disclosure Schedule 3.14(b). Each Lease set forth in Section 3.14(b) of the Disclosure Schedule (or required to be set forth in Section 3.14(b) of the Disclosure Schedule) is valid, binding, enforceable and in full force and effect; except for Required Consents (for which the provisions of Section 5.09 shall control) there exists no default or event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under such Lease by tenant or, to the Knowledge of Parent and Seller, the landlord; no security deposit or portion thereof deposited with respect any Lease has been applied in respect of a breach or default under such Lease which has not be redeposited in full; and except as otherwise contemplated by the Transaction Documents neither the Company or any Subsidiary has assigned, subleased, mortgaged, deeded in trust or otherwise transferred or encumbered any Lease or any interest therein.

(c) With respect to all Real Property, the Company and the Subsidiaries have legal and adequate rights of ingress and egress for operation of the business of the Company in the ordinary course and consistent in all material respects with past practice and with the Company's business plans as in effect on the date hereof, except for rights, the failure of the Company and the Subsidiaries to have, has not had, or would not be reasonably likely to have a material adverse effect with respect to any single parcel or property comprising the Real Property. Except as would not be reasonably likely to have a material adverse effect with respect to any single parcel or property comprising the Real Property, no condemnation proceeding or other litigation is pending or, to the Knowledge of Parent and Seller, threatened which would preclude or impair the use of any such Real Property by the Company and the Subsidiaries for the purposes for which it is currently used as of the date hereof.

(d) Except as provided in the Transaction Documents, the Real Property includes all of the real property used by the Company or any Subsidiary in the operation of its business.

(e) To the Knowledge of Parent and Seller, all buildings, fixtures, structures and other improvements and all components thereof included within the Real Property are in good condition and repair (ordinary wear and tear excepted and taking into account the age of the Real Property) (and except for repairs being undertaken (or to be undertaken in accordance with an ordinary maintenance

program) in the ordinary course of business by the Company and the Subsidiaries (either directly or through Parent and its Affiliates) or the relevant landlord) and sufficient for the continued operation of the business of the Company or any Subsidiary.

Section 3.15. Licenses and Permits. The Company and the Subsidiaries have all Permits necessary for the operation of their business as such business is operated on the date hereof. Section 3.15 of the Disclosure Schedule describes generally all material Permits necessary for the occupation of the Real Property of the Company and Subsidiaries in the same manner as such business and Real Property are being operated and occupied as of the date hereof. Neither the Company nor any Subsidiary is in default in any material respect or material noncompliance under any of such Permits.

Section 3.16. Environmental Matters. (a) No written or, to the Knowledge of Parent and Seller oral, notice, request for information, report, order, complaint, penalty or other information has been received by Parent or any of its Affiliates, the Company or any Subsidiary within the five years preceding the date hereof or as to matters that have not been resolved, and there are no judicial, administrative or other actions, suits or proceedings pending or, to the Knowledge of Parent and Seller, threatened which allege a violation of any Environmental Law, or material liability under Environmental Law, in each case relating to the Company or any Subsidiary or any property formerly or currently owned, leased or operated by the Company or any Subsidiary and arising out of any Environmental Law.

(b) The Company and each Subsidiary, and any property currently owned, leased or operated by the Company or any Subsidiary, have in full force and effect all material Permits necessary for their operations to comply with all applicable Environmental Laws and are, and during the last five years have been, in material compliance with the terms of such Permits and with all other applicable Environmental Laws.

(c) There has been no environmental assessment, audit, investigation, report, sampling report, remediation report, material asbestos survey or report or other related report related to the Company or any Subsidiary or any property formerly or currently owned, leased or operated by the Company or any Subsidiary which is in the possession, custody or control of Parent, the Company or any Subsidiary and which has not been delivered or made available to Buyer prior to the date hereof and listed on Section 3.16 of the Disclosure Schedule.

(d) Neither the Company nor any of the Subsidiaries, has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance regulated under Environmental Laws, including any hazardous substance, or owned or operated any property or facility (and no such property or facility, including the Real Property, is contaminated by any such substance) so as to give rise to liabilities under Environmental Laws.

(e) Neither the Company nor any of the Subsidiaries has assumed, undertaken, or otherwise become subject to, any liability of any other person or entity relating to Environmental Law.

Section 3.17. Compliance with Laws. (a) The Company and each Subsidiary are, and at all times since January 1, 2000 have been, in compliance in all material respects with all applicable Laws, and neither the Company nor any Subsidiary has any basis to expect any notice, order or other written communication from any governmental agency or instrumentality thereof alleging any actual or potential material violation of or failure to comply with any Law.

(b) Except as set forth on Section 3.17 of the Disclosure Schedule, and without in any way limiting the representations and warranties otherwise provided in Section 3.17 of this Agreement:

(i) the Company and each Subsidiary are in compliance with all applicable Customs & International Trade Laws in all material respects, and at no time since January 1, 2000 has either the Company or any Subsidiary committed any material violation of the International Trade Laws and Regulations;

(ii) the Company and each Subsidiary are not subject to any civil or criminal investigation, litigation, audit, compliance assessment, penalty proceeding or assessment, liquidated damages proceeding or claim, forfeiture or forfeiture action, claim for additional customs duties or fees, denial order, suspension of export privileges, governmental sanction, or any other action, proceeding or claim by a governmental agency (domestic or foreign) involving or otherwise relating to any alleged or actual violation of the Customs & International Trade Laws or relating to any alleged or actual underpayment of customs duties, fees, taxes or other amounts owed pursuant to the Customs & International Trade Laws where there is a reasonable possibility of adverse financial consequence to the Company or any Subsidiary in excess of $25,000 or injunctive or equitable relief, and the Company and each Subsidiary have paid all customs duties and fees and brokerage fees owed for merchandise imported by them or imported on their behalf into the United States; and

(iii) the Company and each Subsidiary have not made or provided any material false statement or omission to any government agency (domestic or foreign) or to any purchaser of products, in connection with the importation of merchandise, the valuation or classification of imported merchandise, the duty treatment of imported merchandise, the eligibility of imported merchandise for favorable duty rates or other special treatment, country-of-origin marking, NAFTA Certificates, marking requirements for apparel, other statements or certificates concerning origin, quota or visa rights, export licenses or other export authorizations, licenses or other approvals required by a foreign

government or agency, or any other requirement relating to the Customs & International Trade Laws.

Section 3.18. Intellectual Property. Section 3.18 of the Disclosure Schedule sets forth an accurate and complete list of all (1) registered trademarks and service marks, registrations, and applications for registration thereof (the "Scheduled Marks"), (2) internet domain name registrations and related applications (the "Domain Names"), (3) registered copyrights and related applications (the "Copyrights"), and (4) patents and patent applications ("Patents"), owned or used exclusively in connection with the business of the Company and the Subsidiaries. The Company and the Subsidiaries (i) own, free and clear of all Liens (other than Permitted Liens and Exceptions), all right, title and interest in and to all of the Scheduled Marks, Domain Names, Copyrights and Patents set forth on Section 3.18 of the Disclosure Schedule, and (ii) together with the rights granted to the Company and the Subsidiaries under the Services Agreement, own free and clear of all Liens (other than Permitted Liens and Exceptions), all right, title and interest in and to, or have a valid and enforceable license to use, all other Intellectual Property (including unregistered trademarks, service marks, logos and slogans) necessary for the operation of the Company's and the Subsidiaries' business as currently conducted (collectively, and together with other Intellectual Property owned or used by the Company or any of the Subsidiaries, "Company Intellectual Property"). Each applied for or registered Scheduled Mark, Copyright, Domain Name and Patent listed on Section 3.18 of the Disclosure Schedule is in the name of the Company or one of the Subsidiaries, as indicated on Section 3.18 of the Disclosure Schedule, on the principal register of the United States Patent and Trademark Office or the United States Copyright Office or any other applicable agency or other governmental body in the United States or any of the foreign countries indicated on Section 3.18 of the Disclosure Schedule. Except as set forth on Section 3.18 of the Disclosure Schedule, as of the date hereof, to the Knowledge of Parent and Seller, there is no infringement or misappropriation of, or other conflict with, any Company Intellectual Property by any other Person. To the Knowledge of Parent and Seller, the Company and the Subsidiaries have not, and the use of the Company Intellectual Property and continued operation of the Company's or the Subsidiaries' businesses as currently conducted, will not, result in any infringement, misappropriation or other conflict with any Intellectual Property or other rights of another Person in the United States or any foreign jurisdiction in which the Company or one of the Subsidiaries currently operates its business. As of the date hereof, to the Knowledge of Parent and Seller, there is no claim by any other Person threatened or asserted contesting the validity, enforceability, use or ownership of any Company Intellectual Property. All of the Company Intellectual Property is valid and enforceable. No loss or expiration of any Company Intellectual Property material to the business of the Company or any of the Subsidiaries is threatened, pending or reasonably foreseeable. Except as contemplated under the Services Agreement, immediately following the Closing, the Company Intellectual Property will be owned or available for use by the Company and the Subsidiaries on terms and conditions identical to those under which the Company and the Subsidiaries owned or used

the Company Intellectual Property prior to the Closing. Except as would not be material, all employees and consultants of Parent and its relevant subsidiaries and of Company and the Subsidiaries involved in the development of the Company's Intellectual Property have executed agreements providing for nondisclosure of and assignment to the Company or one of the Subsidiaries of any such Intellectual Property developed by such employees and consultants.

Section 3.19. Finders' Fees. Except for Banc of America Securities LLC, whose fees will be paid by Parent, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Seller, Parent, the Company or any Subsidiary which might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 3.20. Labor and Employment Matters. (a) Except as set forth in Section 3.20 of the Disclosure Schedule, with respect to the Company and Subsidiaries: (i) there is no collective bargaining agreement or relationship with any labor organization; (ii) to the Knowledge of Parent and Seller, no executive or Key Employee (A) has any present intention to terminate their employment, or (B) is a party to any confidentiality, non-competition, proprietary rights or other such agreement between such Employee and any other Person (besides Seller or its Affiliates solely with respect to confidentiality obligations to Seller and its Affiliates), or the Company or the Subsidiaries, as applicable, that would be material to the performance of such Employee's employment duties, or the ability of the Company and/or the applicable Subsidiaries to conduct their business; (iii) no labor organization or group of employees has filed any representation petition or made any written or oral demand for recognition; (iv) to the Knowledge of Parent and Seller, no union organizing or decertification efforts are underway or threatened and no other question concerning representation exists; (v) no labor strike, work stoppage, slowdown, or other material labor dispute has occurred, and none is underway or, to the Knowledge of Parent and Seller, threatened; (vi) there is no workman's compensation liability, experience or matter that could have a Material Adverse Effect; (vii) there is no employment-related charge, complaint, grievance, investigation, inquiry or obligation of any kind, pending or threatened in any forum, relating to an alleged violation or breach by the Company or any Subsidiary (or its or their officers or directors) of any material law, regulation or contract; and, (viii) no employee or agent of the Company or any Subsidiary has committed any act or omission giving rise to material liability for any violation or breach identified in subsection (vii) above.

(b) Except as set forth in Section 3.20 of the Disclosure Schedule, (i) there are no agreements for the employment of any officer, individual employee of the Company or the Subsidiaries on a full-time, part-time, consulting or other basis (A) providing annual cash or other compensation in excess of $100,000, (B) providing for the payment of any cash or other compensation or benefits upon the consummation of the transactions contemplated hereby, (C) providing any severance benefits or making any severance arrangements, or (D)

restricting its ability to terminate the employment of any employee at any time for any lawful reason or for no reason without penalty or liability, and, (ii) there are no written personnel policies, rules or procedures applicable to employees of the Company or any Subsidiary.

(c) With respect to this transaction, any notice required under any law or collective bargaining agreement has been given, and all bargaining obligations with any employee representative have been, or prior to the Closing will be, satisfied. Within the past three years, neither the Company nor any of the Subsidiaries has implemented any plant closing or layoff of employees that could implicate the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar foreign, state or local law, regulation or ordinance (jointly, the "WARN Act"), and no such action will be implemented without advance notification to Buyer.

Section 3.21. Insurance. Parent has furnished or made available to Buyer an accurate and complete summary of coverages under all material insurance policies and bond and surety arrangements covering the assets, business, properties, operations, employees, officers and directors of the Company and the Subsidiaries. There is no material claim by the Company or any of the Subsidiaries pending under any of such policies or bond and surety arrangements as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bond and surety arrangements. Section 3.21 of the Disclosure Schedule provides a claims history under such policies for the last 3 years and describes any self-insurance arrangements affecting the Company or any of the Subsidiaries.

Section 3.22. No Undisclosed Liabilities. There are no liabilities of the Company or any of the Subsidiaries of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, other than (a) liabilities disclosed or provided for in the Balance Sheet or disclosed in accordance with GAAP in the notes thereto; (b) liabilities existing as of the Balance Sheet Date but not required under GAAP to be shown on the Balance Sheet; (c) liabilities disclosed on Section 3.22 of the Disclosure Schedule; (d) liabilities incurred in the ordinary course of business since the Balance Sheet Date; or (e) liabilities incurred in connection with the Transaction Documents.

Section 3.23. Sufficiency of Assets; Good Title. Except as provided in the Transaction Documents, the Company and the Subsidiaries own or lease all buildings, machinery, equipment, and other tangible assets necessary for the conduct of their businesses as presently conducted and such buildings, machinery, equipment and other tangible and intangible assets are in good operating condition, maintenance and repair, ordinary wear and tear excepted, are usable in the ordinary course of business and are reasonably adequate and suitable for the uses to which they are being put. The Company and the Subsidiaries have good and valid title to, or a valid leasehold interest in, the material properties and assets, tangible and intangible, shown on the Balance Sheet or acquired thereafter,

free and clear of all Liens, except for (1) properties and assets disposed of in the ordinary course of business since the Balance Sheet Date and (2) Permitted Liens and Exceptions.

Section 3.24. Accounts Receivable. All accounts and notes receivable of the Company and each Subsidiary represent valid obligations from sales made or services rendered in the ordinary course of business and are not subject to any right of set-off or any agreements or understandings (oral or written) that would permit any payor to reduce or satisfy any portion of an obligation by return of goods or any means other than the payment of cash in the face amount thereof.

Section 3.25. Suppliers. Section 3.25 of the Disclosure Schedule lists (a) the names of the twenty suppliers and vendors from whom the Company and the Subsidiaries made the most purchases during the most recently completed fiscal year and the aggregate expenditures attributable to each in such year and (b) each outstanding purchase order commitment to purchase inventory with any supplier or vendor that is outstanding as of the second Business Day prior to the date hereof, the products subject to such purchase order and the applicable supplier or vendor. To the Knowledge of Parent and Seller, the Company and each Subsidiary enjoys good working relationships under all arrangements and agreements with their current suppliers (including each of the suppliers listed in clause (a) of this Section) sufficient to the normal operation of their businesses.

Section 3.26. Bank Accounts. Section 3.26 of the Disclosure Schedule contains an accurate and complete list of each bank, checking, money market, investment or similar account, excluding individual store deposit accounts (each, a "Company Account"), owned by or used for the business and operations of the Company and the Subsidiaries and each individual authorized to have access to and make transactions under each Company Account.

Section 3.27. Investment Intent. Seller is receiving the Non-Cash Consideration for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Seller (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Non-Cash Consideration and is capable of bearing the economic risks of such investment.

Section 3.28. Lease Guarantees. Section 3.28 of the Disclosure Schedule contains an accurate and complete list of all Leased Real Property for which guarantees of lease obligations of the Company or any Subsidiary are provided by Parent, Seller or any of their Affiliates (the "Lease Guarantees").

ARTICLE 4
Representations and Warranties of Buyer

Buyer represents and warrants to Parent and Seller, as of the date hereof and as of the Closing, that:

Section 4.01. Corporate Existence and Power. Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation. Buyer has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, to own and lease the assets which it owns and leases and to perform all of its obligations under each agreement to which it is a party or by which it is bound. Buyer is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which its ownership or leasing of assets or properties or the nature of its activities requires such qualification except where the failure to have such licenses, authorizations, consents and approvals, individually or in the aggregate, has not had, or would not be reasonably likely to have, a material adverse effect on the business, properties, assets, results of operations or financial condition of Buyer and the Subsidiaries, taken as a whole (a "Buyer Material Adverse Effect"). Buyer was formed solely for the purposes of engaging in the transactions contemplated by this Agreement, and has engaged in no other business activities and has conducted its operations only as contemplated hereby. As used in this Article 4 the term "subsidiary" shall mean any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by Buyer.

Section 4.02. Corporate Authorization. The execution, delivery and performance by Buyer of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby are within the corporate powers and authority of Buyer and have been duly authorized by all necessary corporate action on the part of Buyer. To the extent a party thereto, each of the Transaction Documents constitutes the valid and binding obligation of Buyer and is enforceable against Buyer in accordance with its respective terms, (1) except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws concerning fraudulent conveyances and preferential transfers, and (2) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at Law or in equity).

Section 4.03. Governmental Authorization. To the extent a party thereto, the execution, delivery and performance by Buyer of each of the Transaction Documents and the consummation of the transactions contemplated thereby require no material action, consent or approval by or in respect of, material filing with or material notice to, any governmental body, agency or official other than

(1) compliance with any applicable requirements of the HSR Act and (2) compliance with any applicable requirements of the 1933 Act and the 1934 Act and state securities laws.

Section 4.04. Noncontravention. The execution, delivery and performance by Buyer, of any of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby do not and will not (1) violate or conflict with the certificate of incorporation or bylaws (or other organizational documents) of Buyer, (2) subject to the matters referred to in Section 4.03, contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to Buyer, or (3) with or without the giving of notice or the lapse of time, or both, constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Buyer, or to a loss of any benefit to which Buyer is entitled under any provision of any agreement, contract or other instrument to which Buyer is a party or by which Buyer or its properties or assets is bound, or give to others any rights (including rights of termination, foreclosure, cancellation or acceleration) in or with respect to Buyer or any of its properties or assets except for any such default, termination, cancellation, acceleration or loss that has not had, or would not be reasonably likely to have, a Buyer Material Adverse Effect.

Section 4.05. Financing.

(a) Bear Stearns Merchant Fund Corp., an Affiliate of Buyer, has received an executed commitment letter from Congress Financial Corporation, dated as of November 21, 2002 and executed by Bear Stearns Merchant Fund Corp. as of the date hereof, an accurate and correct copy of which is attached as Exhibit C-1 (the "CFC Commitment Letter"). Pursuant to the CFC Commitment Letter and subject to the terms and conditions contained therein, Congress Financial Corporation has committed to provide senior debt financing in the amount of $120.0 million.

(b) Buyer has received an executed commitment letter from Bear Stearns Merchant Banking II, L.P., dated as of November 22, 2002 and executed by Buyer as of the date hereof, an accurate and correct copy of which is attached as Exhibit C-2 (the "Bear Stearns Commitment Letter"). Pursuant to the Bear Stearns Commitment Letter and subject to the terms and conditions contained therein, Bear Stearns Merchant Banking II, L.P. has committed to provide equity financing in the amount of up to $85.0 million.

(c) Each of the Bear Stearns Commitment Letter and the CFC Commitment Letter, is in full force and effect.

Section 4.06. Purchase and Investment. Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment.

Section 4.07. Litigation; Compliance with Laws. There is no claim, legal action, suit, arbitration, investigation or proceeding pending against or, to the knowledge of Buyer, threatened against or affecting, Buyer, any of its properties or assets, or the transactions contemplated by any of the Transaction Documents before any court or arbitrator or any governmental body, agency, official or authority which has had, or would be reasonably likely to have a Buyer Material Adverse Effect. As of the date hereof, there is no claim, legal action, suit, arbitration, investigation or proceeding pending against, or to the knowledge of Buyer, threatened against or affecting Buyer, before any court or arbitrator or any governmental body, agency, official or authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement. Buyer and its subsidiaries are in compliance in all material respects with all applicable Laws, and neither Buyer nor any subsidiary of Buyer has any basis to expect any notice, order or other written communication from any governmental agency or instrumentality thereof alleging any actual or potential material violation of or failure to comply with any Law.

Section 4.08. Finders' Fees. Except for Bear Stearns Merchant Manager II, LLC, whose fees will be paid by Buyer, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer which might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 4.09. Inspections; No Other Representations. Buyer, through its Affiliates, is an informed and sophisticated purchaser, and has engaged expert advisors, experienced in the evaluation and purchase of companies such as the Company and Subsidiaries as contemplated hereunder. Buyer (directly or through its Affiliates) has undertaken such investigation as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of the Transaction Documents. Buyer acknowledges that Parent and its Affiliates have given Buyer access to key employees, documents and facilities of the Company and Subsidiaries and, to the extent related to the Company or any Subsidiary, Parent and its Affiliates. Buyer will undertake prior to Closing such further investigation and request such additional documents and information as it deems necessary. Without limiting the generality of the foregoing, Buyer acknowledges that Parent and its Affiliates make no representation or warranty with respect to any projections, estimates or budgets delivered to or made available to Buyer of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Company and Subsidiaries or the

future business and operations of the Company and Subsidiaries or any other information or documents made available to Buyer or its counsel, accountants or advisors with respect to the Company, Subsidiaries, Parent, any of Parent's Affiliates or any of the foregoing business, assets, liabilities or operations, except as expressly set forth in this Agreement.

Section 4.10. HSR Filing. The "person" (as defined in 16 C.F.R.(S)801.1(a)(1)) within which the Buyer is included does not have (a) the "regularly prepared balance sheet" described in 16 C.F.R.(S)801.11(c)(2), (b) $10.0 million or more of "total assets," as determined in accordance with 16 C.F.R.(S)801.11(e)(1), or (c) any "annual net sales," as determined in accordance with 16 C.F.R.(S)801.11.

Section 4.11. Valid Issuance of Non-Cash Consideration. Upon issuance, the Subordinated Note and Warrant shall have been duly authorized and validly issued in compliance with all applicable Laws and shall be valid and binding obligations of Buyer (1) except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws concerning fraudulent conveyances and preferential transfers, and (2) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in proceeding at Law or in equity). The shares of the common stock of Buyer (or other securities) issuable upon exercise of the Warrant shall upon issuance (i) have been duly authorized and validly issued in accordance with all applicable Laws (ii) shall be fully paid and non-assessable, (iii) shall be free of any Liens and (iv) will not have been subject to any preemptive rights other than those set forth in the Securityholders Agreement.

ARTICLE 5
Covenants of Seller and Parent

Parent and Seller agree that:

Section 5.01. Conduct of the Company. From the date hereof until the Closing Date, except as set forth on the Disclosure Schedule or as contemplated by any of the Transaction Documents, Parent and Seller shall cause the Company and Subsidiaries to (1) conduct their respective businesses in the ordinary course in a manner consistent with past practice and in material compliance with all applicable Laws, Permits, agreements and commitments, (2) use their reasonable efforts to preserve intact their business organizations and relationships and goodwill with third parties and to keep available the services of their present employees, (3) maintain their facilities and assets in the same state or repair, order and condition as they were on the date hereof, ordinary wear and tear excepted, and (4) maintain their corporate existence and pay and discharge all debts, liabilities and obligations of the Company and the Subsidiaries as they become due, other than debts that are disputed in good faith. Without limiting the

generality of the foregoing, from the date hereof until the Closing Date, except as contemplated by the Transaction Documents, to the extent relating to the Company and Subsidiaries, Parent and Seller will not, and will cause the Company and Subsidiaries not to:

(a) adopt or propose any change in its certificate of incorporation or bylaws;

(b) merge or consolidate with any other Person or acquire a material amount of assets from any other Person other than (1) pursuant to existing contracts, agreements or commitments that are disclosed herein or on the Disclosure Schedule and (2) the acquisition of inventory in the ordinary course of business;

(c) sell, lease, license or otherwise dispose of any material assets or property (including any material Company Intellectual Property) except (1) pursuant to existing contracts or commitments, or (2) for the sale of inventory in the ordinary course of business or (3) for the sale, lease, disposition or encumbrance of amounts of assets no longer used in the ordinary course of business in amounts that are not material;

(d) (i) increase the rates of compensation or vacation or other benefits of employees earning less than $150,000, except (1) as required by any Law, (2) in the ordinary course of business consistent with past practice or (3) as required by any contract in effect on the date hereof and disclosed on Section 3.20(b) of the Disclosure Schedule, or (ii) increase the rates of compensation or vacation or other benefits of employees earning $150,000 per year or more, except (1) as required by any Law or (2) as required by any contract in effect on the date hereof and identified on Section 3.20(b) of the Disclosure Schedule;

(e) make any loan, advance or capital contribution to or investment in any Person, except for travel, relocation and similar advances in the ordinary course of business not to exceed $25,000 for any employee and $150,000 in the aggregate;

(f) incur, assume or guarantee any debt for borrowed money, other than letters of credit incurred or entered into in the ordinary course of business not to exceed $25,000 in the aggregate;

(g) adopt any change in method of accounting or accounting practice except as required by Law or GAAP;

(h) enter into any new lease or sublease of Real Property or terminate, amend or cause or permit the extension of the term of any Lease, without first consulting with and obtaining the consent of Buyer (which consent shall not unreasonably be withheld, conditioned or delayed);

(i) enter into any agreement (or amend, extend or otherwise modify any existing agreements) for the employment of any officer, individual employee or other Person on a full-time, part-time, consulting or other basis (A) providing annual cash or other compensation in excess of $150,000, (B) providing for the payment of any cash or other compensation or benefits upon the consummation of the transactions contemplated hereby, (C) providing any severance benefits or making any severance arrangements, or (D) restricting its ability to terminate the employment of any employee at any time for any lawful reason or for no reason without penalty or liability;

(j) implement any layoff of employees that could implicate the WARN Act;

(k) enter into any new contract, or amend, extend or otherwise modify any existing contract with Parent, any Affiliate of Parent, any Related Party of Parent or any Related Party of an Affiliate of Parent;

(l) make any capital expenditure (or series of related capital expenditures) either involving more than $25,000 or outside the ordinary course of business;

(m) delay or postpone the payment of accounts payable and other liabilities outside the ordinary course of business or otherwise make any material change in the cash management practices;

(n) make any material change in inventory policies or procedures, operating policies or procedures, or advertising and promotion policies or procedures;

(o) cancel, compromise, waive or release any right or claim (or series of related rights and claims) either involving more than $25,000 or outside the ordinary course of business;

(p) issue or create any (1) shares of capital stock or voting securities of the Company, (2) securities of the Company convertible into or exchangeable for shares of capital stock or other voting securities of the Company, (3) options, warrants or other rights to acquire from the Company, or other obligations of the Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company, or (4) stock appreciation rights, profit participation or similar rights or securities of the Company;

(q) enter into a binding agreement to do any of the foregoing;

(r) fail to prosecute, defend, maintain and protect any of the Company Intellectual Property so as to materially adversely affect the validity or enforceability thereof; or

(s) make or change any election, change any accounting period, adopt or change any accounting method, file any amended Return, settle any Tax claim or assessment relating to the Company or any Subsidiary, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company or any Subsidiary or take any other similar action if such election, change, adoption, amendment, settlement, consent or other action, would have the effect of materially increasing the Tax liability of the Company or any Subsidiary for any period ending after the Closing Date.

Section 5.02. Cooperation On Certain Matters.

(a) Access to Information Prior to Closing. From the date hereof until the Closing Date, Parent and Seller will (1) give, and will cause the Company and Subsidiaries to give, Buyer and its counsel, financial advisors, auditors, sources of funding under the Commitment Letters (the "Banks") and other authorized representatives, reasonable access to the offices, properties, accountants, members of management and books and records of the Company and Subsidiaries and, to the extent related primarily to the Company and Subsidiaries, to the books and records of Parent and Seller and to the key employees of Parent or Seller who have significant involvement in the Company and Subsidiaries, during normal business hours and upon reasonable prior notice, (2) furnish, and will cause the Company and Subsidiaries to furnish, to Buyer and its counsel, financial advisors, auditors, Banks and other authorized representatives, such financial and operating data and other information relating to the Company and Subsidiaries as such Persons may reasonably request and (3) instruct the employees, counsel, accountants and financial advisors of Parent, Seller, the Company and the Subsidiaries to cooperate with Buyer in its investigation of the Company and Subsidiaries. Any investigation pursuant to this Section 5.02(a) shall be conducted in such a manner as not to interfere unreasonably with the conduct of the business of Parent or any of its Affiliates, the Company or any Subsidiary. Notwithstanding the foregoing, Buyer shall not have access to personnel records relating to individual performance or evaluation records, medical histories or other information which in Parent's good faith opinion the disclosure of which could subject Parent or any of its Affiliates, the Company or any Subsidiary to risk of liability.

(b) Access to Information Following Closing. From and after the Closing Date, Parent and Seller will afford promptly to Buyer and its counsel, auditors and other authorized representatives reasonable access to their books of account, financial and other records, employees and auditors to the extent they relate to the Company or the Subsidiaries for the period prior to the Closing Date and are necessary to permit Buyer to determine any matter relating to its rights and obligations in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Company or the Subsidiaries or Buyer's rights or obligations under any of the Transaction Documents; provided that any such access by Buyer and its counsel, auditors and other

authorized representatives shall not unreasonably interfere with the conduct of the business of Parent or any of its Affiliates.

(c) Litigation Cooperation. Parent shall, and shall cause its Affiliates to, use reasonable efforts to make available to Buyer and its accountants, counsel, and other designated representatives, upon written request, the officers, employees, accountants and representatives of Parent and its Affiliates as witnesses, and shall otherwise cooperate with Buyer, and furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, in each case to the extent reasonably required in connection with any legal, administrative or other proceeding arising out of the Company's or any of the Subsidiaries' business and operations prior to the Closing Date in which Buyer may from time to time be involved or otherwise related to any of the Transaction Documents (other than with respect to proceedings involving disputes between Buyer, on the one hand, and Parent and its Affiliates, on the other hand; provided that any such cooperation shall not unreasonably interfere with the conduct of the business of Parent or any of its Affiliates.

(d) Cooperation on Tax Matters. Parent shall furnish or cause to be furnished to Buyer, upon request, as promptly as practicable, such information (including access to books and records) and assistance as is reasonably necessary for the filing of any Return (including the Returns specified in Section 8.02(d)), for the preparation for any audit, and (subject to Section 8.02(b) and Section 8.04(d)) for the prosecution or defense of any claim, suit or proceeding relating to any proposed Tax adjustment; provided that any such cooperation shall not unreasonably interfere with the conduct of the business of Parent or any of its Affiliates. Subject to Parent's control of certain audits and proceedings under Section 8.02(b) and Section 8.04(d), Parent shall cooperate with Buyer in the conduct of any audit or other proceeding involving the Company or any Subsidiary for any Tax purposes and shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this subsection.

(e) Retention of Records. From and after the Closing Date, except as otherwise required by Law or agreed to in writing, Parent and its Affiliates shall retain all information and records (including records relating to Taxes) relating to the businesses of the Company and Subsidiaries. In addition, Parent and its Affiliates shall retain all information and records relating to any matter as to which Buyer seeks or may seek indemnification from Parent hereunder until final resolution of the matter to which such information and records relate. Notwithstanding the prior two sentences of this Section 5.02(e), Parent and its Affiliates may destroy or otherwise dispose of any such information and records at any time; provided that (1) any records relating to Taxes shall not be destroyed or otherwise disposed of prior to the sixth anniversary of the Closing Date, and (2) prior to such destruction or disposal, (x) Parent shall provide not less than 90 days' prior written notice to Buyer, specifying the information and records

proposed to be destroyed or disposed of, and (y) if Buyer shall request in writing prior to the scheduled date for such destruction or disposal that any of the information and records proposed to be destroyed or disposed of be delivered to Buyer, Parent shall promptly arrange for the delivery of such of the information and records as was requested.

(f) Reimbursement. Buyer shall bear all reasonable out-of-pocket costs and expenses of Parent and its Affiliates (excluding general overhead, salaries and employee benefits), upon presentation of invoices therefor, which are reasonably incurred by Parent and its Affiliates in connection with the provision of information, witnesses or cooperation pursuant to Section 5.02(b) - (e).

Section 5.03. Maintenance of Insurance Policies. Prior to the Closing, Parent and its Affiliates will maintain insurance policies for the Company and Subsidiaries and their assets, properties and employees in an amount and scope consistent with any such insurance policies in effect as of the date hereof. Subject to the provisions of the Services Agreement and except as set forth in Article 10, the Company and Subsidiaries shall after the Closing continue to have coverage under any such insurance policies in effect at the Closing with respect to, but only with respect to, events occurring prior to the Closing, and it is understood that (i) the Company and Subsidiaries shall continue to be responsible for amounts (including deductibles) not covered by such insurance policies and (ii) the provisions of this Section 5.03 shall not obligate Parent or any of its Affiliates to pay any money with respect to any insurance policies (including with respect to insurance policies in effect on or prior to the Closing) after the Closing.

Section 5.04. Non-solicitation. (a) Parent and its Affiliates shall not, without the prior written approval of Buyer, directly or indirectly (a) for 18 months after the Closing Date, solicit any person who is an employee of the Company or any Subsidiary at any time on or after the Closing Date to terminate his or her relationship with the Company or any Subsidiary, as the case may be; provided that the foregoing shall not apply to persons hired as a result of the use of an independent employment agency (so long as the agency was not directed to solicit such person) or as a result of the use of a general solicitation (such as an advertisement) not specifically directed to employees of the Company or any Subsidiary, as the case may be, (b) for 5 years after the Closing Date, hire, in any capacity, any person who is listed on Appendix 5.04(a)(1), and (c) for 3 years after the Closing Date, hire, in any capacity, any person who is listed on Appendix 5.04(a)(2).

Section 5.05. Confidentiality. All confidential information about Buyer or its Affiliates provided or made available to Parent, Seller or any of their Representatives (as such term is defined in the Confidentiality Agreement dated as of July 2, 2002 between Buyer and Parent (the "Confidentiality Agreement")) will be treated confidentially by Parent, Seller and their respective Affiliates and representatives in accordance with the confidentiality undertakings set forth in the Confidentiality Agreement applicable to Buyer with respect to information about

the Company provided or made available to Buyer, its Affiliates and representatives.

Section 5.06. Exclusivity. None of the Parent, Seller, Company or any of their respective Affiliates, representatives, officers, employees, directors or agents shall, directly or indirectly, (a) submit, solicit, initiate, encourage, entertain, negotiate, accept or discuss, directly or indirectly, any proposal or offer from any Person or enter into any agreement or accept any offer relating to any (i) reorganization, liquidation, dissolution or recapitalization of the Company and the Subsidiaries, (ii) merger or consolidation involving the Company and the Subsidiaries, (iii) purchase or sale of any assets or capital stock (other than a purchase or sale of inventory in the ordinary course of business consistent with past custom and practice) of the Company and the Subsidiaries, or (iv) similar transaction or business combination involving the Company and the Subsidiaries, the business of the Company and the Subsidiaries or the assets of the Company and the Subsidiaries (each of the foregoing action described in clauses (i) through (iv), a "Company Transaction"), (b) furnish any information with respect to, assist or participate in or facilitate in any other manner any effort or attempt by any person to do or seek to do any of the foregoing or (c) enter into any agreement, arrangement or understanding requiring the Parent, the Seller or the Company and the Subsidiaries to abandon, terminate or fail to consummate any of the transactions contemplated hereby. The Parent, the Seller and the Company agree to (1) notify Buyer immediately if any person makes any proposal, offer, inquiry or contact with respect to a Company Transaction and (2) provide Buyer with the terms of (including the identity of the Person making) any such proposal, offer, inquiry, request or contact and a copy of any written document.

Section 5.07. Litigation Update. From the date hereof until the Closing Date, Parent and Seller agree to promptly notify Buyer of any claims, actions, suits or investigations (arbitration or otherwise) commenced against, or to the Knowledge of Parent and Seller, threatened, against the Company or any Subsidiary, Parent or Seller, or any of their Affiliates, before any court or arbitrator or any governmental body or agency which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement.

Section 5.08. Lease Guarantees. Subject to the provisions of the Master Sublease and the Store Leases Agreement, Parent shall continue to provide each Lease Guarantee until the expiration of the original term or any option term if exercised as of the date hereof of the respective Lease and Parent agrees that it shall not directly or indirectly take any action to, or fail to take any action, the failure of which would interfere, void, remove, restrict, modify, amend, accelerate, terminate or negatively affect any Lease Guarantee.

Section 5.09. Retail Leases.

(a) From and after the date hereof (including after the Closing Date), Parent and Seller shall, at their sole cost and expense (provided that in no event shall Parent or Seller (or any Affiliate thereof) be obligated to pay any money to a Person to obtain a Required Consent), use their reasonable best efforts to obtain (and Buyer agrees to cooperate with Parent and Seller in obtaining) any Required Consent pursuant to a letter agreement substantially in form and substance as the document set forth on Exhibit D attached hereto (the "Consent Request Letter"). Any material amendments, modifications or changes to the Consent Request Letter that adversely affect Buyer shall be approved by Buyer, which approval Buyer may withhold in its reasonable discretion. Parent and Seller shall, on a reasonably timely basis, inform Buyer of the status of the Required Consent process, and each party agrees to provide a copy to the other party of any written notices received from a Party in Interest from and after the date hereof until 12 months after the Closing.

(b) Seller may not offer any material leasehold modifications or other concessions to landlords in connection with the Required Consent process that adversely affect Buyer without Buyer's consent, which consent Buyer may withhold in its discretion.

(c) Buyer may, at Buyer's discretion and upon two Business Days' notice to Parent, elect to make any payment or accept any leasehold modifications or other concessions to landlords in connection with the Required Consent process; provided that all costs and obligations to Buyer resulting from Buyer's election under this subsection (c) shall be borne solely by Buyer and the provisions of subsection (e) below shall not apply with respect to such payments, modifications or concessions.

(d) If (i) because of a failure to obtain a Required Consent with respect to a Retail Lease, a Party in Interest under a Retail Lease gives notice within 12 months after the Closing and thereafter terminates such Retail Lease, evicts or locks out the Company (or a Subsidiary, as the case may be) or takes any action that results in the inability of the Company (or a Subsidiary, as the case may be) to operate out of the premises under such Retail Lease prior to the expiration of the current term of such Retail Lease (a "Lease Termination") (provided that at the time of such Lease Termination, Buyer, the Company and/or the Subsidiaries as applicable are otherwise in material compliance with all of their other obligations under such Retail Lease) and (ii) as a result thereof, the aggregate Four Wall Profit Contribution for all retail stores suffering a Lease Termination (the "Aggregate Lost Four Wall Profit Contribution") exceeds the Four Wall Profit Threshold, then Parent shall promptly pay to Buyer an amount equal to the amount by which (x) 3.5 times the Aggregate Lost Four Wall Profit Contribution (including the amount of the Four Wall Profit Threshold) exceeds (y) any amounts previously paid to Buyer by Parent under this subsection (d); provided that Buyer agrees to use commercially reasonable efforts to resolve any such issues or conflicts with such Party in Interest (provided that in no event shall Buyer (or any Affiliate thereof) be

obligated to pay any money to a Person to obtain a Required Consent or resolve any such issues). It is understood and agreed that with respect to all Retail Leases, under no circumstances will the inability to renew or extend a Retail Lease by the Company at the expiration of the original term (or if currently under a renewal or extension option, any additional renewal or extension options) thereof give rise to any payment obligation by Parent or Seller under this subsection (d).

(e) If (i) because of a failure to obtain a Required Consent with respect to a Retail Lease, a Party in Interest under such Retail Lease (A) gives notice within 12 months after the Closing that it intends to exercise its rights under such Retail Lease (provided that at the time of the exercise of such rights, Buyer, the Company and/or the Subsidiaries as applicable are otherwise in material compliance with all of their other obligations under such Retail Lease) which results in a Loss of Fundamental Tenant Rights, then Parent and Seller jointly and severally agree to indemnify Buyer for any Damages incurred by Buyer as a result of such Loss of Fundamental Tenant Rights; provided that Buyer agrees to use commercially reasonable efforts to resolve any such issues or conflicts with such Party in Interest (provided that in no event shall Buyer (or any Affiliate thereof) be obligated to pay any money to a Person to obtain a Required Consent or resolve any such issues).

(f) The provisions of this Section 5.09 shall provide Buyer and its Affiliates the exclusive remedy from Parent and its Affiliates with respect to any Damages suffered or incurred in connection with a Required Consent. In furtherance, and not in limitation of the foregoing, Buyer and its Affiliates shall have no right to seek indemnification pursuant to Section 11.02 for the breach of any representation set forth in Section 3.04 to the extent that Buyer or any of its Affiliates is entitled to a remedy pursuant to Section 5.09.

Section 5.10. Retail Leases; Non-Competition and Related Matters.

(a) With respect to each Retail Lease, from and after the date of this Agreement until the fifth (5th) anniversary of the date of this Agreement, Seller and Parent shall not, directly or indirectly, pursue, solicit, make any offers to, or accept any offers (whether for their own account or for any third party (other than the Company pursuant to the Services Agreement)) from, or negotiate or enter into any lease, license, purchase agreement, occupancy agreement or other similar agreement (whether for their own account or for any third party (other than the Company pursuant to the Services Agreement)) with, the landlord with respect to the premises subject to such Retail Lease (except as otherwise set forth in the Store Leases Agreement with respect to Shared Stores). The provisions of the immediately preceding sentence of this subsection (i) shall not be applicable to the Retail Leases (and the corresponding premises) set forth on Schedule 5.10 attached hereto and (ii) shall expire and have no further force and effect (A) with respect to all Retail Leases, (1) upon a default by the Company or a Subsidiary (after any applicable notice or cure period) under the lesser of (x) three

Guaranteed Leases or (y) 5% of all outstanding Guaranteed Leases and; (2) a material breach of Section 6.09(b) of this Agreement which breach is not cured within 15 days of written notice of such breach; (B) with respect to an individual Retail Lease, upon the date which is six (6) months after the earlier to occur of (1) the termination (whether voluntarily or involuntarily) of such Retail Lease or (2) the Company (or any Subsidiary, as the case may be) vacates the premises subject to such Retail Lease; and (C) as otherwise provided in subsections (b) and (c) below.

(b) If the Company (or any Subsidiary, as the case may be) desires to assign any Retail Lease, or sublease all or any part of the premises subject to such Retail Lease to any Person other than an Affiliate thereof (an "Unrelated Party"), the Company (or any Subsidiary, as the case may be) and Buyer agree first to offer to assign such Retail Lease (or sublease the corresponding premises, as the case may be) to Seller and Parent upon the terms the Company (or any Subsidiary) intends to assign the Retail Lease or sublease a portion of the premises subject to the Retail Lease to such Unrelated Party prior to offering such Retail Lease (or the corresponding premises) to any Unrelated Party. If Seller or Parent elects not to take an assignment of such Retail Lease (or sublease the corresponding premises), the Company (or any Subsidiary, as the case may be) shall have the right, if otherwise permitted by such Retail Lease and the other Transaction Documents, to offer such Retail Lease (and the corresponding premises) to Unrelated Parties on terms and conditions not materially less favorable to the Company (or any Subsidiary, as the case may be) than were originally offered to Seller and Parent. If the terms and conditions upon which an Unrelated Party agrees to take an assignment of such Retail Lease (or sublease the corresponding premises) are materially less favorable to the Company (or any Subsidiary, as the case may be) than the terms and conditions originally offered to Seller and Parent, Seller and Parent shall have the right to match any such offers by any Unrelated Parties and take an assignment of such Retail Lease (or sublease all or any part of the corresponding premises, as the case may be). If such Retail Lease is assigned (or the corresponding premises are subleased) to an Unrelated Party in accordance with the provisions of this subsection (b), the provisions of the first sentence of subsection (a) above shall expire and have no further force and effect. If at any time during the term of a Retail Lease, the Company (or any Subsidiary, as the case may be) desires or makes a final determination to terminate voluntarily a Retail Lease, the Company (or any Subsidiary, as the case may be) shall notify Parent of such determination, and upon such notification by the Company to Parent, the provisions of the first sentence of subsection (a) above shall expire and have no further force and effect.

(c) The Company shall advise Parent whether the Company (or any Subsidiary) has (x) elected not to renew or extend any Retail Lease or (y) made a final determination that any Retail Lease will not be renewed or extended by the respective landlord, and upon such notification by the Company to Parent, the provisions of the first sentence of subsection (a) above shall expire and have no further force and effect. In addition, Parent shall, in accordance with Schedule V

of the Services Agreement, advise the Company with respect to Limited Brands stores which may be available for the Company because Parent has elected not to renew or extend the terms of the leases for such stores (or has otherwise made a final determination that any such lease will not be renewed or extended by the respective landlord).

(d) Notwithstanding anything to the contrary set forth in this Section 5.10, Parent shall use its commercially reasonable best efforts to attempt to (i) with respect to the Retail Lease for the property known as Store 373, Carousel, New York, (A) extend the term of such Retail Lease until January 31, 2004 and (B) secure alternate space for the Company in the mall at Carousel for the replacement of existing space at the expiration of such Retail Lease; (ii) with respect to the Retail Lease for the property known as Store 474, Bridgewater Commons, New Jersey, (A) extend the term of such Retail Lease until July 31, 2003 and (B) secure alternate space for the Company in the mall at Bridgewater Commons for the replacement of existing space at the expiration of such Retail Lease; and (iii) with respect to the Retail Lease for the property known as Store 119 Lakeside Center, Louisiana, and the Retail Lease for the property known as Store 95, St. Louis Galleria Mall, Missouri, secure space or alternate space for the Company, as the case may be, in these malls for Lerner; provided, however, under no circumstances shall Limited Brands be required to pay any money to any Person or execute or deliver any guaranty or other security with respect to the renewal, extension or replacement of any Retail Lease or to secure alternate leased space. Notwithstanding anything herein to the contrary, the Company (i) acknowledges that any alternate space deals secured for the Company will likely be for long-term lease arrangements and (ii) agrees that the Company shall vacate (A) the property known as Store #474, Bridgewater Commons, New Jersey on or before July 31, 2003 and (B) the property known as Store #95, St. Louis Galleria, Missouri upon 30 days' prior notice from Parent, or earlier at Buyer's election (provided the effective date for such termination shall not be earlier than March 31, 2003), and the Company agrees to execute and deliver an appropriate lease termination agreement to Parent for the Store #95 Retail Lease. Buyer agrees that it has been compensated by Parent in the amount of $1.5 million by virtue of a reduction to the Purchase Price with respect to such arrangements.

Section 5.11. Asset Transfers. Parent and Seller agree to transfer, prior to the Closing, good and valid title to, or a valid leasehold interest in, any asset (other than assets covered by the Services Agreement) which (i) is currently owned or leased, either in whole or in part, by Parent or Seller, and (ii) was used exclusively in the business of the Company and the Subsidiaries on the Balance Sheet Date (excluding assets disposed of in the ordinary course of business). For the avoidance of doubt, effective as of the Closing Date, Parent agrees to grant, assign and transfer to the Company and the Subsidiaries, and Buyer agrees to cause the Company and the Subsidiaries to accept such transfer of, capitalized implementation costs incurred in connection with software development exclusively for the business of the Company currently reflected on the balance sheet of Parent and reflected on the financial statements as a "top side"

adjustment (including capitalized implementation costs relating to Arthur allocation and planning, Island Pacific package migration and MIPS application).

Section 5.12. Closing Date Cash. Parent and Seller agree that the Company shall have at least $1.5 million of Company Cash at the opening of business on the Closing Date. It is further agreed by all parties hereto that notwithstanding any provision of this Agreement to the contrary, (i) Parent and Seller shall be under no obligation to leave Company Cash in excess of $1.5 million and (ii) in all events, Parent shall be compensated for all Company Cash in accordance with Section 2.04(a).

Section 5.13. Change of Control. Parent agrees to assume all obligations of the Company or any of the Subsidiaries for any Change of Control Payments. Parent agrees to make timely payments with respect to such obligations.

ARTICLE 6
Covenants of Buyer

Buyer agrees that:

Section 6.01. Other Buyer Activities. Buyer shall not engage in any activities other than in connection with its formation and the consummation of the transactions contemplated by the Transaction Documents.

Section 6.02. Confidentiality. All information provided or made available to Buyer or any of its Representatives (as such term is defined in the Confidentiality Agreement) will be subject to the Confidentiality Agreement, which agreement shall remain in full force and effect until the Closing and shall thereupon terminate except that the disclosure, but not the use (to the extent necessary to operate the Company and the Subsidiaries in the ordinary course) of any Confidential Information (as defined in the Confidentiality Agreement) to the extent related solely to Parent or its Affiliates shall continue to be governed by the terms of the Confidentiality Agreement.

Section 6.03. Cooperation on Certain Matters.

(a) Access to Information Following Closing. From and after the Closing Date, Buyer will afford, and will cause the Company and each Subsidiary to afford, promptly to Parent and its Affiliates and their counsel, auditors and other authorized representatives reasonable access to their books of account, financial and other records, employees and auditors to the extent they relate to the Company or the Subsidiaries for the period prior to the Closing Date (provided, that with respect to the post-Closing matters for which Parent has agreed to indemnify Buyer pursuant to Section 11.02(a)(B)-(H), such access shall also include the post-Closing period) and are necessary to permit Parent and its Affiliates to determine any matter relating to their rights and obligations in connection with any audit, investigation, dispute or litigation (other than with respect to any investigation, dispute or litigation involving Buyer, on the one hand, and Parent and its Affiliates on the other hand) relating to the Company or the Subsidiaries or Parent's or any of its Affiliate's rights or obligations under any of the Transaction Documents; provided that any such access by Parent and its Affiliates and their counsel, auditors and other authorized representatives shall not unreasonably interfere with the conduct of the business of Buyer, the Company or any of the Subsidiaries.

(b) Litigation Cooperation. Buyer shall use reasonable efforts to make available to Parent and its Affiliates and their accountants, counsel, and other designated representatives, upon written request, the officers, employees and representatives of Buyer and its Affiliates as witnesses, and shall otherwise cooperate with Parent and its Affiliates, and furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, in each case to the extent reasonably required in connection with any legal, administrative or other proceeding arising out of the Company's or any of the Subsidiaries' business and operations prior to the Closing Date in which Parent or any of its Affiliates may from time to time be involved or otherwise related to any of the Transaction Documents (other than with respect to proceedings involving disputes between Buyer, on the one hand, and Parent and its Affiliates, on the other hand); provided, however, that Parent shall use its reasonable best efforts to pursue the Retained Landlord Claims in a manner that does not involve Buyer, the Company or any of their Affiliates, or their respective directors, officers, employees or representatives (including to the extent feasible, pursuing litigation or similar proceedings in the name of Parent or one of its Affiliates); provided further that any such cooperation by Buyer and its Affiliates shall not unreasonably interfere with the conduct of the business of Buyer or any of its Affiliates. Without limiting the generality of the foregoing, it is understood that, notwithstanding use of its best efforts as contemplated above, if Parent is unable to pursue the Retained Landlord Claims without involving Buyer or its Affiliates, Buyer and its Affiliates will execute all complaints and other court or similar papers reasonably requested in order to assist Parent and its Affiliates in their efforts to pursue the Retained Landlord Claims.

(c) Cooperation on Tax and Related Matters.

(i) Buyer shall furnish or cause to be furnished to Parent, upon request, as promptly as practicable, such information (including access to books and records) and assistance as is reasonably necessary for the filing of any Return (including the Returns specified in Section 8.02(c)), for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any proposed Tax adjustment; provided that any such cooperation by Buyer shall not unreasonably interfere with the conduct of the business of Buyer or any of its Affiliates. Buyer shall cooperate with Parent in the conduct of any audit or other proceeding involving the Company or any Subsidiary for any Tax purposes and shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this subsection.

(ii) For a period of 60 months following the Closing, Buyer agrees that it shall not liquidate Lerner New York GC, LLC and shall cause Lerner New York GC, LLC to continue its past practice with respect to gift certificates and merchandise credits issued on or before the Closing. For purposes of filing any returns and other legally required documents due after the Closing Date with respect to escheat liabilities and similar items of the Company and the Subsidiaries, Buyer agrees to treat gift certificates and merchandise credits issued on or before the Closing with respect to which Lerner New York GC, LLC is liable in a manner consistent with past practice.

(d) Retention of Records. From and after the Closing Date, except as otherwise required by Law or agreed to in writing, Buyer shall, and shall cause the Company and Subsidiaries to, retain all information and records (including records relating to Taxes) relating to the businesses of the Company and Subsidiaries that were in the possession of the Company or any Subsidiary as of the Closing Date and, with respect to Taxes, all records related to Returns for Straddle Periods. In addition, Buyer and its Affiliates shall retain all information and records relating to the Retained Landlord Claims or any other matter as to which Parent seeks or may seek indemnification from Buyer hereunder, in each case until final resolution of the matter to which such information and records relate. Notwithstanding the prior two sentences of this Section 6.03(d), Buyer may destroy or otherwise dispose of any such information and records at any time; provided that prior to such destruction or disposal, (1) Buyer shall provide not less than 90 days' prior written notice to Parent, specifying the information and records proposed to be destroyed or disposed of, and (2) if Parent shall request in writing prior to the scheduled date for such destruction or disposal that any of the information and records proposed to be destroyed or disposed of be delivered to Parent, Buyer shall promptly arrange for the delivery of such of the information and records as was requested.

(e) Reimbursement. Parent shall bear all reasonable out-of-pocket costs and expenses of Buyer and its Affiliates (excluding general overhead, salaries and employee benefits), upon presentation of invoices therefor, which are

reasonably incurred by Buyer and its Affiliates in connection with the provision of information, witnesses or cooperation pursuant to Sections 6.03(a) - (d).

Section 6.04. Insurance. Buyer agrees that, subject to Section 5.03, all insurance policies covering the Company or any Subsidiary maintained by or on behalf of Parent or its Affiliates shall be terminated following the Closing and that, after the Closing, Parent and its Affiliates shall have no obligation of any kind to maintain any form of insurance covering the Company or any Subsidiary.

Section 6.05. Financial Support Arrangement. (a) From and after the date hereof (including after the Closing Date), Buyer shall use its reasonable best efforts to cause the unconditional release with effect at the Closing Date of Parent and its Affiliates from their obligations under any guarantees, letters of credit (which, from and after the Closing Date shall not be amended to (i) increase the amount thereof, (ii) extend the terms thereof or (iii) modify Parent's obligations thereunder), surety bonds and other financial support arrangements maintained by Parent or any of its Affiliates in connection with the business or operations of the Company or any of the Subsidiaries and listed on Appendix 6.05 hereto (it being understood that the list of letters of credit set forth on Appendix 6.05 is as of November 20, 2002 and that such list will be updated prior to the Closing Date to reflect changes in the ordinary course of business) (collectively, the "Financial Support Arrangements"); provided, however, that Buyer shall have no affirmative obligation to cause the unconditional release of Parent and its Affiliates from their obligations under any guarantees of lease obligations or any letters of credit. It is understood and agreed that in no event shall Buyer, the Company or any Subsidiary be obligated to pay any money to any Person to obtain any such unconditional release. It is further understood that following the Closing the outstanding letters of credit obligations of Parent and its Affiliates shall be subject to the Banks' first priority security interest in the inventory of the Company and the Subsidiaries.

(b) If, from and after the Closing, (1) any amounts are drawn or required to be paid under any Financial Support Arrangement by Parent or any of its Affiliates or (2) Parent or any of its Affiliates is required to pay any fees, costs or expenses under the terms of any Financial Support Arrangement, then Parent shall promptly provide Buyer with written evidence of the underlying payment obligation. Upon receipt of such notice, Buyer shall promptly (but in no event more than five Business Days after receipt of such written evidence) satisfy such payment obligation on behalf of Parent or its Affiliates, or, if Parent or any of its Affiliates has made such payments itself, Buyer shall reimburse Parent for such amounts promptly (but in no event more than five Business Days) after receipt from Parent of proof of payment.

(c) Any amount payable pursuant to Section 6.05(b) shall bear interest at the Reference Rate. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of 365 days and the actual number of days elapsed.

Section 6.06. Reimbursement of Payments by Parent. It is the intent of the parties that, except as contemplated by any of the Transaction Documents, all invoices relating to the Company or any of the Subsidiaries received after the Closing be paid by the Company or a Subsidiary (as opposed to Parent or any of its Affiliates) and, in furtherance of such intent, Parent will use its reasonable commercial efforts to promptly forward to the Company all invoices relating to the Company or any of the Subsidiaries which are received by Parent or any of its Affiliates after the Closing ("Post-Closing Invoices"). It is understood, however, that there may be circumstances in which, notwithstanding the use of such reasonable commercial efforts, Parent or one of its Affiliates will pay a Post-Closing Invoice on behalf of the Company or one of the Subsidiaries. It is agreed that Buyer shall reimburse Parent, or an Affiliate of Parent, as Parent may designate, for all amounts paid by Parent or any of its Affiliates in respect of Post-Closing Invoices within ten (10) days after receipt from Parent of a notice thereof accompanied by written evidence of the underlying payment (each, a "Payment Date"). If the Buyer fails to pay any payment within thirty (30) days of the relevant Payment Date, Buyer shall be obligated to pay, in addition to the amount due on such Payment Date, interest on such amount at the Reference Rate, plus 3% per annum compounded monthly from the relevant Payment Date through the date of payment. Notwithstanding the foregoing, Buyer shall have no obligation to reimburse Parent or any of its Affiliates for any payment made by Parent or any of its Affiliates in respect of any Post-Closing Invoice if Buyer or any of its Affiliates paid the same Post-Closing Invoice.

Section 6.07. Non-solicitation. Except as contemplated by any of the Transaction Documents, from, and until the expiration of 18 months from the date of this Agreement, neither Buyer nor any of its Affiliates shall, without the prior written approval of Parent, directly or indirectly solicit for employment any person who is an employee of Parent or any of its Affiliates with whom Buyer or its representatives had contact at any time during the process of Buyer considering, investigating, negotiating and consummating the transactions contemplated by this Agreement; provided that the foregoing shall not prohibit solicitation conducted through an independent employment or recruitment firm (so long as the firm was not directed to solicit such person or the personnel of Parent or its Affiliates generally) or as a result of the use of a general solicitation (such as an advertisement) not specifically directed to employees of Parent or its Affiliates.

Section 6.08. Proceeds From Credit Card Litigation. Buyer agrees that Parent shall be entitled to all proceeds, awards, judgments and settlements which are attributable to Parent, any of its Affiliates, the Company or any of the Subsidiaries in connection with the matters described in Appendix 6.08 (the "Credit Card Litigation"); provided that the Company, as a potential class member to the Credit Card Litigation, may pursue on its own behalf any proceeds, awards, judgments or settlements for any claims or damages that arise after the Closing Date. Parent, at its expense, shall control the prosecution of the Credit Card Litigation.

Section 6.09. Priority of Payments under Guaranteed Leases. From and after the Closing Date, Buyer agrees (a) to cause the Company to make all payments (whether directly to the master landlord under a Lease or to the sublessor under the Master Sublease, as the case may be) of rent and other monetary obligations under each Lease for which a guaranty by Parent is in effect (the "Guaranteed Leases"), and (b) all such payments with respect to such Guaranteed Leases shall be made by the Company prior to, or simultaneously with, any payments of rent or other monetary obligations under any Leases for which a guaranty by Parent is not in effect.

ARTICLE 7
Covenants of Buyer, Parent and Seller

Buyer, Parent and Seller agree that:

Section 7.01. Further Assurances. Subject to the terms and conditions of this Agreement, Buyer, Parent and Seller will use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable to consummate the transactions contemplated by the Transaction Documents on or prior to November 27, 2002. Parent, Seller and Buyer shall execute and deliver, and Parent and Seller, prior to the Closing, and Buyer, after the Closing, shall cause the Company and each Subsidiary to execute and deliver, such other documents, certificates, assignments, agreements and other writings and to take such other actions as may be necessary or appropriate in order to consummate or implement expeditiously the transactions contemplated by any of the Transaction Documents.

Section 7.02. Certain Filings. Parent, Seller and Buyer shall cooperate with one another (1) in determining whether any action by or in respect of, or filing with, any governmental body, agency, official or authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by any of the Transaction Documents and (2) subject to the terms and conditions of this Agreement, in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 7.03. Public Announcements. The parties shall consult with each other before issuing any press release or making any public statement with respect to any Transaction Document or the transactions contemplated thereby and will not issue any such press release or make any such public statement prior to such consultation. Notwithstanding the foregoing, except as provided by Section 6.02, no provision of this Agreement shall relieve Buyer or any of its Representatives (as such term is defined in the Confidentiality Agreement) from any of its obligations under the Confidentiality Agreement.

Section 7.04. Transition Services. At the Closing, the parties will enter into a Transition Services Agreement (the "Services Agreement"), the form of which is attached as Exhibit E.

Section 7.05. Store Leases Agreement. Prior to the Closing, the parties thereto will enter into a Store Leases Agreement (the "Store Leases Agreement"), the form of which is attached as Exhibit F.

Section 7.06. Securityholders Agreement. At the Closing, the parties will enter into a Securityholders Agreement (the "Securityholders Agreement"), the form of which is attached as Exhibit G.

Section 7.07. Covenant Agreement. At the Closing, the parties thereto will enter into a Covenant Agreement (the "Covenant Agreement"), the form of which is attached as Exhibit H.

Section 7.08. Master Sublease and Master Assignment. Prior to the Closing, the parties thereto will enter into a Master Sublease (the "Master Sublease"), the form of which is attached as Exhibit I and a Master Assignment and Assumption Agreement (the "Master Assignment"), the form of which is attached as Exhibit J.

Section 7.09. Cancellation of Related Party Agreements. Except as contemplated by any of the Transaction Documents, all Related Party Agreements shall be cancelled as of the Closing Date; provided that no Related Party Agreement by and between the Company or any Subsidiary, on the one hand, and the Company or any Subsidiary, on the other hand, shall be cancelled pursuant hereto.

Section 7.10. Intercompany Accounts. Except as contemplated by any of the Transaction Documents, (1) all intercompany accounts payable by Parent or any of its Affiliates, on the one hand, to the Company or any of the Subsidiaries, on the other hand, shall, immediately prior to the Closing, be distributed by the Company to Parent as a dividend, and (2) all intercompany accounts payable by the Company or any of the Subsidiaries, on the one hand, to Parent or any of its Affiliates, on the other hand, shall, immediately prior to Closing, be contributed by Parent to the capital of the Company.

Section 7.11. Amendment to Database Marketing Agreement. With respect to the Database Marketing Agreement, the parties agree as follows: (1) upon the request of Buyer and subject to the written approval of ADS, Parent shall enter into an amendment to the Database Marketing Agreement such that the Company shall no longer be involved in any manner in the matters addressed by or have any obligations (other than obligations arising prior to the effective date of such amendment) under the Database Marketing Agreement and all proprietary information of the Company or the Subsidiaries generated under or utilized in connection with the Database Marketing Agreement (including all data and other

information maintained by ADS under the Database Marketing Agreement that was generated from, or which relates to, (A) any of the Company's or any of the Subsidiaries' customers (including any credit card holders of the Company or any of the Subsidiaries), to the extent generated from the conduct of the business or operation of the Company or any of the Subsidiaries and not from the conduct of the business or operation of Parent or any of its other Affiliates), or (B) any transactions of or with the Company or any of the Subsidiaries) (collectively, "Company Proprietary Information") shall be delivered to the Company; and (2) until the Database Marketing Agreement is amended as contemplated by clause (1) or the expiration of the Database Marketing Agreement, (x) Parent shall pass through and the Company and the Subsidiaries shall have the right to receive the rights under and benefits of the Database Marketing Agreement that the Company had or received prior to the Closing (but only insofar relating to the Company Proprietary Information), (y) the Company shall pay to ADS the flat fee allocated under the ADS Marketing Agreement to the Company or any of the Subsidiaries in consideration for the benefits provided to the Company and the Subsidiaries thereunder, and (z) except as set forth below in this Section, no Company Proprietary Information shall be accessed or used by Parent or any of its Affiliates in any manner in connection with any business or operation of Parent or any of its Affiliates. The Company and the Subsidiaries may keep and continue to use after the execution of this Agreement all copies, extracts, printouts and other documents that have been generated under or utilized in connection with the Database Marketing Agreement ("Documents") within the possession of the Company or any of the Subsidiaries prior to the execution of this Agreement that encompass or include any proprietary information of Parent or any of its Affiliates, and Parent and its Affiliates may keep and continue to use after the execution of this Agreement all Documents within the possession of Parent or any of its Affiliates prior to the execution of this Agreement that encompass or include any Company Proprietary Information.

Section 7.12. Company Websites. Parent and Seller acknowledge and agree that prior to the date of this Agreement, Parent has performed, or arranged for the performance of, certain development work for the Company in connection with certain internet websites or portion(s) thereof currently owned and operated by the Company and the Subsidiaries, or owned and operated by Parent or one of its subsidiaries exclusively on behalf of the Company and the Subsidiaries (collectively, "Company Websites"). Effective as of the Closing Date, Parent hereby grants, assigns and transfers to the Company (x) all content that is incorporated into or used in any Company Website prior to the Closing Date, and (y) all other Intellectual Property which is owned by Parent and was created by, or on behalf of, Parent, for exclusive use in connection with any Company Websites (which Company Websites are exclusively related to the Company or the Subsidiaries) prior to the Closing Date and which is incorporated into or used in the Company Websites prior to the Closing Date. Effective as of the Closing Date, to the extent that any Intellectual Property used in the Company Websites is not owned by Parent, or is not used exclusively in the Company Websites, Parent hereby grants to the Company a perpetual, nonexclusive, royalty-free, irrevocable,

fully transferable license to use any such Intellectual Property (which Parent has the right to license) which is incorporated into or used in the Company Websites prior to the Closing Date. Upon the Company's request, Parent shall confirm the foregoing assignment by execution and delivery of such further assignments, confirmations or other written instruments as the Company may reasonably request.

Section 7.13. Retained Landlord Claims. It is further understood and agreed that (i) effective at Closing, the Company and the Subsidiaries shall assign to Parent all of their rights to pursue claims for overpayments in respect of any of the Leases to the extent, but only to the extent, such overpayments relate to payments made prior to the Closing in respect of periods prior to the Closing (the "Retained Landlord Claims") and (ii) at and after the Closing, the Company and the Subsidiaries shall execute such additional written assignments or other agreements as Parent shall reasonably request to implement or evidence the assignment of the Retained Landlord Claims. Without limiting the generality of the foregoing, it is understood and agreed that Parent (i) at its expense, shall control the pursuit of any and all Retained Landlord Claims and shall be entitled to pursue and control the prosecution of litigation or similar proceedings in respect of any such Claim and (ii) shall be entitled to all proceeds, awards, judgments and settlements in respect of any Retained Landlord Claims; provided that if, in connection with the pursuit of a Retained Landlord Claim, it is determined that rent, additional rent or percentage rent (however characterized) due and payable prior to the Closing in respect of the relevant lease was not paid in full prior to the Closing (a "Delinquent Payment"), Parent shall be responsible for such Delinquent Payment.

Section 7.14. Retained Owned Real Property.

(a) Prior to the Closing, Seller shall cause the property located at 6107-6109 Penn Avenue, Pittsburgh, Pennsylvania and to be transferred by quitclaim deed from Lerner New York, Inc. to Seller or one of its Affiliates (the "Retained Owned Real Property").

(b) Prior to the Closing, Seller shall cause the store leases described in the Retained Leases Assignment and Assumption Agreement to be assigned from Lerner New York, Inc. to Parent pursuant to that certain Retained Leases Assignment and Assumption Agreement in the form attached hereto as Exhibit K.

ARTICLE 8
Tax Matters

Section 8.01. Tax Representations. Parent and Seller represent and warrant to Buyer as of the date hereof and as of the Closing that, except as set forth in the Balance Sheet (including the notes thereto) or in Section 8.01 of the Disclosure Schedule, (1) all Tax returns, statements, reports and forms (collectively, "Returns") that are material and have been or are required to be

filed with any Taxing Authority by, or with respect to, the Company or any Subsidiary on or before the Closing Date (taking into account any duly obtained extensions) have been, or will be, timely filed, (2) the Company and the Subsidiaries (or, in the case of a Return of a Limited Tax Group, Parent) have timely paid all Taxes shown as due and payable on the Returns that have been filed, and all material Taxes due and owing on or prior to the Closing Date (whether or not reflected on a Return) have been, or will be, timely paid, (3) the Returns that have been filed are accurate and complete in all material respects, (4) the charges and accruals for Taxes with respect to the Company and the Subsidiaries reflected on the books of the Company and the Subsidiaries are adequate to cover material Tax liabilities accruing through the end of the last period for which the Company and the Subsidiaries ordinarily record items on their respective books, (5) there is no action, suit, proceeding, investigation, audit or claim now proposed or pending against or with respect to the Company or any Subsidiary in respect of any material Tax or any escheat liability, (6) there are no material liens or security interests on any of the assets of the Company or any Subsidiary, in each case that arose in connection with any failure (or alleged failure) to pay any Tax when due and payable, (7) the Company and the Subsidiaries have withheld and paid in all material respects all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, (8) the Company and the Subsidiaries have not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency and (9) Seller is not and will not be on the Closing Date a foreign person within the meaning of Section 1445 of the Code.

Section 8.02. Tax Covenants. Buyer and Parent agree to make a timely, effective and irrevocable election under Section 338(h)(10) of the Code and under any comparable statutes in any other jurisdiction with respect to the Company and each of its corporate Subsidiaries (all such elections, collectively, the "Section 338(h)(10) Election"), and to file such election in accordance with applicable regulations. Immediately following an agreement on the Price Allocation (as defined below), Parent shall deliver to Buyer two executed Internal Revenue Service Forms 8023 with respect to the Company and its corporate Subsidiaries. The Section 338(h)(10) Election shall properly reflect the Price Allocation. Buyer shall use commercially reasonable efforts to deliver to Parent within 90 days after the Closing Date, but in any event within 120 days after the Closing Date, a statement (the "Allocation Statement") allocating the ADSP (as such term is defined in Treasury Regulations Section 1.338-4) of the assets of the Company and the Subsidiaries in accordance with the Treasury regulations promulgated under Section 338(h)(10). In the event that Parent and Seller transfer assets to Buyer under Section 5.11, the Allocation Statement and Price Allocation will include an allocation to each such asset. If within 30 days after receipt of the Allocation Statement Parent notifies Buyer in writing that in Parent's judgment, the allocation of one or more items reflected in the Allocation Statement is not a reasonable allocation, Buyer and Parent will use their reasonable best efforts to resolve such dispute. If Buyer and Parent fail to resolve

such dispute within 30 days, then: (1) Buyer and Parent within five days after such 30-day period expires shall select a nationally recognized accounting firm which is reasonably acceptable to Buyer and Parent and which has no material relationship with Buyer or Parent (the "Accounting Referee"); (2) the Accounting Referee shall determine whether the allocation was reasonable and, if not reasonable, shall appropriately revise the Allocation Statement; and (3) the costs, fees and expenses of the Accounting Referee shall be borne equally by Buyer and Parent. If Parent does not respond within 30 days, or upon resolution of the disputed items, the allocation reflected on the Allocation Statement (as such may have been adjusted) shall be the "Price Allocation" and shall be binding on the parties hereto. Parent and Buyer agree to act, and to cause their respective Affiliates to act, in accordance with the Price Allocation in the preparation, filing and audit of any Return.

(b) Buyer covenants that it will not and will not cause or permit the Company, any Subsidiary or any Affiliate of Buyer to (1) take any action on the Closing Date other than in the ordinary course of business (except, for the avoidance of doubt, that the parties will make the Section 338(h)(10) Election as provided herein), including the distribution of any dividend or the effectuation of any redemption, that could give rise to any increased Tax liability or reduce any Tax Asset of Parent, Seller, or any other member of a Limited Tax Group or (2) make (other than the Section 338(h)(10) Election) or change any Tax election or amend any Return that results in any material increase in any Tax liability, or any material reduction of any Tax Asset, of Parent, Seller or any other member of a Limited Tax Group with respect to a Pre-Closing Tax Period. Buyer covenants that it will not undertake any liquidation or merger or otherwise cease the corporate existence of Buyer in a manner that would cause the Section 338(h)(10) Election to be invalid. Parent covenants that it will not take any action that, or fail to take any action the omission of which, would cause the Section 338(h)(10) Election to be invalid. Notwithstanding anything to the contrary in this Agreement, Buyer may make or change any election, amend any Return or take any Tax position on any Return, take any action, omit to take any action, or enter into any transaction, merger or restructuring if, and to the extent that, Buyer determines in good faith that such election, change, amendment, position, action, omission, or entering is required by any law, rule or regulation. Buyer agrees that Parent and its Affiliates are to have no liability for (1) any Tax resulting from any action referred to in the first or second sentence of this Section 8.02(b) of the Company, any Subsidiary, Buyer or any Affiliate of Buyer (except to the extent that such Tax results from any action referred to in the fourth sentence of this Section 8.02(b)) or resulting from any other breach by Buyer or any of its Affiliates (including, after the Closing, the Company and the Subsidiaries) of their obligations under this Article 8, (2) any Tax imposed on the Company or any Subsidiary for any period or portion thereof beginning after the Closing Date that is not subject to Parent's indemnification obligation under Section 8.04(a) or 11.02 and (3) any liabilities, costs, expenses (including reasonable expenses of investigation and attorney's fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment

or assertion of any such Tax, and Buyer agrees to indemnify and hold harmless Parent and its Affiliates against any amount described in the immediately preceding clauses (1), (2) or (3). Parent agrees to give prompt notice to Buyer of the assertion of any claim, or the commencement of any action or proceeding, in respect of which indemnity may be sought under this Section 8.02(b). Buyer shall not be liable under this Section 8.02(b) for any amount arising out of a contest or proceeding of which Buyer was not notified as required under this Section 8.02(b) to the extent that the failure to so notify Buyer materially prejudiced Buyer. To the extent that a suit, action, or proceeding in respect of which indemnity may be sought under this Section 8.02(b) is brought against Parent, Seller or any of their Affiliates (not including the Company, any of the Subsidiaries, Buyer or any Affiliate of Buyer), then Buyer may participate in any such suit, action or proceeding at its own expense and the parties hereto shall cooperate in the defense or prosecution thereof; provided, however, that if such suit, action or proceeding is brought in respect of a Limited Tax Group, Parent will have sole control of the conduct thereof. To the extent that such suit, action, or proceeding is brought against the Company, any of the Subsidiaries, Buyer, or any Affiliate of Buyer (but not Parent, Seller or their Affiliates), then Parent may participate in any such suit, action, or proceeding at its own expense and the parties hereto shall cooperate in the defense or prosecution thereof; provided, however, that, subject to Section 8.04(d), Buyer will have sole control of the conduct thereof.

(c) Parent shall prepare (in a manner that complies with its obligations under Section 8.02(a)) and timely file (1) all Returns of any Limited Tax Group including the Company or any Subsidiary for all Tax periods and (2) all separate Returns required to be filed by the Company or any Subsidiary for Pre-Closing Tax Periods (other than those that are part of Straddle Periods). Buyer shall, and shall cause its Affiliates, the Company and the Subsidiaries of the Company to provide, with reasonable promptness in accordance with past practice, any information and records reasonably requested by Parent for purposes of preparing the Returns of the Limited Tax Group. Buyer and its Affiliates (including, after the Closing, the Company and the Subsidiaries) hereby authorize and appoint as their agent Parent (and any other person it may designate) to complete and file on their behalf the Returns specified in this Section 8.02(c), and they shall take such further actions as Parent reasonably requests to evidence such authority (including executing powers of attorney). In the event that Parent pays a Taxing Authority an Operational Tax for a Pre-Closing Tax Period that is actually included as a liability in Final Closing Net Working Capital, Buyer will reimburse Parent for such amount promptly upon receipt of written notice of such payment from Parent (accompanied by reasonable corroborating documentation from Parent) stating that such a payment has been made; provided, however, that the cumulative amount of any such payments by Buyer and any reduction in Parent's obligations under Section 8.02(d) shall not exceed (x) the aggregate amount of the Operational Tax liabilities actually included in the calculation of Final Closing Net Working Capital minus (y) any amounts paid or payable by Buyer, or by the Company or the Subsidiaries on or after the Closing Date, to a Taxing Authority of Operational Tax in respect of any Pre-Closing Tax Period.

(d) Buyer shall (1) prepare and timely file all separate Returns required to be filed by the Company or any Subsidiary for Straddle Periods, (2) prepare such Returns in a manner consistent with past practice and without a change of any election or any accounting method, except to the extent that Buyer determines in good faith that a change in any such practice, election or method is required by any law, rule or regulation and (3) submit to Parent such Returns (together with any accompanying schedules, statements and, to the extent requested by Parent, supporting documentation) at least 30 days prior to the due date (including extensions) for such Return. Parent shall have the right, at Parent's expense, to review all work papers and procedures used to prepare any such Return. If Parent, within 10 days (15 days in the case of income tax returns) after delivery of any such Return, notifies Buyer in writing that it objects to any items in such Return, the disputed items shall be resolved by the parties (within a reasonable time, taking into account the deadline for filing such Return). Upon resolution of all such items, the relevant Return shall be adjusted to reflect such resolution and shall be binding upon the parties without further adjustment. Parent shall promptly pay to Buyer an amount equal to the Tax that is allocable or related to the portion of the Straddle Period ending at the end of the Closing Date, as calculated under the principles set forth in Section 8.04 ("Pre-Closing Straddle Tax"), except that, in the case of an Operational Tax, the cumulative amount payable by the Parent under this Section 8.02(d) shall be reduced by (A) the aggregate amount of Operational Tax liabilities actually included in the calculation of Final Closing Net Working Capital minus (B) the sum of the amounts paid or payable to Parent by Buyer under Section 8.02(c) and any amounts paid or payable by Buyer, or by the Company or the Subsidiaries on or after the Closing Date, to a Taxing Authority of Operational Tax in respect of any Pre-Closing Tax Period as described in Section 8.02(c). Any payment by Parent pursuant to this Section shall be made not later than 30 days after receipt by Parent of written notice from Buyer (accompanied by reasonable, corroborating documentation) stating that an amount is due under this Section 8.02(d).

(e) Buyer shall promptly pay or cause to be paid to Parent all refunds of Taxes and interest thereon received by Buyer, any Affiliate of Buyer, the Company or any Subsidiary of the Company from a Taxing Authority that are attributable to Taxes paid by Parent, Seller, the Company or any Subsidiary of the Company (or any predecessor or Affiliate of Parent) with respect to any Pre-Closing Tax Period to the extent that any such amounts were not included in Final Closing Net Working Capital. Any refunds of Tax attributable to the Company or any Subsidiary and not described in the preceding sentence shall be for the account of the Company or such Subsidiary, and if Parent or any Affiliate receives any such refund (or interest thereon), it shall promptly remit the same to Buyer. If, in lieu of receiving a refund for Taxes with respect to a Pre-Closing Tax Period, Buyer is required by a Taxing Authority or elects to reduce a Tax liability or increase a Tax Asset, Buyer shall pay or cause to be paid to Parent the amount of such reduction or increase, and such amount will be payable at such time when, on a cash basis, Buyer benefits from such reduction or increase.

(f) All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with transactions contemplated by this Agreement (including any real property transfer Tax and any similar Tax) (all such Taxes, "Transfer Taxes") shall be paid by the party having liability therefor under applicable Law (or, if both Buyer or one of its Affiliates, on the one hand, and Parent or one of its Affiliates, on the other hand, have liability under applicable Law, then 50% of such Tax shall be paid by Buyer and the remaining 50% shall be paid by Parent), and such party (or, in the case of Taxes paid by both Buyer and Parent, both parties) will file all necessary Returns and other documentation with respect to all such Taxes and fees, and, if required by applicable Law, the other party will, and will cause its Affiliates to, join in the execution of any such Returns and other documentation; provided that Buyer, on one hand, and Parent, on the other hand, will each bear 50% of the economic burden of any Transfer Tax and of the expenses of preparing and filing all necessary Transfer Tax Returns and other documentation, and Parent and Buyer shall make all such payments to one another as are necessary to achieve such allocation of such economic burden; provided further that a reasonable period of time in advance of paying any Transfer Tax or filing any related Return or other documentation, the parties will consult with one another in good faith in order to agree whether the payment of such Transfer Tax or filing of such Return or other documentation is required under applicable Law. The provisions of this Section 8.02(f), and no other provision (including Section 8.04), will govern the allocation between the parties of the economic burden of Transfer Taxes, except to the extent provided in Section 8.04(a)(5).

Section 8.03. Tax Sharing. (a) Any and all Tax sharing, Tax indemnity or Tax allocation agreements or arrangements between the Company or any Subsidiary of the Company on the one hand and Parent, any Affiliate of Parent or any other member of any Limited Tax Group on the other hand shall be terminated on the day before the Closing Date. After such date neither the Company, any Subsidiary of the Company, Parent nor any Affiliate of Parent shall have any further rights or liabilities thereunder.

(b) Parent shall file Returns claiming (1) the tax deductions for compensation expense attributable to the exercise of options to purchase Parent's common stock or the vesting of Parent's restricted stock; or (2) any other similar compensation-related tax deductions that relate to Parent's stock, except with respect to any such stock contributed at any time to the Savings and Retirement Plan on behalf of Covered Employees (as such terms are defined in Article 9). The Returns of the Limited Tax Group and Buyer and its Affiliates (including, after the Closing, the Company and the Subsidiaries) shall reflect the entitlement of the Limited Tax Group to such deductions. Buyer and its Affiliates (including, following the Closing Date, the Company and the Subsidiaries) shall not claim the deductions described in clause (1) or clause (2) of this Section 8.03(b) .

Section 8.04. Indemnification by Parent. Parent and Seller jointly and severally hereby indemnify Buyer and its Affiliates (which Affiliates shall

include the Company and the Subsidiaries) against and agree to hold them harmless from any (1) Tax of the Company or any Subsidiary of the Company described in clause (1) of the definition of Tax that relates to a Pre-Closing Tax Period, (2) Tax described in clause (2) of the definition of Tax (including any such Tax under Treasury regulation Section 1.1502-6 or similar provisions of state or local law), (3) Tax of the Company or any Subsidiary of the Company described in clause (3) of the definition of Tax to the extent that the obligation to indemnify was entered into, or the assumption of, or succession to, liability, occurred, prior to the Closing, (4) Tax resulting from the Section 338(h)(10) Election (other than Transfer Taxes and Operational Taxes, which are the subject of Clause (5)), (5) notwithstanding anything in Section 8.02(f) to the contrary, Transfer Taxes and Operational Taxes to the extent that the amount of those Taxes incurred exceeds the amount of Transfer Taxes and Operational Taxes that would have been incurred if the Section 338(h)(10) Election had not been made, (6) Tax that results from any breach by Parent or any of its Affiliates of their obligations under this Article 8 (other than Section 8.01) and (7) liabilities, costs and expenses (including reasonable expenses of investigation and attorneys' fees and expenses) arising out of or incident to the imposition, assessment or assertion of any Tax described in the immediately preceding clauses (1), (2), (3), (4), (5) or (6), including those liabilities, costs and expenses incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, in each case incurred or suffered by Buyer, any of its Affiliates or, effective upon the Closing, the Company or any Subsidiary (the sum of (1), (2), (3), (4), (5), (6) and (7) being referred to as a "Tax Loss"); provided that Parent shall be obligated to make payments to Buyer in respect of an Operational Tax pursuant to Section 8.04(a)(1) only to the extent that the cumulative amount that would otherwise be payable by Parent pursuant to Section 8.04(a)(1) in respect thereof (notwithstanding this proviso) is greater than the excess of (x) the aggregate amount of Operational Tax liabilities actually included in the calculation of Final Closing Net Working Capital minus (y) the sum of any payments made by or payable by Buyer, or by the Company or the Subsidiaries after the Closing Date, to Parent under Section 8.02(c) or to a Taxing Authority under Section 8.02(d) in respect of any Operational Tax for any Pre-Closing Tax Period. For the avoidance of doubt, the indemnities of Parent contained in this Section 8.04 shall not be subject to any of the limitations contained in Section 11.02.

(b) For purposes of this Section 8.04 (and, to the extent applicable, Section 8.02(d)), in the case of any Tax, that is payable for a Straddle Period, the portion of such Tax related to the portion of such Straddle Period ending at the end of the Closing Date shall (x) in the case of any Tax that is based on or related to income, be deemed equal to the amount which would be payable if the relevant period ended at the end of the Closing Date, (y) in the case of any Tax that is a sales or use tax, be determined based on a closing of the books, and (z) in the case of any other Tax, be equal to the amount of such Taxes for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days during the Straddle Period that are on or before the Closing Date and the

denominator of which is the number of days in the Straddle Period. All determinations necessary to give effect to the foregoing allocations shall be made in a manner that is consistent with the Section 338(h)(10) Election and with the prior practice of the Company and the Subsidiaries.

(c) Any payment by Parent pursuant to this Section 8.04 shall be made not later than 30 days after receipt by Parent of written notice from Buyer (accompanied by reasonable, corroborating documentation) stating that any Tax Loss has been paid by Buyer, any of its Affiliates or former Affiliates or, effective upon the Closing, the Company or any Subsidiary of the Company and the amount thereof and of the indemnity payment requested.

(d) If any claim or demand for Taxes in respect of which indemnity may be sought pursuant to this Section 8.04 is asserted against Buyer, any of its Affiliates or, effective upon the Closing, the Company or any Subsidiary of the Company, Buyer shall notify Parent of such claim or demand within 10 days of receipt thereof, or such earlier time that would allow Parent to timely respond to such claim or demand, and shall give Parent such information with respect thereto as Parent may reasonably request. Parent may discharge, at any time, its indemnification obligation under this Section 8.04 by paying to Buyer the amount of the applicable Tax Loss, calculated on the date of such payment or, if greater, as of the first day on which full payment may be made to the applicable Taxing Authority in connection with a Final Determination in a manner that holds Buyer and its Affiliates harmless. Parent may, at its own expense, participate in and, upon notice to Buyer, assume the defense of any such claim, suit, action, litigation or proceeding (including any Tax audit); provided that in the case of federal or state income Taxes of a Limited Tax Group, Parent shall assume the defense of any such claim, suit, action, litigation, or proceeding (including any Tax audit). If Parent assumes such defense, Parent shall be entitled to control the claim, suit, action, litigation or proceeding (including any Tax audit), but shall not settle, resolve, admit or conclude any item in such claim, suit, action, litigation or proceeding (including any Tax audit) in a manner that could legally bind with adverse effect Buyer, the Company or their Affiliates with respect to any Tax period or portion thereof that begins on or following the Closing Date. Without limiting the foregoing, Parent shall not agree to adjust an item of the Company or the Subsidiaries for a Pre-Closing Tax Period to the extent such adjustment would require an adjustment to an item of the Company or the Subsidiaries in any Tax period beginning on or following the Closing Date that could reasonably be expected to result in an increase in the Tax liability of Buyer, the Company or their Affiliates with respect to such Tax period. Buyer shall have the right (but not the duty) to participate in the conduct thereof and to employ counsel, at its own expense, separate from the counsel employed by Parent. Whether or not Parent chooses to defend or prosecute any claim, all of the parties hereto shall cooperate in the defense or prosecution thereof. Parent shall not be liable under this Section 8.04 for any amount arising out of a contest or proceeding of which Parent was not notified as required under this Section 8.04(d) to the extent that the failure to so notify Parent materially prejudiced Parent.

(e) Any amount paid to or by Parent or Seller under Article 8 or Article 11 will be treated as an adjustment to the Purchase Price unless a Final Determination causes any such amount not to constitute an adjustment to the Purchase Price for federal Tax purposes. In such event, Buyer, Parent or Seller, as the case may be, shall pay an amount that reflects the hypothetical Tax consequences of the receipt or accrual of such payment, using the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to the recipient of such payment for the relevant year, reflecting for example, the effect of deductions available for interest paid or accrued and Taxes such as state and local income Taxes.

ARTICLE 9
Employee Benefits

Section 9.01. Employee Benefits. The following terms, as used herein, having the following meanings:

"Benefit Arrangement" means each employment, severance, continuation pay, termination pay, layoff, or other similar written contract, arrangement or policy and each written plan or arrangement providing for health, medical, life or other welfare benefit insurance coverage (including any insured, self-insured or other arrangements), disability benefits, supplemental unemployment benefits, holiday, dependent care assistance, education or vacation benefits, retirement benefits or deferred compensation, profit-sharing, bonuses, stock options, stock purchase, stock appreciation or other material benefits or forms of compensation or post-retirement insurance or benefits which (1) is not an Employee Plan, (2) is or has been entered into, maintained, administered or contributed to, as the case may be, by Parent, any of its Affiliates, the Company or any Subsidiary and (3) covers any Company Employee.

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code and any similar state Laws.

"Company Employee" means each individual who is a current or former employee of the Company or any Subsidiary, and each employee of Parent or Seller listed on Section 9.03(a)(i) of the Disclosure Schedule.

"Employee Plan" means each "employee benefit plan," as such term is defined in Section 3(3) of ERISA, which (1) is subject to any provision of ERISA, (2) is or has been entered into, maintained, administered or contributed to, as the case may be, by Parent, any of its Affiliates or the Company or any Subsidiary and (3) covers any Company Employee.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" of any entity means any other entity which, together with such entity, would be treated as a single employer under Section 414 of the Code.

"Lerner Plan" means the Pension Plan of Local 1102 Pension Fund (Lerner Employees) as Amended and Restated Effective January 1, 1997 (Including Amendments through November 20, 2001).

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
ABO	9.05
Buyer's Welfare Benefit Plans	9.03
Covered Employee	9.03
Defined Benefit Plan	9.02
Multiemployer Plan	9.02
New Plan	9.05
Plan Assets	9.05
Returned Employee	9.03
Savings and Retirement Plan	9.04
Seller Investments	9.04
Short-Term Inactive Employees	9.03
SRP	9.05
SRP Participants	9.05
Successor Plan	9.04
Successor Plan Parties	9.04

Section 9.02. ERISA Representations. Parent and Seller represent and warrant to Buyer that:

(a) Section 9.02(a) of the Disclosure Schedule sets forth an accurate and complete list of each Employee Plan which does not include the arrangement described in Section 9.02(a)-1 of the Disclosure Schedule. With respect to each such Employee Plan, Parent has furnished to Buyer an accurate and complete copy of the plan document and any associated trust agreement, the most current summary plan description (and any summary of material modifications thereto), the most recently filed Form 5500 (and any schedules attached thereto), and the most recent Internal Revenue Service determination letter, as applicable, of each such Employee Plan. Except with respect to the arrangement set forth on Section 9.02(a)-1 of the Disclosure Schedule, each Employee Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations, including ERISA and the Code, and any applicable collective bargaining agreement.

(b) Section 9.02(b) of the Disclosure Schedule sets forth each Benefit Arrangement. Parent has furnished to Buyer accurate and complete copies of each such Benefit Arrangement and the most current summary (if any) distributed to Company Employees of each such Benefit Arrangement. Except with respect to the arrangement set forth on Section 9.02(a)-1 of the Disclosure Schedule, each Benefit Arrangement has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable Laws and any applicable collective bargaining agreement.

(c) The Internal Revenue Service has issued a favorable determination letter with respect to each Employee Plan that is intended to qualify under Section 401(a) of the Code, and, to the Knowledge of Parent and Seller, except with respect to the arrangement set forth on Section 9.02(a)-1 of the Disclosure Schedule, no event has occurred after the date of such letter that would cause or could reasonably be expected to cause the disqualification of such Employee Plan.

(d) Except as set forth on Section 9.02(d) or with respect to the arrangement set forth on Section 9.02(a)-1 of the Disclosure Schedule, none of Parent or any ERISA Affiliate of Parent, the Company or any Subsidiary has within the past six years made any contributions (or has been obligated to make any contributions) to a "Multiemployer Plan," as defined in Section 3(37) of ERISA or to a "Defined Benefit Plan," as defined in Section 3(35) of ERISA. None of Parent or any ERISA Affiliate of Parent, the Company or any Subsidiary has any liability with respect to a Multiemployer Plan or a Defined Benefit Plan that has not been satisfied in full prior to the Closing Date (other than contributions or premium payments not yet due), and none of Parent or any ERISA Affiliate of Parent, the Company or any Subsidiary is bound by any contract or agreement or has any obligation or liability under Section 4204 of ERISA.

(e) There are no Employee Plans or Benefit Arrangements that provide (or will provide) medical, life insurance, death benefits or any other welfare-type benefits with respect to former employees (including retirees and dependents of former employees and retirees) of the Company or any Subsidiary, other than benefits that are required to be provided pursuant to COBRA.

(f) The consummation of the transactions contemplated by this Agreement will not, separately or together, (1) except as set forth on Section 9.02(f) of the Disclosure Schedule, entitle any Company Employee to receive from Parent, the Company or any Subsidiary severance pay, unemployment compensation, or any other payment, or (2) accelerate the time of payment or vesting of, or increase the amount of, compensation due from Parent, the Company or any Subsidiary to any such Company Employee or director of the Company or any Subsidiary.

(g) Except as set forth on Section 9.02(g) of the Disclosure Schedule, there are no material actions, suits or claims (other than routine claims for

benefits) pending or, to the Knowledge of Parent and Seller, threatened against any Employee Plan or Benefit Arrangement or any assets of an Employee Plan or Benefit Arrangement.

(h) Except with respect to the arrangement set forth on Section 9.02(a)-1 of the Disclosure Schedule, all contributions (including all employer contributions and employee salary reduction contributions) that are due have been made within the time periods prescribed by ERISA and the Code to each Employee Plan or Benefit Arrangement (as applicable) which is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA), and all contributions for any period ending on or prior to the Closing Date which are not yet due have been made or will be made to such Employee Plan or Benefit Arrangement. All premiums or other payments required to be paid for all periods ending on or before the Closing Date have been paid or will be paid with respect to each Employee Plan or Benefit Arrangement (as applicable) that is an "employee welfare benefit plan" (as such term is defined in Section 3(1) of ERISA).

(i) To the Knowledge of Parent and Seller, with respect to any Employee Plan, Benefit Arrangement, or any other employee benefit plan (within the meaning of Section 3(3) of ERISA) that Parent or any ERISA Affiliate of Parent maintains, to which any of them contributes or has any obligation to contribute, or with respect to which any of them has any liability or potential liability, except with respect to the arrangement described in Section 9.02(a)-1 of the Disclosure Schedule there have been no "prohibited transactions" (within the meaning of Section 406 of ERISA and Section 4975 of the Code), and no "fiduciary" (within the meaning of Section 3(21) of ERISA) has any liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of any Employee Plan or Benefit Arrangement.

(j) Parent and each ERISA Affiliate of Parent have complied in all material respects with the requirements of COBRA.

Section 9.03. Welfare Plans Following the Closing. (i) Effective upon the Closing or at the end of the transition service period for employee benefits set forth in Schedule I of the Services Agreement, Buyer shall provide the Covered Employees with coverage under the applicable employee welfare benefit plans (as defined in Section 3(l) of ERISA) sponsored by Buyer (collectively called "Buyer's Welfare Benefit Plans"). For purposes of this Agreement, a "Covered Employee" means each individual who is employed by the Company or the Subsidiaries on the Closing Date and each individual listed on Section 9.03(a)(i) of the Disclosure Schedule. (ii) Notwithstanding the foregoing, individuals who are employed by the Company or any Subsidiary immediately prior to the Closing but who commenced a disability leave prior to the 270-day period ending on the Closing Date shall not be deemed "Covered Employees" for any purpose under this Agreement and shall continue to receive or be eligible to receive the long-term disability benefits (and any other employee benefits to

which they may be entitled) from Parent at the sole cost and expense of Parent. Individuals who are employed by the Company or any Subsidiary immediately prior to the Closing but who commenced a disability leave within the 270-day period ending on the Closing Date, or who on the Closing Date are on short-term disability leave (collectively, "Short-Term Inactive Employees") shall, subject to the following provisions, be deemed employees of the Company and, with the full cooperation of Parent, the Company shall make available to Short-Term Inactive Employees such disability benefits as they were receiving immediately prior to the Closing Date; provided that Parent shall be solely responsible for procuring long-term disability coverage for any Short-Term Inactive Employee who is or becomes eligible therefore. Those Short-Term Inactive Employees who are able to return, and do in fact present themselves to the Company seeking to return, to active employment with the Company or any Subsidiary within 270 days following the commencement of any disability leave will become Covered Employees (such Short-Term Inactive Employees, collectively, "Returned Employees") for all purposes of this Article 9 effective on the date of such return. The Company shall provide to Parent the name of each Returned Employee promptly following the date such Returned Employee returns to work. In consideration of the foregoing, Parent shall be solely responsible for payment of that portion of the actual cost of salary continuation expenses, separation payments, disability benefits and health care benefits paid or made available by the Company to Short-Term Inactive Employees during the period commencing on the Closing Date through such 270-day period in an amount which is equal to the sum of (x) and (y), where (x) is the amount by which such costs exceed $250,000 in the aggregate for all Returned Employees and (y) is the amount of such costs for all Short-Term Inactive Employees who do not become Returned Employees. Parent shall also be solely responsible for all costs and expenses related to any disability benefit payment that any Short-Term Inactive Employee or Covered Employee is entitled to receive for any period prior to the Closing Date. All costs incurred with respect to the Short-Term Inactive Employees shall be initially paid by Parent, provided that Parent shall be entitled to reimbursement from the Company of such costs incurred on or after the Closing Date with respect to a Returned Employee (to the extent such costs do not exceed $250,000 in the aggregate for all Returned Employees) upon submission of an invoice to the Company following the return to employment with the Company of such Returned Employee. In addition, following the expiration of the 270-day period described above, Parent shall be solely responsible and shall bear all costs and expenses for any employee benefits and payments to which any Short-Term Inactive Employees who do not become Returned Employees may be entitled. Covered Employees shall be eligible to participate in Buyer's Welfare Benefit Plans on any such return subject to Buyer's right to modify or eliminate any employee benefit plan or program maintained by it at any time.

(b) Buyer shall credit the Covered Employees for service with Seller and its Affiliates and the Company and Subsidiaries prior to the Closing Date for purposes of eligibility to participate in, and to receive benefits under, Buyer's Welfare Benefit Plans; provided, however, that such service credit was recognized

under the analogous welfare benefit plan in which the Covered Employees participated immediately prior to the Closing; provided further that all employees of the Company or any Subsidiary shall be employees at will of the Company or any Subsidiary, and nothing contained in this Section 9.03 or elsewhere in this Agreement shall be construed to prevent the termination of employment of any such employee, any change in the compensation or employee benefits available to any such employee, or the amendment or termination of any particular employee benefit plan to the extent permitted by its terms.

(c) Buyer covenants that Buyer's Welfare Benefit Plans shall credit each Covered Employee for any coinsurance or deductibles paid prior to the date the Covered Employee becomes a participant in Buyer's Welfare Benefit Plans, if any, with respect to the calendar year in which such participation commences. Such credit shall be given for the purpose of satisfying any applicable coinsurance or deductible requirements under any of Buyer's Welfare Benefit Plans in which the Covered Employee is eligible to participate after the Closing Date.

(d) Buyer covenants that Buyer's Welfare Benefit Plans shall not treat any transaction contemplated hereby as an event which, in and of itself, would cause the Covered Employees to be subject to any preexisting condition limitation and shall otherwise satisfy the requirements of COBRA (solely with respect to the Covered Employees who experience a qualifying event after the Closing Date).

(e) INTENTIONALLY OMITTED.

(f) Parent shall be responsible for all benefits, obligations and liabilities related to the employment or termination of employment of any Covered Employee or any other individual by Parent and its ERISA Affiliates which arise or are attributable to periods prior to the Closing (including all liabilities, costs, claims and other obligations under any Employee Plan or Benefit Arrangement and regardless of when such benefits, obligations and liabilities are reported). For purposes of this Section 9.03(f), (A) a life insurance claim shall be deemed to arise or be attributable to the period prior to the Closing if the death occurs prior to the Closing, (B) disability claim shall be treated in accordance with Section 9.03(a) and (C) all other claims shall be deemed to arise or be attributable to the period prior to the Closing if the services or products (including doctors' services or products, hospital services or products, and pharmacy services or products) that are the subject of the claim are performed, provided or purchased prior to the Closing.

(g) Notwithstanding any other provision of this Section 9.03, immediately prior to the Closing, Parent shall transfer to the Company each Employee Plan in which only Covered Employees participate immediately prior to the Closing and which is listed on Section 9.03(g) of the Disclosure Schedule.

(h) The Company's obligations under this Section 9.03 are in addition to the Company's obligations under Section 9.04 and Section 9.05.

Section 9.04. Savings and Retirement Plan. (a) On or prior to the Closing Date or as soon as practicable thereafter, Parent shall cause the trustee of Parent Savings and Retirement Plan (the "Savings and Retirement Plan") to segregate the assets of such Savings and Retirement Plan representing the full account balances of the Covered Employees as of the Closing, make any and all filings and submissions to the appropriate governmental agencies arising in connection with such segregation of assets and make all necessary amendments to such Savings and Retirement Plan and related trust agreement to provide for such segregation of assets and the transfer of assets as described below. The manner in which the account balances of the Covered Employees under the Savings and Retirement Plan are transferred shall not be affected by such segregation of assets.

(b) Buyer shall designate a tax-qualified defined contribution plan (the "Successor Plan") to accept the transfer of assets as described herein and agree to take all necessary action, if any, to qualify such plan under the applicable provisions of the Code and shall make any and all filings and submissions to the appropriate governmental agencies required to be made by it in connection with the transfer of assets described below. The Successor Plan shall grant each Covered Employee service credit for service prior to Closing for purposes of eligibility and vesting. The Company shall use its commercially reasonable best efforts to establish the Successor Plan effective as of the Closing Date so that Covered Employees shall be eligible to participate in the Successor Plan immediately following the Closing Date. The transfer shall not occur until (1) Buyer shall have provided Parent with a certification from Buyer, with appropriate indemnities, as to such qualified status satisfactory to Parent and (2) Parent shall have provided to Buyer reciprocal certification and indemnities as to the qualified status of the Savings and Retirement Plan satisfactory to Buyer, both in the form attached as Section 9.04(b) of the Disclosure Schedule. As soon as practicable following the satisfaction of the conditions set forth above, Parent shall cause the trustee of the Savings and Retirement Plan to transfer, in accordance with Section 414(l) of the Code (in the form of cash, shares of Parent or shares of any current or former ERISA Affiliate of Parent that are currently held in the Savings and Retirement Plan for the benefit of Covered Employees, and, to the extent practicable, in the same relative proportions as the account balances of the Covered Employees are invested as of the date of the special valuation conducted in connection with such transfer) the full account balances of Covered Employees under the Savings and Retirement Plan, as well as actual earnings (including any losses or expenses related thereto) attributable to the period from the Closing to the date of transfer described herein, reduced by any necessary benefit or withdrawal payments to or in respect of the Covered Employees occurring during the period from the Closing to the date of transfer described herein, to the appropriate trustee as designated by Buyer under the trust agreement forming a part of the Successor Plan. Notwithstanding any other provision of this Agreement (including this Article 9 and Article 11), Parent and Seller shall indemnify and hold harmless Buyer, the Company, any Subsidiary, their ERISA Affiliates, the Successor Plan and any "fiduciary" (within the meaning of Section 3(21) of ERISA) of the Successor Plan (collectively, the

"Successor Plan Parties") from and against any and all claims and liabilities related to the in-kind transfer of shares of Parent or shares of any current or former ERISA Affiliate of Parent that are currently held in the Savings and Retirement Plan for the benefit of Covered Employees and all other employer securities (the "Seller Investments") from the Savings and Retirement Plan to the Successor Plan pursuant to this Section 9.04(b) and the continued maintenance of the Seller Investments under the Successor Plan on behalf of Covered Employees after the Closing Date other than claims and liabilities arising from any breach of fiduciary duty arising after the Closing or from any mandatory or Company or trustee-directed liquidation or cash-out of such Seller Investments following the Closing Date; provided that the Successor Plan Parties shall cause the Successor Plan to provide that no contributions to the Successor Plan made on account of time periods commencing after the Closing Date may be invested in the Seller Investments, and that such Seller Investments shall at all times be subject to liquidation at the election of the Successor Plan participant for whose benefit such Seller Investments are transferred in accordance with the terms of the Successor Plan and the reasonable administrative procedures related thereto.

(c) In consideration for the transfer of assets described herein, Buyer shall, and shall cause the Company to, effective as of the date of transfer described herein, assume all of the obligations of Parent and the Company in respect of the account balances so transferred (exclusive of any portion of such account balances which are paid or otherwise withdrawn prior to the date of transfer described herein) upon or prior to the Closing. Buyer shall cause the Company to make all contributions to the Successor Plan required under the Savings and Retirement Plan in respect of Covered Employees' service with the Company through the Closing Date to the extent the liabilities for such contributions are properly accrued on the Balance Sheet. Buyer shall not assume any other obligations or liabilities arising under or attributable to the Savings and Retirement Plan.

Section 9.05. Other Employee Plans And Benefit Arrangements. (a) Upon or as soon as practicable following the Closing, Buyer shall, or shall cause the Company to, establish a nonqualified deferred compensation plan ("New Plan") that preserves the vesting and benefit payment provisions of the Limited Brands, Inc. Supplemental Retirement Plan (As Amended and Restated Effective January 1, 2002) (the "SRP") (other than such provisions as are set forth in Section 7.1 of the SRP, which shall apply only to new deferrals made after January 1, 2003) for the individuals whose names and account balances are listed on Section 9.05(a) of the Disclosure Schedule (the "SRP Participants"). Subject to Section 2.03, effective as of the Closing, Buyer shall cause the Company to (1) accept the transfer of participant account balances from the SRP to the New Plan with respect to the SRP Participants in an aggregate amount not to exceed $6.0 million and (2) assume all obligations and liabilities attributable to the period prior to the Closing in respect of such SRP Participants to the extent the amount of such obligations and liabilities does not exceed the sum of (x) $6.0 million and (y) the amount of the Final Closing Excess DC Amount paid to Buyer or its

Affiliates pursuant to Section 2.03. Section 9.05(a) of the Disclosure Schedule shall also set forth the following information regarding each Covered Employee who is a participant in the SRP on the Closing Date: the name of the Covered Employee, his/her job title, and the total amount credited to his/her SRP account as of the Closing.

(b) Except as provided in (a) above, Parent shall assume and retain all obligations and liabilities under the SRP. Prior to the Closing Date, Parent shall take all actions as may be necessary to cause the SRP to be amended to reflect that no Termination of Employment (as defined in the SRP) will occur with respect to any Covered Employee as a result of consummating the transactions contemplated by this Agreement, which such actions shall include causing the amendment to the SRP set forth in Section 9.05(b) of the Disclosure Schedule to become effective prior to the Closing Date; and Parent and Seller hereby agree and acknowledge that Buyer's and the Company's obligations set forth in Section 9.05(a) above shall be contingent upon Parent's performance of its obligations regarding the amendment of the SRP as set forth in this Section 9.05(b).

(c) From the date hereof until the Closing Date, except as contemplated by the Transaction Documents, to the extent relating to the Company and Subsidiaries or any Covered Employee, Parent and Seller will not, and will cause the Company and Subsidiaries not to, enter into, amend, modify, renew or terminate any Employee Plan or Benefit Arrangement.

(d) Notwithstanding any other provision of this Agreement (including this Article 9 and Article 11), Parent and Seller shall indemnify and hold harmless Buyer, the Company, any Subsidiary, their ERISA Affiliates and any "fiduciary" (within the meaning of Section 3(21) of ERISA) from and against any and all claims and liabilities relating to (i) the payments to the individuals set forth on Section 9.05(d) of the Disclosure Schedule and (ii) the arrangement described in Section 9.02(a)-1 of the Disclosure Schedule.

(e) Prior to the Closing Date, Parent shall request and recommend to the Compensation Committee of its Board of Directors that such Committee take all actions as may be necessary to cause all stock options granted to each Covered Employee which are scheduled to vest on or prior to February 6, 2003 to be fully vested on the Closing Date and exercisable for the lesser of (x) 12 months following the Closing Date, and (y) 90 days following such Covered Employee's termination of employment with the Company.

(f) In the event that the accrued benefit obligation under the Lerner Plan determined by the actuary for the Lerner Plan on an ongoing basis as of November 30, 2002, using the actuarial and other assumptions currently utilized by such actuary in the actuarial valuation being prepared for the 2002 plan year, provided that such assumptions are in accordance with FAS 87 (the "ABO") exceeds the market value of the assets of the Lerner Plan determined as of

November 30, 2002 (the "Plan Assets"), Parent shall pay to the Company an amount in cash equal to the amount by which the ABO exceeds the Plan Assets.

Section 9.06. Necessary Action. Parent and Buyer agree to take all action, or cause such action to be taken, which may be necessary in order to effectuate the transactions contemplated by this Article, including adopting any necessary amendments to the Employee Plans and Benefit Arrangements and making all filings and submissions to the appropriate governmental agencies required to be made in connection with the events contemplated by Section 9.04.

Section 9.07. Indemnification. Buyer hereby indemnifies, and shall cause the Company after the Closing to indemnify, Parent and each of its ERISA Affiliates against and agrees, and shall cause the Company to agree after the Closing, to hold Parent and each of its ERISA Affiliates harmless from any and all Damages that Parent and each of its ERISA Affiliates may incur or suffer as a result of any failure by Buyer and the Company to satisfy and discharge their obligations under this Article. Parent and each of its ERISA Affiliates hereby indemnifies Buyer and the Company and each of their ERISA Affiliates against and agrees to hold Buyer and the Company and each of their ERISA Affiliates harmless from any and all Damages that Buyer and the Company and each of their ERISA Affiliates may incur as a result of any failure by Parent and its ERISA Affiliates to satisfy and discharge their obligations under this Article.

Section 9.08. Third Party Beneficiaries. No provision of this Article shall create any third party beneficiary rights in any Company Employee (including any beneficiary or dependent thereof) or in any other person.

ARTICLE 10
Conditions to Closing

Section 10.01. Conditions to Obligations of Buyer, Parent and Seller. The obligations of Buyer, Parent and Seller to consummate the Closing are subject to the satisfaction (or, to the extent permitted by Law, waiver by the relevant party) of the following conditions:

(a) Any applicable waiting period under the HSR Act relating to the transactions contemplated by the Transaction Documents shall have expired or been terminated.

(b) No provision of any applicable Law and no judgment, injunction, order or decree shall prohibit the consummation of the Closing.

(c) No suit, action, proceeding or investigation shall have been brought or threatened by any Person which is reasonably likely to result in (i) any action which would prevent or materially delay the consummation of the Closing or (ii) an order requiring the Closing, if consummated, to be rescinded.

Section 10.02. Conditions to Obligation of Buyer. The obligation of Buyer to consummate the Closing is subject to the satisfaction (or, to the extent permitted by Law, waiver by Buyer) of the following further conditions:

(a) (1) Parent and Seller shall have performed or complied in all material respects with all of the agreements and covenants required by the Transaction Documents to be performed or complied with by them at or prior to the Closing Date, (2) (A) the representations and warranties of Parent and Seller contained in this Agreement and in any certificate or other writing delivered by Parent or Seller pursuant hereto that are not subject to any qualifications as to materiality or Material Adverse Effect shall be true and correct in all material respects, and (B) the representations and warranties of Parent and Seller contained in this Agreement and in any certificate or writing delivered by Parent or Seller pursuant hereto that contain qualifications as to materiality or Material Adverse Effect shall, disregarding all qualifications and exceptions contained therein as to materiality, be accurate at and as of the Closing Date, as if made at and as of such time, except for any inaccuracies which, individually or in the aggregate, have not had, or would not be reasonably likely to have, a Material Adverse Effect and (3) Buyer shall have received a certificate signed by an executive officer of Parent to the foregoing effect.

(b) Since the date hereof there shall have been no fact, event or circumstance which has had or could reasonably be expected to have a Material Adverse Effect and Buyer shall have received a certificate signed by an executive officer of Parent to the foregoing effect.

(c) Buyer, or its Affiliates, shall have obtained at least $10 million of cash proceeds of the financing contemplated by the CFC Commitment Letter. The CFC Commitment Letter shall be in full force and effect.

(d) Parent and Seller shall have caused the following documents to be executed and delivered to Buyer:

(i) an opinion of Davis Polk & Wardwell, dated the Closing Date with respect to matters addressed in the first sentence of Section 3.01, Section 3.02, Section 3.03 and the first sentence of Section 3.05(b), in a form reasonably acceptable to Buyer.

(ii) letters of resignation and release from the directors of the Company and each Subsidiary;

(iii) such other documents regarding the corporate organization, existence, authorization and similar matters relating to Parent, Seller, the Company or any Subsidiary as Buyer may reasonably request;

(iv) the Services Agreement;

(v) the Store Leases Agreement;

(vi) the Securityholders Agreement;

(vii) the Covenant Agreement;

(viii) the Master Sublease and Master Assignment;

(ix) (1) Parent shall have executed domain name transfer agreements which transfer the following domain names to the Company: (A) lernerny.us, (B) lernernewyork.us, (C) newyorkandco.net, (D) newyorkandcompany.us, and (E) nyandcompany.us and (2) Melissa Ray shall have executed a domain name transfer agreement which transfers the following domain name to the Company: lernernewyork.tv; and

(x) Buyer shall have received a statement signed by Parent and Seller conforming with the requirements of Treasury regulation section 1.1445-2(b)(2) certifying that Seller is not a foreign person within the meaning of Section 1445 of the Code, and such certificate shall be accurate, complete and valid on the Closing Date.

Section 10.03. Conditions to Obligation of Parent and Seller. The obligation of Parent and Seller to consummate the Closing is subject to the satisfaction (or, to the extent permitted by Law, waiver by Seller) of the following further conditions:

(a) (1) Buyer shall have performed or complied in all material respects with all of the agreements, covenants and conditions required by this Agreement to be performed or complied with by them on or prior to the Closing Date, (2) the representations and warranties of Buyer contained in this Agreement and in any certificate or other writing delivered by Buyer pursuant hereto, disregarding all qualifications and exceptions contained therein as to materiality, shall be accurate at and as of the Closing Date, as if made at and as of such time, except for any inaccuracies which, individually or in the aggregate, have not had, or would not be reasonably likely to have, a Buyer Material Adverse Effect and (3) Parent shall have received a certificate signed by an executive officer of Buyer to the foregoing effect.

(b) Buyer shall have caused the following documents to be delivered to Parent and Seller:

(i) an opinion of Kirkland & Ellis, dated the Closing Date with respect to the matters addressed in the first sentence of Section 4.01, Section 4.02, Section 4.03 and Section 4.11, in a form reasonably acceptable to Parent.

(ii) such other documents regarding the corporate organization, existence, authorization and similar matters relating to Buyer as Parent may reasonably request;

(iii) the Services Agreement;

(iv) the Store Leases Agreement;

(v) the Securityholders Agreement;

(vi) the Covenant Agreement; and

(vii) the Master Sublease and Master Assignment.

(c) Parent shall be reasonably satisfied that the terms and conditions of the definitive credit facility contemplated by the CFC Commitment Letter and the terms and conditions of the definitive credit facility with Capital Source Finance LLC, if any, do not materially and adversely affect Parent's rights under the Transaction Documents, it being understood that the terms and conditions set forth in the CFC Commitment Letter are acceptable to Parent.

ARTICLE 11
Survival; Indemnification

Section 11.01. Survival. The representations and warranties of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing until eighteen months after the Closing Date; provided that (i) the representations and warranties contained in Sections 3.01, 3.02, 3.05, 3.06, 3.07, 3.12, 3.19, 3.27, 4.01, 4.02, 4.06, 4.08, 4.09, and 4.11 (collectively, the "Special Representations") shall survive indefinitely; (ii) the representations and warranties contained in Section 3.16 shall survive until three years after the Closing Date; and (iii) the representations and warranties contained in Article 8 and Article 9 shall survive until expiration of the statute of limitations applicable to the matters covered thereby (giving effect to any waiver, mitigation or extension thereof). The covenants and agreements contained in this Agreement shall survive in accordance with their terms. Notwithstanding the foregoing, any representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 11.02. Indemnification. Parent and Seller jointly and severally hereby indemnify Buyer, its Affiliates (which Affiliates shall include the Company and the Subsidiaries) and their respective directors, officers, employees and agents ("Buyer Indemnitees") against and agrees to hold each of them harmless from any and all damage, loss, liability, cost, claim, penalty, and expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding whether involving a Third Party Claim or a Claim solely between the parties hereto) ("Damages") incurred or suffered by any Buyer Indemnitee arising out of or

relating in any way to (A) any inaccuracy or breach of warranty or breach of covenant or agreement made or to be performed by Parent pursuant to this Agreement (other than representations, warranties, covenants and agreements pursuant to Section 8.02, 8.03 or 8.04, the remedy for which is provided in Article 8), (B) the Credit Card Litigation, (C) the Retained Litigation Liabilities, (D) any Excluded Deferred Compensation Liability, (E) any Excluded Insurance Liability, (F) any Excluded Escheat Liability, (G) any Excluded Real Property Liability, (H) any liability relating to lifetime annuity payments to former Lerner employees, and (I) any Indebtedness that was due and payable at the Closing but which Parent did not pay and any Indebtedness that has become due and payable; provided that with respect to indemnification by Parent and Seller pursuant to this Section 11.02(a) for breaches of representations and warranties other than any Special Representations, (x) Parent and Seller shall not be liable unless the aggregate amount of Damages exceeds $2.7 million (the "Basket Amount") and then only to the extent of such excess; (y) Parent and Seller shall have no liability for any individual claim for Damages that is less than $25,000 (provided, that with respect to claims for Damages for which any Buyer Indemnitee would be entitled to indemnification hereunder but for the provisions of this clause (y), Buyer shall provide Parent with documentation regarding any such claim and shall be entitled to aggregate the amount of such Damages for purposes of satisfying the Basket Amount in clause (x) of this Section 11.02(a)) and (z), the joint and several maximum liability of Parent and Seller for all such breaches of representations and warranties (other than the representations and warranties set forth in Sections 3.05 and 3.06) shall not exceed $78.5 million (the "Cap").

(b) Buyer and the Company jointly and severally hereby indemnify Parent and its Affiliates and their respective directors, officers, employees and agents ("Parent Indemnitees") against and agrees to hold each of them harmless from any and all Damages incurred or suffered by Parent or any of its Affiliates arising out of any breaches of representations and warranties or breach of covenant or agreement made or to be performed by Buyer pursuant to this Agreement (other than pursuant to Article 8, the remedy for which is provided in Article 8); provided that with respect to indemnification by Buyer for any breaches of representations and warranties other than any Special Representations pursuant to this Section 11.02(b), (x) Buyer shall not be liable unless the aggregate amount of Damages with respect to such breaches by such Person exceeds the Basket Amount and then only to the extent of such excess; (y) the maximum liability of Buyer for all such breaches of representations and warranties shall not exceed the Cap.

(c) For purposes of determining a party's indemnification obligations for any representations and warranties hereunder, all qualifications of materiality or Material Adverse Effect and all dollar amount thresholds shall be disregarded (except with respect to Section 3.10(i)).

Section 11.03. Procedures. (a) The party seeking indemnification under Section 11.02 (the "Indemnified Party") agrees to give prompt notice to the

party against whom indemnity is sought (the "Indemnifying Party") of the assertion of any claim, or the commencement of any suit, action or proceeding ("Claim") in respect of which indemnity may be sought under such Section and will provide the Indemnifying Party such information with respect thereto that the Indemnifying Party may reasonably request. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have actually adversely prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Claim asserted by any third party ("Third Party Claim") and, subject to the limitations set forth in this Section, shall be entitled to control the defense of such Third Party Claim and appoint lead counsel for such defense, in each case at its expense; provided that it has acknowledged responsibility for the defense of such Claim; provided further that Parent shall control the defense of, and appoint the lead counsel in connection with the Credit Card Litigation; any Retained Litigation Liability; any Excluded Deferred Compensation Liability; any Excluded Insurance Liability; any Excluded Real Property Liability; any liability related to lifetime annuity payments to former Lerner employees; any Excluded Escheat Liability and any liability related to Indebtedness for which the Buyer is indemnified pursuant to 11.02(a)(I) so long as the Indemnified Party shall be entitled to participate in such defense. Notwithstanding the foregoing, in any litigation or proceeding of which Parent shall control the defense, any Indemnified Person shall have the right to participate in such litigation or proceeding and to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) Parent and such Indemnified Person shall have mutually agreed in writing to the retention of such counsel; (ii) representation of both parties by the same counsel would, in the opinion of counsel to such Indemnified Person, be inappropriate due to actual or potential differing interests between the Company and such Indemnified Person; or (iii) if the Parent fails or is failing to actively defend such Third Party Claim.

(c) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 11.03, the Indemnifying Party shall obtain the prior written consent of the Indemnified Party before entering into any settlement of such Third Party Claim unless (i) the settlement does not require the Indemnified Party to pay money damages and (ii) the settlement is for money damages only. If the Indemnified Party has assumed the defense of any Third Party Claim in accordance with the provisions of this Section 11.03, the Indemnified Party shall obtain the prior written consent of the Indemnifying Party before entering into any settlement of such Third Party Claim.

Section 11.04. Limitation on Damages.

(a) The amount of any Damages payable under Section 11.02 by the Indemnifying Party shall be net of any amounts actually recovered by the Indemnified Party under applicable insurance policies.

(b) Notwithstanding anything in this Agreement to the contrary, (i) except for Damages arising out of a breach of a representation (A) set forth in Section 3.08(a), or (B) relating to a fact or event that either is recurring or had, has or will have a direct recurring effect on the earnings of the Company, no Damages shall be determined or increased based on any multiple of any financial measure (including earnings, sales or other benchmarks) that might have been used by Buyer in the valuation of the Company and the Subsidiaries or their businesses and operations (it being understood that the foregoing exception for Damages arising out of a breach of a representation (A) set forth in Section 3.08(a), or (B) relating to a fact or event that either is recurring or had, has or will have a direct recurring effect on the earnings of the Company, shall not constitute an admission or acknowledgement that Damages in respect of such a breach should be determined or increased based on any such multiple, but instead is simply an exception to the prohibition on making such a claim in the case of such a breach) and (ii) except as contemplated by clause (i) no Buyer Indemnitees nor Parent Indemnitees shall be entitled to any consequential, special, exemplary, or punitive damages.

(c) No Buyer Indemnitee shall be entitled to any indemnification hereunder for any breach of representations and warranties if Parent can establish that (i) Parent had no Knowledge of the breach and (ii) Buyer had actual knowledge of such breach and that such breach would result in material liability .

Section 11.05. Exclusivity. After the Closing, Sections 8.02, 8.04, 9.06 and 11.02 will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement (other than the remedies contained in Sections 2.04, 5.02, 5.09, 6.03 and 13.13) or other claim arising out of this Agreement or the transactions contemplated hereby except for claims of fraud.

ARTICLE 12
Termination

Section 12.01. Grounds for Termination. This Agreement may be terminated and the transactions contemplated herein may be abandoned at any time prior to the Closing:

(a) by mutual written agreement of Seller and Buyer;

(b) by either Seller or Buyer if the Closing shall not have been consummated on or before November 27, 2002 (the "Termination Date"); provided, however, that neither of the parties may terminate this Agreement pursuant to this clause if the Closing shall not have been consummated by the Termination Date by reason of the failure of such party or any of its Affiliates to perform in all material respects any of its or their respective covenants or agreements contained in this Agreement;

(c) by either Buyer, on the one hand, or Seller, on the other hand, if a material breach of any provision of this Agreement has been committed by the other party or any of its Affiliates and such breach is not capable of being satisfied or cured by the Termination Date; or

(d) by either Seller or Buyer if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction.

The party desiring to terminate this Agreement pursuant to clauses 12.01(b)-(d) shall give notice of such termination to the other party.

Section 12.02. Effect of Termination. If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of any party (or any Affiliate, stockholder, director, officer, employee, agent, consultant or representative of such party) to any other party to this Agreement; provided that if such termination shall result from the (1) failure of any party to fulfill a condition to the performance of the obligations of the other party that is within the control of such party, (2) failure of any party to this Agreement to perform a covenant or agreement contained in any Transaction Document, or (3) willful or negligent breach by any party to this Agreement of any representation or warranty contained in any Transaction Document, such party shall be fully liable for any and all Damages incurred or suffered by any other party as a result of such failure or breach. The provisions of Sections 5.05, 6.02 (it being understood that all provisions of the Confidentiality Agreement will remain in full force and effect), 6.07, 12.02 and Article 13 shall survive any termination hereof pursuant to .

ARTICLE 13
Miscellaneous

Section 13.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

if to Buyer, to:

c/o Bear Stearns Merchant Banking
Bear, Stearns & Co., Inc.
383 Madison Avenue
40th Floor
New York, NY 10179
Attention: Bodil Arlander
Fax: (212) 272-7425

with a copy (which shall not constitute notice) to:

Kirkland & Ellis
655 Fifteenth Street, N.W.

Washington, D.C. 20005
Attention: Michael T. Edsall
Fax: (202) 879-5200

if to Parent or to Seller, to:

Limited Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attention: Samuel P. Fried
Fax: (614) 415-7188
Attention: Tim Faber
Fax: (614) 415-7250

with a copy (which shall not constitute notice) to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: David L. Caplan
Fax: (212) 450-4800

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt. Each such notice, request or other communication shall be effective (1) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (2) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 13.01.

Section 13.02. Amendments and Waivers. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

Section 13.03. Expenses. Except to the extent otherwise expressly provided in any of the Transaction Documents: (1) all costs and expenses incurred

in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such cost or expense and (2) Parent shall be responsible for all out-of-pocket costs and expenses incurred by the Company and Subsidiaries prior to the Closing Date in connection with the sale process or the preparation, execution and delivery of the Transaction Documents and actions taken at the direction of Parent or Seller to permit Parent and Seller to consummate the Closing. Without limiting the generality of the foregoing, it is understood that Parent shall not be responsible for any costs or expenses of the Company or the Subsidiaries if such costs or expenses were incurred in connection with matters attributable to post-Closing periods (including financing related fees and expenses or store separation costs) or any fees and expenses of Buyer, any of its Affiliates or any of their respective advisors or agents). Costs of the type referred to in clause (2) above for which Parent is responsible are referred to as "Relevant Costs".

Section 13.04. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto; provided that Buyer may assign this agreement (i) to any of its Affiliates, (ii) to its lenders for collateral security purposes, or (iii) to a subsequent purchaser of all or a substantial portion of the Company's business, but no such transfer or assignment will relieve the Buyer of its obligations hereunder.

Section 13.05. Governing Law. This Agreement shall be governed by and construed in accordance with the Law of the State of New York, without regard to the conflicts of Law rules of such state.

Section 13.06. Jurisdiction. Except as otherwise expressly provided in this Agreement, the parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, any of the Transaction Documents or the transactions contemplated thereby shall be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, Borough of Manhattan, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of any of the Transaction Documents shall be deemed to have arisen from a transaction of business in the State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by Law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without

limiting the foregoing, each party agrees that service of process on such party as provided in Section 13.01 shall be deemed effective service of process on such party.

Section 13.07. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 13.08. Counterparts; Third Party Beneficiaries. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Each Transaction Document shall become effective when each party thereto shall have received a counterpart thereof signed by the other party thereto. No Transaction Document is intended to confer upon any Person other than the parties thereto any rights or remedies hereunder.

Section 13.09. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held to be prohibited by, illegal or unenforceable under applicable law or rule in any respect by a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition, illegality or unenforceability, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 13.10. Entire Agreement. The Transaction Documents, together with the Confidentiality Agreement, constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto.

Section 13.11. Captions; Certain Terms. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. All references to "$" or " dollars" shall be to United States dollars and all references to "days" shall be to calendar days unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words, "without limitation."

Section 13.12. Disclosure Schedule. The parties acknowledge and agree that (1) the Disclosure Schedule to this Agreement may include certain items and information solely for informational purposes for the convenience of Buyer and (2) the disclosure by Parent or Seller of any matter in the Disclosure Schedule

shall not be deemed to constitute an acknowledgment by Parent or Seller that the matter is required to be disclosed by the terms of this Agreement or that the matter is material. If any section of the Disclosure Schedule discloses an item of information in such a way as to make its relevance to the disclosure required by another section of the Disclosure Schedule readily apparent, the matter shall be deemed to have been disclosed in such other section of the Disclosure Schedule, notwithstanding the omission of an appropriate cross-reference to such other section of the Disclosure Schedule.

Section 13.13. Specific Performance. Each party acknowledges and agrees that the other parties would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that a party shall be entitled to injunctive relief to prevent breaches of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such party may be entitled, at law or in equity. In particular, the parties acknowledge that the business of the Company and the Subsidiaries is unique and recognize and affirm that in the event Parent or Seller breaches this Agreement, money damages may be inadequate and Buyer may have no adequate remedy at law, so that Buyer shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the other parties' obligations hereunder not only by action for damages but also action for specific performance, injunctive, and/or other equitable relief.

Section 13.14. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any of the provisions of this Agreement.

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

NY & CO. GROUP, INC.

By: /s/ BODIL ARLANDER

Name: Bodil Arlander
Title: Secretary

LFAS, INC.

By: /s/ DOUGLAS L. WILLIAMS

Name: Douglas L. Williams
Title: Senior Vice President

LIMITED BRANDS, INC.

By: /s/ TIMOTHY J. FABER

Name: Timothy J. Faber
Title: Vice President - Treasurer

Financial Summary	(Millions except per share amounts, ratios, and store and associate data)				
Summary of Operations@	2002	#2001	*2000	#1999	#1998
Net sales	$ 8,445	$ 8,423	$ 9,080	$ 8,765	$ 8,436
Gross income	$ 3,094	$ 3,016	$ 3,185	$ 3,051	$ 2,742
Operating income~	$ 838	$ 896	$ 832	$ 881	$ 2,426
Operating income as a percentage of sales~	9.9%	10.6%	9.2%	10.1%	28.8%
Net income from continuing operations+	$ 496	$ 506	$ 407	$ 431	$ 2,048
Net income from continuing operations as a percentage of sales+	5.9%	6.0%	4.5%	4.9%	24.3%
Per Share Results					
Income per basic share: Continuing operations@+	$ 0.97	$ 1.18	$ 0.95	$ 0.98	$ 4.25
Income per diluted share: Continuing operations@+	$ 0.95	$ 1.16	$ 0.91	$ 0.93	$ 4.15
Dividends	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.26
Book value	$ 9.28	$ 6.39	$ 5.44	$ 5.00	$ 4.78
Weighted average diluted shares outstanding	522	435	443	456	493
Other Financial Information					
Total assets	$ 7,246	$ 5,094	$ 4,487	$ 4,557	$ 5,034
Return on average assets+	8%	11%	9%	10%	42%
Working capital	$ 2,347	$ 1,330	$ 1,034	$ 1,049	$ 1,127
Current ratio	2.9	1.9	1.9	1.8	1.9
Capital expenditures	$ 306	$ 377	$ 487	$ 426	$ 401
Long-term debt	$ 547	$ 250	$ 400	$ 400	$ 550
Debt-to-equity ratio	11%	9%	17%	19%	25%
Shareholders' equity	$ 4,860	$ 2,744	$ 2,316	$ 2,147	$ 2,167
Return on average shareholders' equity+	13%	21%	19%	21%	99%
Comparable store sales increase (decrease)&	3%	(3%)	5%	8%	6%
Stores and Associates at End of Year					
Total number of stores open	4,036	4,614	5,129	5,023	5,382
Selling square feet (Thousands)	16,297	20,146	23,224	23,592	26,316
Number of associates	98,900	100,300	123,700	114,600	126,800

* Fifty-three-week fiscal year.

\# Includes the results of the following companies up until their disposition/separation date:

1. Lane Bryant effective August 16, 2001;
2. Galyan's Trading Co. ("Galyan's") effective August 31, 1999;
3. Limited Too ("TOO") effective August 23, 1999; and
4. Abercrombie & Fitch ("A&F") effective May 19, 1998.

@ As a result of its sale on November 27, 2002, Lerner New York's ("Lerner") operating results have been reflected as discontinued operations. Accordingly, Lerner's results are excluded for all periods presented (see Note 3 to the Consolidated Financial Statements).

~ Operating income includes the effect of special and nonrecurring items of ($34) million in 2002, $170 million in 2001, ($10) million in 2000 (see Note 4 to the Consolidated Financial Statements), $24 million in 1999, and $1.740 billion in 1998.

\+ In addition to the items discussed in ~, net income includes the effect of the following non-operating gains:

1. $6 million related to Charming Shoppes, Inc. in 2002;
2. $62 million related to Alliance Data Systems and Galyan's in 2001 (see Note 1 to the Consolidated Financial Statements); and
3. $11 million related to Galyan's in 1999.

& A store is typically included in the calculation of comparable store sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.

Management's Discussion and Analysis

Results of Operations

On November 27, 2002, the Company sold one of its apparel businesses, Lerner New York ("Lerner"). Accordingly, Lerner's operating results have been reflected as discontinued operations and are excluded from the Management's Discussion and Analysis section (see Note 3 to the Consolidated Financial Statements).

Net sales for the fourth quarter of 2002 increased 4% to $2.966 billion from

$2.839 billion for the fourth quarter of 2001. Comparable store sales were flat for the quarter. Gross income increased 1% to $1.235 billion in the fourth quarter of 2002 from $1.227 billion in 2001 and operating income was flat for the quarter at $588 million. Net income was $353 million in the fourth quarter of 2002 versus $327 million in 2001, and earnings per share were $0.66 versus $0.75 in 2001.

Net sales for the year ended February 1, 2003 were $8.445 billion, compared to $8.423 billion for the year ended February 2, 2002. Gross income increased 3% to $3.094 billion in 2002 from $3.016 billion in 2001 and operating income was $838 million in 2002 versus $896 million in 2001. Net income for 2002 was $502 million, or $0.96 per share, compared to $519 million, or $1.19 per share, in 2001.

There were a number of items in 2002 and 2001 that impact the comparability of the Company's reported financial results. See the "Special and Nonrecurring Items", "Gains on Investees' Stock" and "Adjusted Data" sections for a discussion of these items and for reconciliation tables.

The following summarized financial data compares reported 2002 sales and operating income results to the comparable periods for 2001 and 2000:

Net Sales (Millions)	2002	2001	*2000	% Change 2002 - 2001	% Change 2001 - 2000
Victoria's Secret Stores	$2,647	$2,403	$2,339	10%	3%
Victoria's Secret Direct	939	869	962	8%	(10%)
Total Victoria's Secret	$3,586	$3,272	$3,301	10%	(1%)
Bath & Body Works	$1,781	$1,747	$1,785	2%	(2%)
Express	$2,073	$2,044	$2,163	1%	(6%)
Limited Stores	638	618	673	3%	(8%)
Total apparel businesses	$2,711	$2,662	$2,836	2%	(6%)
Other@	$ 367	$ 742	$1,158	nm	nm
Total net sales	$8,445	$8,423	$9,080	0%	(7%)
Operating Income (Millions)					
Victoria's Secret	$ 614	$ 454	$ 468	35%	(3%)
Bath & Body Works	300	347	418	(14%)	(17%)
Apparel	115	55	75	109%	(27%)
Other@	(157)	(130)	(119)	nm	nm
Subtotal	872	726	842	20%	(14%)
Special and nonrecurring items#	(34)	170	(10)	nm	nm
Total operating income	$ 838	$ 896	$ 832	(6%)	8%

* Fifty-three-week fiscal year.

@ Other includes Corporate, Mast, Henri Bendel, and Lane Bryant through its sale on August 16, 2001.

\# Special and nonrecurring items include the following:

2002 - a $34 million non-cash charge related to the Intimate Brands, Inc. recombination,
2001 - a $170 million gain resulting from the sale of Lane Bryant, and
2000 - a $10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

nm not meaningful

The following summarized financial data compares reported 2002 results to the comparable periods for 2001 and 2000:

Comparable Store Sales	2002	2001	2000
Victoria's Secret	6%	0%	5%
Bath & Body Works	(3%)	(11%)	1%
Express	2%	(3%)	10%
Limited Stores	7%	(2%)	5%
Total apparel businesses	3%	(3%)	9%
Lane Bryant (through August 16, 2001)	--	3%	2%
Henri Bendel	7%	(6%)	(1%)
Total comparable store sales	3%	(3%)	5%

Store Data		2002	2001	2000	% Change 2002-2001	% Change 2001-2000
Retail sales per average	Victoria's Secret	$ 581	$ 555	$ 572	5%	(3%)

selling square foot	Bath & Body Works	$ 507	$ 537	$ 646	(6%)	(17%)
	Apparel	$ 331	$ 313	$ 319	6%	(2%)
Retail sales per average store (Thousands)	Victoria's Secret	$2,626	$2,452	$2,523	7%	(3%)
	Bath & Body Works	$1,095	$1,146	$1,349	(4%)	(15%)
	Apparel	$1,898	$1,775	$1,798	7%	(1%)
Average store size at end of year (Selling square feet)	Victoria's Secret	4,599	4,449	4,391	3%	1%
	Bath & Body Works	2,177	2,144	2,122	2%	1%
	Apparel	5,811	5,677	5,651	2%	0%
Selling square feet at end of year (Thousands)	Victoria's Secret	4,663	4,458	4,207	5%	6%
	Bath & Body Works	3,568	3,463	3,039	3%	14%
	Apparel	8,031	8,367	8,618	(4%)	(3%)

	Victoria's Secret			Bath & Body Works			Apparel		
Number of Stores	2002	2001	2000	2002	2001	2000	2002	2001	2000
Beginning of year	1,002	958	896	1,615	1,432	1,214	1,474	1,525	1,630
Opened	33	60	75	51	191	230	22	18	4
Closed	(21)	(16)	(13)	(27)	(8)	(12)	(98)	(69)	(109)
Express Integration*	--	--	--	--	--	--	(16)	--	--
End of year	1,014	1,002	958	1,639	1,615	1,432	1,382	1,474	1,525

* Express Integration represents conversion of Express Women and Express Men stores to Express dual gender stores.

Net Sales
Fourth Quarter

2002 compared to 2001

Net sales for the fourth quarter of 2002 increased 4% to $2.966 billion from $2.839 billion for the fourth quarter of 2001. The increase was primarily driven by Victoria's Secret, partially offset by a sales decrease at the apparel businesses.

At Victoria's Secret, net sales for the fourth quarter of 2002 increased 10% to $1.282 billion from $1.169 billion in 2001. The increase was driven by the net increase in sales associated with new, closed and non-comparable remodeled stores of $39 million, an increase in comparable store sales of 5% or $38 million and an increase in sales at Victoria's Secret Direct of 13% or $36 million. The increase in comparable store sales was driven by strong performance in bras and panties, particularly the Very Sexy Collection, as well as a successful January semi-annual sale. In addition, Beauty had strong fourth quarter results, driven by fine fragrance gift sets, including the launch of the new Very Sexy for Her fragrance. The increase in sales at Victoria's Secret Direct was driven by continued strength in the clothing category and growth in intimate apparel. The clothing category continues to benefit from a more competitive price point offering and a broader casual assortment. Intimate apparel sales increased from last year due to growth in the panty and sleepwear categories. Additionally, the business continues to see growth in the Internet channel, with it representing approximately one-third of sales in 2002.

At Bath & Body Works, net sales for the fourth quarter of 2002 were $777 million compared to $767 million in 2001. The increase was primarily due to the net increase in sales associated with new, closed and non-comparable remodeled stores of $17 million, partially offset by a decrease in comparable store sales of 1% or $7 million. The decrease in comparable store sales was primarily driven by declines in the core bath products line, partially offset by an increase in sales of gift sets and growth in the Aromatherapy and True Blue Spa product lines.

At the apparel businesses, net sales for the fourth quarter of 2002 decreased 4% to $806 million from $839 million in 2001. The decrease in sales was primarily due to a decline in comparable store sales of 4% or $29 million, as well as a net decrease in sales associated with closed, new and non-comparable remodeled stores of $4 million. The decline in comparable store sales was driven primarily by poor performance in sweaters, both at Express and Limited Stores. The decline in sweaters at Express was partially offset by increases in knit tops, bottoms and dresses in the Women's business and woven shirts and ties in the Men's business. The decline in sweaters at Limited Stores was partially offset by increases in knit tops.

2001 compared to 2000

Net sales for the thirteen-week fourth quarter of 2001 decreased 10% to $2.839 billion from $3.164 billion for the fourteen-week fourth quarter of 2000. Excluding sales of $263 million from Lane Bryant in 2000 (which was sold on August 16, 2001) and $134 million from the extra week in the fourth quarter of 2000 (the first week of the quarter), net sales increased 3% from the comparable thirteen-week period last year. This increase represented an improvement over the trend of the previous three quarters.

At Victoria's Secret, net sales for the fourth quarter of 2001 increased 6% to $1.169 billion compared to $1.107 billion in 2000. The increase was driven by an increase in comparable store sales of 10% or $74 million and the net increase in sales associated with new, closed and non-comparable remodeled stores of $37 million. These increases were partially offset by a sales decline of $52 million from the extra week in 2000. The increase in comparable store sales was driven by the successful launch of the Very Sexy Miracle Bra, which outperformed the 2000 launch of the Seamless Satin holiday offering. In addition, sleepwear sales increased in the fourth quarter, reflecting an improved merchandise assortment and a renewed emphasis on classic cotton and flannel pajamas and sleepshirts for gift giving. Sales at Victoria's Secret Direct, excluding the extra week in 2000, were about flat for the quarter due to a challenging and highly promotional catalogue sales environment. To drive sales during the holiday season, Victoria's Secret Direct changed its primary offer strategy from free shipping and handling to heavier merchandise discounts. This shift drove more orders; however, realized prices were lower. Additionally, pages mailed were reduced by 14% in an effort to target customers more efficiently.

At Bath & Body Works, net sales for the fourth quarter decreased 6% to $767 million from $820 million in 2000, due to a decrease in comparable store sales of 10% or $79 million and a sales decline of $30 million from the extra week in 2000, partially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of $56 million. The decline in comparable store sales was primarily the result of poor performance in the holiday fragrance and gift set merchandise assortments.

At the apparel businesses, net sales for the fourth quarter of 2001 decreased 7% to $839 million from $903 million in 2000. The decrease in sales was primarily due to a sales decline of $46 million from the extra week in 2000, the net decrease in sales associated with closed, new and non-comparable remodeled stores of $9 million and a comparable store sales decrease at Express of 2%, partially offset by a 1% increase in comparable store sales at Limited Stores.

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Net Sales
Full Year

- ----------

2002 compared to 2001

In 2002, net sales were $8.445 billion compared to $8.423 billion in 2001. Excluding sales from Lane Bryant of $495 million in 2001, net sales increased 7% in 2002.

At Victoria's Secret, net sales increased 10% to $3.586 billion in 2002 from $3.272 billion in 2001. The increase resulted from an increase in comparable store sales of 6% or $132 million, a net increase in sales associated with new, closed and non-comparable remodeled stores of $112 million and an increase in sales at Victoria's Secret Direct of 8% or $70 million. The increase in comparable store sales was driven by strong performance in the bra and panty categories throughout the year, as well as growth in the Beauty business resulting from the success of various fragrance launches in 2001 and 2002, particularly Very Sexy for Him and Her, Pink and Body by Victoria. The Beauty business also benefited from a strong gift set collection with a focus on price points of $50 and lower.

At Bath & Body Works, net sales increased 2% to $1.781 billion in 2002 from $1.747 billion in 2001. The net increase in sales associated with new, closed and non-comparable remodeled stores of $78 million was substantially offset by a decline in comparable store sales of 3% or $44 million. The decrease in comparable store sales was primarily driven by continued declines in transactions throughout the year, primarily driven by poor performance in the core bath products line.

At the apparel businesses, net sales increased 2% to $2.711 billion in 2002 from $2.662 billion in 2001. The increase was due to a comparable store sales increase of 3% or $72 million, partially offset by the net decrease in sales associated with closed, new and non-comparable remodeled stores of $23 million. The increase in comparable store sales was primarily driven by Express as a result of solid performance in knit and active tops in the Women's business and woven shirts and denim in the Men's business. Limited Stores also benefited from good performance in tops, particularly in the cut and sew and woven categories. These increases were partially offset by weak performance in sweaters across both businesses throughout the year.

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2001 compared to 2000

Net sales for the fifty-two-week fiscal year 2001 decreased 7% to $8.423 billion from $9.080 billion for the fifty-three-week fiscal year 2000. Excluding sales from Lane Bryant of $495 million in 2001 and $930 million in 2000 and $118 million from the extra week in 2000 (the first week of the year), net sales decreased 1% from the comparable fifty-two-week period in 2000.

At Victoria's Secret, net sales decreased 1% to $3.272 billion in 2001 from $3.301 billion in 2000. The decline was primarily due to a sales decline of $55 million from the extra week in 2000 and a sales decline at Victoria's Secret Direct of 8% or $73 million. These declines were partially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of $91 million. Comparable store sales for Victoria's Secret Stores were flat to 2000. The decrease in sales at Victoria's Secret Direct was driven by poor merchandise performance in the apparel assortment, which lacked value-priced, casual offerings.

At Bath & Body Works, net sales decreased 2% to $1.747 billion in 2001 from $1.785 billion in 2000, due to a comparable store sales decline of 11% or $180 million and a sales decline of $20 million from the extra week in 2000, substantially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of $162 million. The decrease in comparable store sales was primarily driven by declines in transactions throughout the year, which were only partially offset by increases in sales dollars per transaction. Transaction declines resulted from weaker performance of gift sets during the holiday season and bath products throughout the year. These declines were somewhat offset by the successful launch of a new and broader offering of Aromatherapy products.

At the apparel businesses, net sales decreased 6% to $2.662 billion in 2001 from $2.836 billion in 2000. The sales decrease was due to a comparable store sales decrease of 3% or $77 million, the net decrease in sales associated with closed, new and non-comparable remodeled stores of $59 million and a sales decline of $38 million from the extra week in 2000. The decrease in comparable store sales was primarily due to weak performance in the knit and active category at Limited Stores and the men's pant category and the women's skirt category at Express.

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Gross Income
Fourth Quarter

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2002 compared to 2001

For the fourth quarter of 2002, the gross income rate (expressed as a percentage of sales) decreased to 41.6% from 43.2% for the same period in 2001. The rate decrease was primarily driven by declines at Bath & Body Works and the apparel businesses, partially offset by improvement at Victoria's Secret. The gross income rate increased at Victoria's Secret primarily due to an increase in the merchandise margin rate resulting from fewer markdowns in certain merchandise categories compared to the fourth quarter of 2001.

At Bath & Body Works, the gross income rate decreased significantly due to a decrease in the merchandise margin rate and an increase in the buying and occupancy expense rate. The decrease in the merchandise margin rate resulted from an increase in sales of lower margin gift sets. The increase in the buying and occupancy expense rate was primarily due to the inability to achieve expense leverage on a 1% decrease in comparable store sales.

At the apparel businesses, the gross income rate decreased significantly primarily due to a decrease in the merchandise margin rate at Express, as higher markdowns were required to reduce slow-moving inventories. The buying and occupancy expense rate at the apparel businesses was about flat for the quarter.

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2001 compared to 2000

For the fourth quarter of 2001, the gross income rate increased to 43.2% from 36.9% for the same period in 2000 resulting from improvements across all segments. At Victoria's Secret, the gross income rate increased significantly, due to both an increase in the merchandise margin rate and a decrease in the buying and occupancy expense rate. The increase in the merchandise margin rate was primarily due to strong customer response to the merchandise assortment throughout the quarter at Victoria's Secret Stores, which resulted in fewer markdowns versus the fourth quarter of 2000. The decrease in the buying and occupancy expense rate was primarily driven by continued emphasis on catalog related cost savings and efficiencies at Victoria's Secret Direct.

At Bath & Body Works, the gross income rate increased significantly due to an increase in the merchandise margin rate partially offset by an increase in the buying and occupancy expense rate. The increase in the merchandise margin rate resulted from changes in merchandise assortment and fewer sales of lower margin gift sets. The increase in the buying and occupancy expense rate was primarily due to the inability to achieve expense leverage on a 10% decrease in comparable store sales.

At the apparel businesses, the gross income rate increased significantly primarily due to an increase in the merchandise margin rate due to a more favorable product assortment and more effective inventory management which resulted in lower markdowns in 2001 compared to the difficult fourth quarter in 2000. The buying and occupancy expense rate at the apparel businesses was about flat for the quarter.

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Gross Income
Full Year
- ----------
2002 compared to 2001

In 2002, the gross income rate increased to 36.6% from 35.8% in 2001 as increases at Victoria's Secret and the apparel businesses were partially offset by a decline at Bath & Body Works. At Victoria's Secret, the gross income rate increased significantly primarily due to an increase in the merchandise margin rate driven by fewer markdowns in certain merchandise categories, particularly bras. The buying and occupancy expense rate at Victoria's Secret increased slightly.

At Bath & Body Works, the gross income rate decreased significantly due to an increase in the buying and occupancy expense rate and a decrease in the merchandise margin rate. The increase in the buying and occupancy expense rate was due to the inability to achieve expense leverage on a 3% decrease in comparable store sales. The decrease in the merchandise margin rate was driven by the fourth quarter results previously described.

At the apparel businesses, the gross income rate increased due primarily to an increase in the merchandise margin rate at Express. The improvement in the merchandise margin rate at Express was due to improved initial pricing, lower markdowns and tighter inventory management, principally in the first and second quarters of 2002. The buying and occupancy expense rate at the apparel businesses was about flat for the year.

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2001 compared to 2000

In 2001, the gross income rate increased to 35.8% from 35.1% in 2000. The gross income rate at Victoria's Secret was flat to 2000 as a slight increase in the merchandise margin rate was offset by a slight increase in the buying and occupancy expense rate.

At Bath & Body Works, the gross income rate was about flat to 2000. A significant improvement in the merchandise margin rate driven by the fourth quarter as previously discussed, was offset by a significant increase in the buying and occupancy expense rate due to the inability to achieve expense leverage as comparable store sales decreased 11% for the year.

At the apparel businesses, the gross income rate increased slightly due to an increase in the merchandise margin rate partially offset by an increase in the buying and occupancy expense rate. The improvement in the merchandise margin rate was primarily due to improved initial pricing and lower markdowns at Limited Stores, principally in the fourth quarter, and improvements in the men's assortment at Express for the full year. The increase in the buying and occupancy expense rate was primarily the result of the inability to achieve expense leverage as comparable store sales decreased 3%.

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General, Administrative and Store Operating Expenses
Fourth Quarter
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2002 compared to 2001

For the fourth quarter of 2002, the general, administrative and store operating expense rate (expressed as a percentage of sales) was 21.8% compared to 22.5% in 2001. The rate improvement was due to a decrease in the general, administrative and store operating expense rate at the apparel businesses, partially offset by an increase at Bath & Body Works. The rate improvement at the apparel businesses was primarily driven by reductions in store selling and home office payroll costs. The rate increase at Bath & Body Works was primarily due to investments in certain organizational and management changes as well as the inability to

leverage store selling expenses on a 1% decrease in comparable store sales. The general, administrative and store operating expense rate at Victoria's Secret was about flat for the year.

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2001 compared to 2000

For the fourth quarter of 2001, the general, administrative and store operating expense rate was 22.5% compared to 22.9% in 2000. The slight rate improvement was driven by Victoria's Secret, which improved due to reductions in store selling expenses (primarily store payroll costs) and order fulfillment costs at Victoria's Secret Direct, combined with the expense leverage achieved on a 10% increase in comparable store sales. The improvement at Victoria's Secret was substantially offset by declines at Bath & Body Works and the apparel businesses as reductions in selling expenses per average store were more than offset by the lack of expense leverage resulting from decreases in comparable store sales of 10% and 1%, respectively.

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General, Administrative and Store Operating Expenses
Full Year

- ---

2002 compared to 2001

In 2002, the general, administrative and store operating expense rate decreased to 26.3% from 27.2% in 2001. The decrease was primarily driven by Victoria's Secret and the apparel businesses resulting from leverage achieved on comparable store sales increases of 6% and 3%. The general, administrative and store operating expense rate at Bath & Body Works was about flat to 2001 as the increase previously described in the fourth quarter results was partially offset by a decrease in marketing expenditures.

2001 compared to 2000

In 2001, the general, administrative and store operating expense rate increased to 27.2% from 25.8% in 2000. The increase was primarily driven by a significant increase at Bath & Body Works due to higher store selling expenses (primarily payroll costs) related to the net addition of 183 new stores and the inability to achieve expense leverage on a comparable store sales decrease of 11%. At the apparel businesses, the general, administrative and store operating expense rate increased despite a total dollar decrease in expense, primarily due to the inability to achieve expense leverage on a comparable store sales decrease of 3% combined with the net closure of 51 smaller, unprofitable stores. The general, administrative and store operating expense rate at Victoria's Secret was about flat to 2000.

Special and Nonrecurring Items

During the first quarter of 2002, in connection with the acquisition of the Intimate Brands, Inc. ("IBI") minority interest, (see Note 2 to the Consolidated Financial Statements) vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of $34 million in the first quarter of 2002.

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for $280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at $55 million. On December 12, 2001, the Company received additional Charming Shoppes, Inc. common stock valued at $4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a pretax gain of $170 million (net of $24 million of transaction costs) and a $68 million tax provision.

During the fourth quarter of 2000, the Company recorded a $10 million pretax charge to close Bath & Body Works' United Kingdom stores. The charge consisted of non-cash store and other asset write-offs of $5 million and accruals for lease termination and other costs of $5 million, all of which were paid during fiscal 2001.

Operating Income
Fourth Quarter

For the fourth quarter of 2002, the operating income rate (expressed as a percentage of sales) decreased to 19.8% from 20.7% in 2001. The rate decrease was primarily due to a 1.6% decrease in the gross income rate, partially offset by a 0.7% decrease in the general, administrative and store operating expense rate.

For the fourth quarter of 2001, the operating income rate increased to 20.7% from 13.7% in 2000. The rate increase was primarily due to a 6.3% increase in the gross income rate.

Operating Income
Full Year

In 2002, the operating income rate was 9.9% versus 10.6% in 2001. Excluding special and nonrecurring items in both years, the operating income rate was 10.3% in 2002 versus 8.6% in 2001. The rate increase was driven by a 0.8% increase in the gross income rate and a 0.9% decrease in the general, administrative and store operating expense rate.

In 2001, the operating income rate was 10.6% versus 9.2% in 2000. Excluding special and nonrecurring items in both years, the operating income rate was 8.6% in 2001 versus 9.3% in 2000. The rate decrease was driven by a 1.4% increase in the general, administrative and store operating expense rate, partially offset by a 0.7% increase in the gross income rate.

Interest Expense

In 2002, the Company incurred $8 million and $30 million in interest expense for the fourth quarter and year, compared to $9 million and $34 million in 2001 for the same periods. These decreases were primarily the result of a decrease in average effective interest rates during 2002, partially offset by an increase in average daily borrowings in the fourth quarter.

In 2001, the Company incurred $9 million and $34 million in interest expense for the fourth quarter and year, compared to $17 million and $58 million in 2000 for the same periods. These decreases were primarily due to a decrease in average daily borrowings.

	Fourth Quarter		Year		
	2002	2001	2002	2001	2000
Average daily borrowings (Millions)	$451	$400	$342	$400	$717
Average effective interest rate	7.0%	7.6%	7.4%	7.6%	7.9%

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Other Non-operating Items

In 2002, interest income was $9 million and $29 million for the fourth quarter and year, compared to $6 million and $24 million in 2001. These increases were primarily due to significantly higher average invested cash balances, partially offset by a decrease in average effective interest rates.

In 2001, interest income was $6 million and $24 million for the fourth quarter and year, compared to $13 million and $42 million in 2000. These decreases were primarily due to significantly lower average effective interest rates which were partially offset by higher average invested cash balances.

In 2002, other income (loss) was $4 million and $0.1 million for the fourth quarter and year, compared to $1 million and ($2) million in 2001. These increases were primarily due to improved performance of the Company's unconsolidated entities.

In 2001, other income (loss) was $1 million and ($2) million for the fourth quarter and year, compared to ($18) million and ($22) million in 2000. These reductions in losses were primarily due to a fourth quarter 2000 charge that the Company recorded in order to reflect the impact of a change in revenue recognition and a goodwill write-off by one of its unconsolidated entities.

In 2002, minority interest declined to $6 million from $64 million in 2001 as a result of the IBI recombination (see Note 2 to the Consolidated Financial Statements).

Gains on Investees' Stock

During the third quarter of 2002, the Company recognized a $6 million pretax gain resulting from the sale of its entire interest in Charming Shoppes, Inc. common stock (9.5 million shares) for $65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

Also, in accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary, "the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO"). Accordingly, during the second quarter of 2001, the Company recognized $62 million of pretax gains from the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's Trading Company Inc. ("Galyan's"). ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, and footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 1, 2003, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest.

Adjusted Data

The following adjusted income information gives effect to certain significant transactions and events in 2002, 2001 and 2000. These items are more fully described in the "Special and Nonrecurring Items" and "Gains on Investees' Stock" sections in Management's Discussion and Analysis and in Notes 1 through 4 to the Consolidated Financial Statements.

In general, results are adjusted to exclude the impact of disposed businesses, the IBI recombination and other items of a nonrecurring nature which materially impact the comparability of the Company's results of operations.

The adjusted income information should not be construed as an alternative to the reported results determined in accordance with generally accepted accounting principles. Further, the Company's definition of adjusted income information may differ from similarly titled measures used by other companies. While it is not possible to predict future results, management believes the adjusted information is useful for the assessment of the ongoing operations of the Company.

		2002		
Adjusted Income Information (Millions except per share amounts)		Reported	Adjustments	Adjusted
Net sales		$ 8,445	--	$ 8,445
Gross income		3,094	--	3,094
General, administrative and store operating expenses		(2,222)	--	(2,222)
Special and nonrecurring items		(34)	34	--
Operating income		838	34	872
Interest expense		(30)	--	(30)
Interest income		29	6	35
Other income (loss)		--	--	--
Minority interest		(6)	6	--
Gains on investees' stock		6	(6)	--
Income from continuing operations before income taxes		837	40	877
Income tax expense		341	8	349
Net income from continuing operations		496	32	528
Income from discontinued operations (including loss on disposal of $4 million in 2002), net of tax		6	(6)	--
Net income		$ 502	$ 26	$ 502
Income per share:	Continuing operations	$ 0.95		$ 0.99
	Discontinued operations	0.01		--
Net income per share		$ 0.96		$ 0.99
Weighted average shares outstanding		522		533

	2001		
Adjusted Income Information (Millions except per share amounts)	Reported	Adjustments	Adjusted
Net sales	$ 8,423	($495)	$ 7,928
Gross income	3,016	(155)	2,861
General, administrative and store operating expenses	(2,290)	117	(2,173)

Special and nonrecurring items		170	(170)	--
Operating income		896	(208)	688
Interest expense		(34)	--	(34)
Interest income		24	8	32
Other income (loss)		(2)	--	(2)
Minority interest		(64)	64	--
Gains on investees' stock		62	(62)	--
Income from continuing operations before income taxes		882	(198)	684
Income tax expense		376	(104)	272
Net income from continuing operations		506	(94)	412
Income from discontinued operations (including loss on disposal of $4 million in 2002), net of tax		13	(13)	--
Net income		$ 519	($107)	$ 412
Income per share:	Continuing operations	$ 1.16		$ 0.78
	Discontinued operations	0.03		--
Net income per share		$ 1.19		$ 0.78
Weighted average shares outstanding		435		526

	2000		
Adjusted Income Information (Millions except per share amounts)	Reported	Adjustments	Adjusted
Net sales	$ 9,080	($930)	$ 8,150
Gross income	3,185	(248)	2,937
General, administrative and store operating expenses	(2,343)	218	(2,125)
Special and nonrecurring items	(10)	10	--
Operating income	832	(20)	812
Interest expense	(58)	--	(58)
Interest income	42	8	50
Other income (loss)	(22)	--	(22)
Minority interest	(69)	69	--
Gains on investees' stock	--	--	--
Income from continuing operations before income taxes	725	57	782
Income tax expense	318	(7)	311
Net income from continuing operations	407	64	471
Income from discontinued operations (including loss on disposal of $4 million in 2002), net of tax	21	(21)	--
Net income	$ 428	$ 43	$ 471
Income per share: Continuing operations	$ 0.91		$ 0.88
Discontinued operations	0.05		--
Net income per share	$ 0.96		$ 0.88
Weighted average shares outstanding	443		537

Notes to Adjusted Income Information

Excluded businesses:

.. As a result of its sale on November 27, 2002, Lerner's results have been reflected in discontinued operations and were excluded in determining adjusted results for all periods presented. In addition, the adjusted results reflect the addition of interest income which would have been earned on the $75 million note received from Lerner in connection with the sale.

.. Lane Bryant results were excluded in determining adjusted results for 2001 and 2000 as a result of its sale to Charming Shoppes, Inc. on August 16, 2001.

Offer and merger:

.. On March 21, 2002, the Company completed a tender offer and merger that resulted in the acquisition of the IBI minority interest. The adjusted results:

1. eliminate the minority interest in earnings of IBI and
2. increase total weighted average Class A common stock outstanding, using the exchange rate of 1.1 share of Limited Brands common stock for each share of IBI Class A common stock.

The following special items were excluded in determining adjusted results:

2002 - a $34 million non-cash charge for vested stock awards related to the IBI recombination and a $6 million gain related to the sale of

Charming Shoppes, Inc. common stock.
2001 - a $170 million gain related to the sale of Lane Bryant and $62 million of gains as a result of the IPO's of ADS and Galyan's.
2000 - a $10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

Financial Condition

Liquidity and Capital Resources

Cash provided by operating activities and funds available from commercial paper backed by bank credit agreements provide the resources to support current operations, projected growth, seasonal funding requirements and capital expenditures. Changes in consumer spending patterns, consumer preferences and overall economic conditions could impact the availability of future operating cash flows.

The Company's operations are seasonal in nature and consist of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of net sales in 2002, 2001 and 2000. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday season, which generates a substantial portion of the Company's operating cash flow for the year.

A summary of the Company's working capital position and capitalization follows:

(Millions)		2002	2001	2000
Cash provided by operating activities		$ 795	$1,005	$ 822
Working capital		$2,347	$1,330	$1,034
Capitalization	Long-term debt	$ 547	$ 250	$ 400
	Shareholders' equity	4,860	2,744	2,316
Total capitalization		$5,407	$2,994	$2,716
Additional amounts available under long-term credit agreements		$1,250	$1,250	$1,000

The Company considers the following to be relevant measures of liquidity and capital resources:

	2002	2001	2000
Debt-to-equity ratio (Long-term debt divided by shareholders' equity)	11%	9%	17%
Debt-to-capitalization ratio (Long-term debt divided by total capitalization)	10%	8%	15%
Cash flow to capital investment (Net cash provided by operating activities divided by capital expenditures)	260%	267%	169%

Operating Activities

Net cash provided by operating activities, the Company's primary source of liquidity, was $795 million in 2002, $1,005 million in 2001, and $822 million in 2000.

The decrease in cash provided by operating activities in 2002 was primarily driven by a decrease in income taxes payable and an increase in inventories. The decrease in income taxes payable is primarily due to the timing of payments and taxes paid on the Lane Bryant gain, partially offset by a decrease in pretax income. The increase in inventory primarily relates to higher levels across all businesses resulting from the addition of 106 new stores in 2002, as well as an increase in inventory at Lerner prior to its sale on November 27, 2002.

The increase in cash provided by operating activities in 2001 from 2000 was primarily driven by a decrease in inventories and an increase in income taxes payable. The inventory decline was the result of conservative inventory management in anticipation of a difficult retail environment in 2001. The increase in income taxes payable is primarily due to an increase in pretax income, timing of payments and the taxes due on the gain from the sale of Lane Bryant.

On February 14, 2003 in connection with the sale of Lerner, the Company received additional cash consideration of $38 million based on Lerner's net working capital at closing. This amount was included in accounts receivable at February 1, 2003.

Investing Activities

In 2002, major investing activities included $306 million in capital expenditures (see "Capital Expenditures" section) and cash inflows of $79 million from the sale of Lerner, $65 million from the sale of Charming Shoppes, Inc. stock, $34 million from the sale of joint ventures and $18 million associated with the Easton project (see "Easton Investment" section).

In 2001, major investing activities included $377 million in capital expenditures and cash inflows of $280 million from the sale of Lane Bryant, $38 million from the sale of property and equipment and $20 million from the

collection of a long-term note receivable.

In 2000, major investing activities included $487 million in capital expenditures and $22 million in net expenditures associated with the Easton project.

Financing Activities

Financing activities in 2002 consisted of $300 million in proceeds from the issuance of long-term debt and $55 million in proceeds from the exercise of stock options, offset by the repayment of $150 million of long-term debt and quarterly dividend payments of $0.075 per share or $150 million for the year.

Financing activities in 2001 consisted of the quarterly dividend payments of $0.075 per share or $129 million for the year. In addition, IBI repurchased 1 million shares of common stock from its public shareholders for $8 million. These cash outflows were partially offset by proceeds from the exercise of stock options.

Financing activities in 2000 included repayment of $150 million of term debt, redemption of the $100 million Series C floating rate notes and quarterly dividend payments of $0.075 per share or $128 million for the year. In addition, the Company repurchased 9 million shares of its common stock for $200 million. Finally, in 2000, IBI repurchased 9 million shares of its common stock for $198 million, of which 7 million shares were repurchased on a proportionate basis from the Company for $167 million. The repurchase did not change the Company's 84% ownership interest in IBI.

The Company has available $1.25 billion under its unsecured revolving credit facility (the "Facility"), none of which was used as of February 1, 2003. The Facility is comprised of a $500 million 364-day agreement and a $750 million 5-year agreement. Borrowings under the agreement, if any, are due June 27, 2003 and July 13, 2006, respectively.

On February 3, 2003, the Company announced that its Board of Directors had authorized the repurchase of $150 million of its outstanding shares either in the open market or through privately negotiated transactions, depending on prevailing market conditions. The Company also announced a 33% increase in the Company's 2003 common stock annual cash dividend to $0.40 from $0.30 cents per share, which will increase total dividend payments by approximately $50 million.

On February 13, 2003, the Company issued $350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. The Company is required to register these securities with the Securities and Exchange Commission within 180 days of their issuance.

On February 27, 2003, the Company notified the holders of its 7 1/2% debentures due 2023 (the "Securities") of its intention to redeem the entire outstanding aggregate amount of $250 million. Accordingly, the Securities become due and payable on March 28, 2003 at a redemption price equal to 103.16% of the principal amount, plus accrued interest through March 28, 2003. The early redemption of these Securities will result in a charge of approximately $13 million in the first quarter of 2003, comprised of a call premium and the write-off of unamortized deferred financing fees and discounts.

Stores & Selling Square Feet

A summary of stores and selling square feet by business follows:

		End of Year			Change From	
		Plan 2003	2002	2001	2003-2002	2002-2001
Victoria's Secret Stores	Stores	1,014	1,014	1,002	--	12
	Selling square feet	4,771,000	4,663,000	4,458,000	108,000	205,000
Bath & Body Works	Stores	1,622	1,639	1,615	(17)	24
	Selling square feet	3,575,000	3,568,000	3,463,000	7,000	105,000
Express Women's	Stores	559	624	667	(65)	(43)
	Selling square feet	3,483,000	3,927,000	4,280,000	(444,000)	(353,000)
Express Men's	Stores	321	358	439	(37)	(81)
	Selling square feet	1,298,000	1,458,000	1,774,000	(160,000)	(316,000)
Express Dual Gender	Stores	112	49	--	63	49
	Selling square feet	1,030,000	467,000	--	563,000	467,000
Total Express	Stores	992	1,031	1,106	(39)	(75)
	Selling square feet	5,811,000	5,852,000	6,054,000	(41,000)	(202,000)
Limited Stores	Stores	346	351	368	(5)	(17)
	Selling square feet	2,108,000	2,179,000	2,313,000	(71,000)	(134,000)
Total apparel businesses	Stores	1,338	1,382	1,474	(44)	(92)
	Selling square feet	7,919,000	8,031,000	8,367,000	(112,000)	(336,000)
Henri Bendel	Stores	1	1	1	--	--
	Selling square feet	35,000	35,000	35,000	--	--
Lerner New York	Stores	--	--	522	--	(522)
	Selling square feet	--	--	3,823,000	--	(3,823,000)
Total retail businesses	Stores	3,975	4,036	4,614	(61)	(578)
	Selling square feet	16,300,000	16,297,000	20,146,000	3,000	(3,849,000)

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Capital Expenditures

Capital expenditures amounted to $306 million, $377 million and $487 million for 2002, 2001 and 2000, of which $259 million, $287 million and $381 million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to information technology and distribution centers.

The Company anticipates spending approximately $400 million for capital expenditures in 2003, of which approximately $300 million will be for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and distribution centers. The Company expects that 2003 capital expenditures will be funded principally by net cash provided by operating activities.

The Company expects selling square footage to remain about flat in 2003. While the Company plans the addition of approximately 30 stores and the closure of approximately 90 stores, the majority of capital will be spent on the remodeling of and improvements to approximately 380 existing stores, 288 of which will be sign changes related to Express Men's stores.

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Easton Investment

The Company has land and other investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments totaled $69 million at February 1, 2003 and $85 million at February 2, 2002.

Included in the Company's Easton investments is a member interest in the Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and retail center. The Company accounts for this interest using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company. The Company is evaluating the accounting impact of adopting FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which is effective in the third quarter of 2003.

Total assets of ETC were approximately $235 million as of February 1, 2003. In addition, ETC's principal funding source is a $210 million secured bank loan, all of which was outstanding at February 1, 2003. The loan is payable in full on January 28, 2006, with the option of two twelve-month extensions if certain requirements are met. The Company has guaranteed $25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by the loan agreement, the Company has the option to 1) guarantee an additional amount of the loan; 2) provide an irrevocable letter of credit on behalf of ETC; 3) make a principal payment or 4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial requirements of this loan.

The Company has issued a $30 million standby letter of credit, on which the City of Columbus, Ohio (the "City") can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not expect that the City will be required to draw funds under the letter of credit.

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Contractual Obligations and Contingent Liabilities

The Company's significant contractual obligations and contingent liabilities include its long-term debt obligations, operating lease commitments related principally to its stores, guarantees of store lease obligations of former subsidiaries and certain Easton-related contingent liabilities.

As detailed in Note 10 to the Consolidated Financial Statements, the Company's long-term debt totals $547 million. In addition, on February 13, 2003, the Company issued $350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. Also, minimum rent commitments under noncancelable leases total $2.886 billion (excluding additional payments required under store leases covering taxes, common area costs and certain other expenses) and are detailed by year in Note 7 to the Consolidated Financial Statements.

The Company's contingent liabilities include approximately $570 million of remaining lease guarantees related to store leases that existed at the time its Abercrombie & Fitch, Limited Too, Galyan's, Lane Bryant and Lerner subsidiaries were divested. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases. Contingent liabilities also include the $25 million guarantee and the $30 million standby letter of credit related to Easton as previously discussed. These contingent liabilities are also further detailed in Note 7 to the Consolidated Financial Statements.

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Recently Issued Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for

Asset Retirement Obligations." SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal 2003. The Company is currently evaluating the impact of adopting SFAS No. 143 but does not anticipate that the adoption will have a significant impact on its results of operations or its financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an Amendment of FASB Statement No. 123." This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting used for stock-based employee compensation and its effect on reported results. The Company has reflected the amended disclosure requirements in Note 1 to the Consolidated Financial Statements but does not currently plan to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." This interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," establishes standards for determining under what circumstances a variable interest entity should be consolidated with its primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003. For variable interest entities acquired before February 1, 2003, this interpretation is effective in the third quarter of 2003. The Company is currently evaluating the effect of adopting FIN 46 on its results of operations, financial position and cash flows.

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Market Risk

Management believes the Company's exposure to interest rate and market risk associated with financial instruments (such as investments and borrowings) is not material.

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Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

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Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an on-going basis, management evaluates its estimates and judgments, including those related to inventories, long-lived assets and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

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Inventories

Inventories are valued at the lower of average cost or market, on a weighted average cost basis, using the retail method. The Company records a charge to cost of goods sold for all inventory on hand when a permanent retail price reduction is reflected in its stores. In addition, management makes estimates and judgments regarding, among other things, initial markup, markdowns, future demand and market conditions, all of which significantly impact the ending inventory valuation. Inventory valuation at the end of the first and third quarters reflects adjustments for estimated inventory markdowns for the spring (first and second quarters) and fall (third and fourth quarters) selling seasons. If actual future demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected. Other significant estimates related to inventory include shrink and obsolete and excess inventory which are also based on historical results and management's operating projections.

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Valuation of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Trademarks are reviewed for impairment annually by comparing the fair value to the carrying value. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Factors used in the valuation of long-lived assets, trademarks and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If future economic conditions are different than those projected by management, additional impairment charges may be required.

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Claims and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, income taxes, insurance and other matters arising out of the normal course of business. The Company's determination of the treatment of claims and contingencies in the financial statements is based on management's view of the expected outcome of the applicable claim or contingency. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company accrues a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, disclosure of a material claim or contingency is made in the notes to the financial statements.

While the Company's recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy of the Company. As discussed in Note 1 to the Consolidated Financial Statements, the Company recognizes revenue upon customer receipt of the merchandise and provides a reserve for projected merchandise returns based on prior experience.

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

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of 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. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2003 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible terrorist attacks and hostilities in Iraq or Korea; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production and availability of suitable store locations on appropriate terms. 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.

Consolidated Statements of Income (Millions except per share amounts)

	2002	2001	2000
Net sales	$ 8,445	$ 8,423	$ 9,080
Costs of goods sold, buying and occupancy	(5,351)	(5,407)	(5,895)
Gross income	3,094	3,016	3,185
General, administrative and store operating expenses	(2,222)	(2,290)	(2,343)
Special and nonrecurring items	(34)	170	(10)
Operating income	838	896	832
Interest expense	(30)	(34)	(58)
Interest income	29	24	42
Other income (loss)	--	(2)	(22)
Minority interest	(6)	(64)	(69)
Gains on investees' stock	6	62	--
Income from continuing operations before income taxes	837	882	725
Income tax expense	341	376	318
Net income from continuing operations	496	506	407
Income from discontinued operations (including loss on disposal of $4 in 2002), net of tax	6	13	21
Net income	$ 502	$ 519	$ 428
Income per basic share:			
Continuing operations	$ 0.97	$ 1.18	$ 0.95
Discontinued operations	0.01	0.03	0.05
Net income per basic share	$ 0.98	$ 1.21	$ 1.00
Income per diluted share:			
Continuing operations	$ 0.95	$ 1.16	$ 0.91
Discontinued operations	0.01	0.03	0.05
Net income per diluted share	$ 0.96	$ 1.19	$ 0.96

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheets (Millions except per share amounts)

Assets	February 1, 2003	February 2, 2002
Current assets		
Cash and equivalents	$2,262	$1,495
Accounts receivable	151	80
Inventories	966	966
Other	227	243
Total current assets	3,606	2,784
Property and equipment, net	1,492	1,599
Deferred income taxes	--	67
Goodwill	1,311	121
Trade names and other intangible assets	447	31
Other assets	390	492
Total assets	$7,246	$5,094
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 456	$ 365
Current portion of long-term debt	--	150
Accrued expenses and other	607	663
Income taxes	196	276
Total current liabilities	1,259	1,454
Deferred income taxes	125	--

Long-term debt	547	250
Other long-term liabilities	455	469
Commitments and contingencies (see Note 7)		
Minority interest	--	177
Shareholders' Equity		
Preferred stock - $1.00 par value; 10 shares authorized; none issued	--	--
Common stock - $0.50 par value; 1,000 shares authorized; 523 and 432 shares issued in 2002 and 2001	261	216
Paid-in capital	1,693	46
Retained earnings	2,906	2,552
Less: treasury stock, at average cost; 3 shares in 2001	--	(70)
Total shareholders' equity	4,860	2,744
Total liabilities and shareholders' equity	$7,246	$5,094

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (Millions)

	Common Stock Shares Outstanding	Common Stock Par Value	Paid-In Capital	Retained Earnings	Treasury Stock, at Average Cost	Total Shareholders' Equity
Balance, January 29, 2000	430	$190	$ 123	$ 6,109	($4,275)	$2,147
Net income	--	--	--	428	--	428
Cash dividends	--	--	--	(128)	--	(128)
Repurchase of common stock, including transaction costs	(9)	--	--	--	(200)	(200)
Retirement of treasury stock	--	(82)	--	(4,241)	4,323	--
Two-for-one stock split	--	108	(108)	--	--	--
Exercise of stock options and other	5	--	50	--	19	69
Balance, February 3, 2001	426	$216	$ 65	$ 2,168	($133)	$2,316
Net income	--	--	--	519	--	519
Cash dividends	--	--	--	(129)	--	(129)
Exercise of stock options and other	3	--	(19)	(6)	63	38
Balance, February 2, 2002	429	$216	$ 46	$ 2,552	($70)	$2,744
Net income	--	--	--	502	--	502
Cash dividends	--	--	--	(150)	--	(150)
Acquisition of Intimate Brands, Inc. minority interest	89	44	1,587	--	--	1,631
Exchange of Intimate Brands, Inc. stock awards	--	--	59	--	--	59
Exercise of stock options and other	5	1	1	2	70	74
Balance, February 1, 2003	523	$261	$1,693	$ 2,906	--	$4,860

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows (Millions)

Operating Activities	2002	2001	2000
Net income	$ 502	$ 519	$ 428
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	276	277	271
Special and nonrecurring items	34	(170)	10
Amortization of deferred compensation	34	12	14
Deferred income taxes	59	76	46
Minority interest, net of dividends paid	1	43	47
Loss on disposal of discontinued operations	10	--	--
Gains on investees' stock	(6)	(62)	--
Changes in assets and liabilities:			
Accounts receivable	(39)	15	15
Inventories	(144)	82	(106)
Accounts payable, accrued expenses and other	77	(6)	44
Income taxes payable	(110)	119	(60)
Other assets and liabilities	101	100	113
Net cash provided by operating activities	795	1,005	822
Investing Activities			
Capital expenditures	(306)	(377)	(487)
Proceeds from sale of subsidiary	79	280	--
Proceeds from sale of investee's stock	65	--	--
Proceeds from sale of joint ventures	34	--	--
Net proceeds (expenditures) related to Easton investment	18	(11)	(22)
Other investing activities	30	49	(7)
Net cash used for investing activities	(80)	(59)	(516)

Financing Activities			
Repayment of long-term debt	(150)	--	(250)
Proceeds from issuance of long-term debt	300	--	--
Repurchase of common stock, including transaction costs	--	--	(200)
Repurchase of Intimate Brands, Inc. common stock	--	(8)	(31)
Dividends paid	(150)	(129)	(128)
Proceeds from exercise of stock options and other	52	35	41
Net cash provided by (used for) financing activities	52	(102)	(568)
Net increase (decrease) in cash and equivalents	767	844	(262)
Cash and equivalents, beginning of year	1,495	651	913
Cash and equivalents, end of year	$2,262	$1,495	$ 651

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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Summary of Significant Accounting Policies

Principles of Consolidation

Limited Brands, Inc. (the "Company") sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements include the results of Lane Bryant through August 16, 2001, when it was sold to a third party, Intimate Brands, Inc. ("IBI"), an 84%-owned subsidiary through March 21, 2002, when the Company purchased the remaining minority interest (see Note 2) and Lerner New York ("Lerner") through November 27, 2002 when it was sold to a third party. Lerner's results are reflected as discontinued operations for all periods presented (see Note 3).

Investments in unconsolidated entities over which the Company exercises significant influence but does not have control are accounted for using the equity method. The Company's share of the net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in cost of goods sold. The Company's share of the net income or loss of all other unconsolidated entities is included in other income (loss) which amounted to ($2) million in 2002, ($11) million in 2001 and ($24) million in 2000.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 2002 and 2001 represent the fifty-two-week periods ended February 1, 2003 and February 2, 2002 and results for fiscal year 2000 represent the fifty-three-week period ended February 3, 2001.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of less than 90 days.

The Company's cash management process provides for the daily funding of checks as they are presented to the bank. Included in accounts payable at February 1, 2003 and February 2, 2002 are $161 million and $120 million representing outstanding checks.

Inventories

Inventories are principally valued at the lower of average cost or market, on a weighted-average cost basis, using the retail method.

Store Supplies

The initial shipment of selling-related supplies (including, but not limited to, hangers, signage, security tags and packaging) is capitalized at the store opening date. Subsequent shipments are expensed, except for new merchandise presentation programs, which are capitalized. Store supplies are adjusted as appropriate for changes in actual quantities or costs.

Direct Response Advertising

Direct response advertising relates primarily to the production and distribution of the Company's catalogs and is amortized over the expected future revenue stream, which is principally three months from the date catalogs are mailed. The Company had capitalized direct response advertising of $20 million at February 1, 2003 and $24 million at February 2, 2002. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalog and advertising costs amounted to $428 million in 2002, $446 million in 2001 and $480 million in 2000.

Long-lived Assets

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10 to 15 years for building and leasehold improvements, 3 to 10 years for store related property and equipment and 20 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Effective in the first quarter of 2002, goodwill is no longer amortized. Prior to 2002, goodwill was amortized on a straight-line basis over 30 years and goodwill related to IBI stock buybacks was reversed as the shares were reissued to provide shares needed for employee benefit plans. The cost of intellectual property assets is amortized based on the sell-through of the related products, over the shorter of the term of the license agreement or the estimated useful life of the asset, not to exceed 10 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the undiscounted future cash flows from the long-lived assets are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the discounted future cash flows of the asset. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Trademarks are reviewed for impairment annually by comparing the fair value to the carrying value. Factors used in the valuation of long-lived assets, trademarks and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

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Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

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Self Insurance

The Company is self-insured for medical, worker's compensation, general liability and automobile benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported (IBNR) claims. IBNR claims are estimated using historical claim information.

Stock-Based Compensation

The Company has elected to recognize compensation expense associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations. Under APB No. 25, because the exercise price of the Company's employee stock options is generally equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", establishes an alternative method of expense recognition for stock-based compensation awards based on fair values.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 (millions, except per share amounts).

Stock-Based Compensation	2002	2001	2000
Net income, as reported	$ 502	$ 519	$ 428
Add: Stock compensation cost recorded under APB No. 25, net of tax	58	13	8
Deduct: Stock compensation cost calculated under SFAS No. 123, net of tax	(50)	(39)	(31)
Pro forma net income	$ 510	$ 493	$ 405
Earnings per share: Basic, as reported	$0.98	$1.21	$1.00
Basic, pro forma	$1.00	$1.15	$0.95
Diluted, as reported	$0.96	$1.19	$0.96
Diluted, pro forma	$0.99	$1.14	$0.91

In 2002, under APB No. 25, the Company recognized stock compensation expense of $58 million, net of tax, which included $43 million, net of tax for the exchange of stock awards related to the IBI recombination. Under SFAS No. 123, the stock compensation expense using the fair value method is $50 million, net of tax, which includes $14 million, net of tax related to stock awards exchanged in the IBI recombination.

The weighted average per share fair value of options granted by the Company ($5.31, $5.84 and $5.19 during 2002, 2001 and 2000) was used to calculate the pro forma compensation expense under SFAS No. 123. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2002, 2001 and 2000: dividend yields of 2.8%, 2.3% and 2.3%; volatility of 42%, 41% and 36%; risk-free interest rates of 3%, 4% and 5%; and expected lives of 4.4 years, 4.5 years and 4.3 years. The Company used an assumed forfeiture rate of 20% for stock-based awards granted prior to 2001.

Shareholders' Equity

On May 2, 2000, the Company declared a two-for-one stock split ("stock split") in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares ($108 million) from paid-in capital to common stock. Also, in connection with the stock split, the Company retired 327 million treasury shares with a cost of $4.3 billion. A non-cash charge was made to retained earnings for the excess cost of treasury stock over its par value.

Also in 2000, the Company repurchased 9 million shares of its common stock for $200 million.

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise. Shipping and handling revenues are included in net sales and the related costs are included in costs of goods sold, buying and occupancy. Revenue for gift certificate sales and store credits is recognized at redemption. A reserve is provided for projected merchandise returns based on prior experience.

Cost of Goods Sold, Buying and Occupancy

Cost of goods sold includes merchandise costs, net of discounts and allowances, freight, and inventory shrinkage. Buying and occupancy expenses primarily include payroll, benefit costs, and operating expenses for the Company's buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, catalog amortization and depreciation for the Company's stores and warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses primarily include payroll and benefit costs for the Company's store-selling and administrative departments (including corporate functions) advertising and other operating expenses not specifically categorized elsewhere in the consolidated statements of income.

Earnings Per Share

Net income per share is computed in accordance with SFAS No. 128, "Earnings Per Share." Earning per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding. Additionally, prior to the IBI recombination in 2002 (see Note 2), earnings per diluted share included the impact of the dilutive options and restricted stock at IBI as a reduction to earnings. This had no impact on 2002 and 2001 earnings per diluted share but resulted in a $0.01 reduction to 2000 earnings per diluted share.

Weighted Average Common Shares Outstanding (Millions)	2002	2001	2000
Common shares issued	511	432	432
Treasury shares	(1)	(4)	(4)
Basic shares	510	428	428
Effect of dilutive options and restricted stock	12	7	15
Diluted shares	522	435	443

The computation of earnings per diluted share excludes options to purchase 13.4 million, 11.3 million and 1.1 million shares of common stock in 2002, 2001 and 2000, because the options' exercise price was greater than the average market price of the common shares during the year.

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Gains on Investees' Stock

During the third quarter of 2002, the Company recognized a $6 million pretax gain resulting from the sale of its entire interest in Charming Shoppes, Inc. common stock (9.5 million shares) for $65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

In accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized $62 million of pretax gains from the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's Trading Company Inc. ("Galyan's"). ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, and footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 1, 2003, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest. The carrying value of the ADS and Galyan's investments, combined, was $156 million and $145 million and the aggregate market value was $299 million and $364 million at February 1, 2003 and February 2, 2002, respectively.

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Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

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Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

In addition, the Company reclassified landlord allowances received in conjunction with store leases from property and equipment to other long-term liabilities. Accordingly, related reclassifications have been reflected in the Consolidated Statements of Cash Flows resulting in an increase in capital expenditures, with an offsetting increase in cash flows from operating activities.

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Acquisition of Intimate Brands Minority Interest

On March 21, 2002, the Company completed a tax-free tender offer and merger, which resulted in the acquisition of the IBI minority interest. The acquisition resulted in the recombination of Intimate Brands and Limited Brands. The total purchase price was approximately $1.6 billion, based on approximately 89 million Limited Brands common shares issued in the transaction and the average closing price of Limited Brands common stock over the 3-day period before and after the transaction date.

The acquisition was effected through an offer to exchange 1.1 shares of Limited Brands common stock for each share of IBI Class A common stock followed by a merger in which all publicly-held shares not tendered were exchanged for the same consideration. As a result, IBI became a wholly-owned subsidiary of Limited Brands and the former public shareholders of IBI became shareholders of Limited Brands.

The acquisition was accounted for using the purchase method of accounting, as prescribed by SFAS No. 141, "Business Combinations." The Company allocated the purchase price to the minority interest portion of the fair values of identifiable intangible assets acquired.

The purchase price allocation included $411 million of acquired intangible assets related to trade names with indefinite lives. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," these intangible assets will not be amortized. The remaining purchase price allocation included the fair market value adjustments related to customer relationships and lists, property and equipment, leases, long-term debt and deferred rent. These adjustments are amortized over their respective useful lives (primarily five years) resulting in a non-cash expense of approximately $5 million per year. In addition, the acquisition resulted in approximately $1.2 billion of goodwill. None of these amounts are deductible for tax purposes.

The following table summarizes selected unaudited pro forma information for the

years ended February 1, 2003 and February 2, 2002 as if the recombination had been completed at the beginning of 2001. This selected unaudited pro forma information is not necessarily indicative of the operating results that would have occurred if the recombination had been completed at the beginning of the periods presented and is not necessarily indicative of the results that may be achieved in the future. The pro forma information reflects adjustments related to additional depreciation and amortization from the fair market value adjustments described above, the elimination of minority interest in earnings of Intimate Brands and an increase in total weighted average shares outstanding based on the conversion of Intimate Brands historical weighted average Class A common stock outstanding using the 1.1 exchange ratio.

(Millions except per share amounts)		2002	2001
Net sales		$8,445	$8,423
Net income		508	580
Net income per share:	Basic	$ 0.97	$ 1.12
	Diluted	$ 0.95	$ 1.10

The selected unaudited pro forma information for the year ended February 1, 2003 includes a pretax, non-cash special and nonrecurring charge of $34 million related to the exchange of vested IBI stock awards (see Note 4). In addition, the selected unaudited pro forma information for the year ended February 1, 2003 includes a pretax, non-cash compensation cost related to the exchange of unvested IBI stock awards for Limited Brands stock awards that will be recognized as expense over the remaining vesting periods, primarily in fiscal years 2002 and 2003. For the year ended February 1, 2003, the Company recognized $25 million of pretax, non-cash compensation expense related to these unvested awards.

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Discontinued Operations

On November 27, 2002, the Company sold one of its apparel businesses, Lerner/New York & Company ("Lerner"), to an investor group led by the business unit's President and Chief Executive Officer and affiliates of Bear Stearns Merchant Banking. Under the terms of the agreement, the Company received $79 million in cash, a $75 million subordinated note and warrants for approximately 15% of the common equity of the new company. A $26 million discount was recorded on the subordinated note, which will be accreted to income over the term of the note on a straight-line basis. The subordinated note bears interest at 10% to be payable in-kind ("PIK") through the issuance of additional notes to the Company. The subordinated note and related PIK notes are due on November 26, 2009. Subsequent to year-end, the Company received approximately $38 million in additional cash consideration based on Lerner's net working capital at closing. This amount was included in accounts receivable at February 1, 2003.

The transaction resulted in a fourth quarter after-tax loss of approximately $4 million, which reflects transaction costs and a $12 million lease guarantee liability (see Note 7). The Company's financial statements reflect Lerner's operating results (including the transaction loss) as a discontinued operation for all periods presented in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Lerner's net sales and pretax income reported in discontinued operations were $708 million and $15 million in 2002, $940 million and $22 million in 2001 and $1.024 billion and $34 million in 2000. The Company did not allocate interest expense to discontinued operations.

The Company will continue to provide certain corporate services to Lerner under a service agreement.

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Special and Nonrecurring Items

During the first quarter of 2002, in connection with the acquisition of the IBI minority interest (see Note 2), vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and Financial Accounting Standards Board ("FASB") Interpretation No. 44," the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of $34 million in the first quarter of 2002.

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for $280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at $55 million. On December 12, 2001, the Company received additional Charming Shoppes, Inc. common stock valued at $4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a third quarter pretax gain of $170 million (net of $24 million of transaction costs) and a $68 million tax provision. The Company continues to provide certain corporate services to Lane Bryant through a transition period under service agreements.

During the fourth quarter of 2000, the Company recorded a $10 million pretax charge to close Bath & Body Works' United Kingdom stores. The charge consisted of non-cash store and other asset write-offs of $5 million and accruals for lease termination and other costs of $5 million, all of which were paid during 2001.

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Property and Equipment, Net

Property and Equipment, at Cost (Millions)	2002	2001
Land, buildings and improvements	$ 346	$ 365
Furniture, fixtures and equipment	1,900	1,956
Leaseholds and improvements	1,363	1,489
Construction in progress	22	22
Total	3,631	3,832
Less: accumulated depreciation and amortization	2,139	2,233
Property and equipment, net	$1,492	$1,599

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Goodwill and Other Intangible Assets

Intangible assets, not subject to amortization, represent trade names that were recorded in connection with the acquisition of the Intimate Brands minority interest and were $411 million as of February 1, 2003.

Intellectual property assets and other intangibles, subject to amortization, had a gross carrying value and accumulated amortization of $54 million and $18 million at February 1, 2003 and $41 million and $10 million at February 2, 2002.

Amortization expense was $6 million in 2002, $11 million in 2001 and $11 million in 2000. Amortization expense in 2001 and 2000 includes the amortization of goodwill. The estimated annual amortization expense for intangibles each year through 2007 is approximately $8 million.

In accordance with SFAS No.142, the year ended February 2, 2002 has not been restated to add back the amortization expense of goodwill. Goodwill amortization expense did not have a material impact on net income for the year ended February 2, 2002.

The changes in the carrying amount of goodwill for the year ended February 1, 2003 is as follows:

(Millions)	Victoria's Secret	Bath & Body Works	Apparel	Total
Balance, February 2, 2002	$ 50	$ 67	$ 4	$ 121
Goodwill acquired (disposed)	640	554	(4)	1,190
Balance, February 1, 2003	$690	$621	--	$1,311

Leased Facilities, Commitments and Contingencies

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount.

Rent Expense (Millions)		2002	2001	2000
Store rent	Fixed minimum	$466	$464	$476
	Contingent	42	44	52
Total store rent		508	508	528
Equipment and other		34	30	25
Total rent expense		$542	$538	$553

For leases that contain predetermined fixed escalations of the minimum rentals and/or rent abatements, the Company recognizes the related rental expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits, which are included in other long-term liabilities. At February 1, 2003 and February 2, 2002, this liability amounted to $66 million and $86 million.

Landlord allowances received upon entering into certain store leases are recognized on a straight-line basis as a reduction to rent expense over the lease term. The unamortized portion is included in other long-term liabilities. At February 1, 2003 and February 2, 2002, the long-term deferred credit was approximately $202 million and $240 million.

At February 1, 2003, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. The obligations for these additional payments are excluded from the "minimum rent commitments under noncancelable leases" table that follows.

Minimum Rent Commitments Under Noncancelable Leases (Millions)	
2003	$525
2004	482
2005	428
2006	362
2007	282
Thereafter	807

Additionally, the Company has guaranteed approximately $570 million of lease payments of Abercrombie & Fitch, Limited Too, Galyan's, Lane Bryant and Lerner under noncancelable leases expiring at various dates through 2014. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases.

In conjunction with the sale of Lerner, the Company recognized a liability of $12 million representing the estimated fair value of the Company's obligation as guarantor in accordance with the provisions of SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" effective for guarantees issued after May 15, 2002.

The Company has land and other investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments totaled $69 million at February 1, 2003 and $85 million at February 2, 2002.

Included in the Company's Easton investments is a member interest in the Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and retail center. The Company accounts for this interest using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company. The Company is evaluating the accounting impact of adopting FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which is effective in the third quarter of 2003.

Total assets of ETC were approximately $235 million as of February 1, 2003. In addition, ETC's principal funding source is a $210 million secured bank loan, all of which was outstanding at February 1, 2003. The loan is payable in full on January 28, 2006, with the option of two twelve-month extensions if certain requirements are met. The Company has guaranteed $25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by the loan agreement, the Company has the option to 1) guarantee an additional amount of the loan; 2) provide an irrevocable letter of

credit on behalf of ETC; 3) make a principal payment or 4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial requirements of this loan.

The Company has issued a $30 million standby letter of credit, on which the City of Columbus, Ohio (the "City") can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

The Company is subject to various claims and contingencies related to lawsuits, income taxes and other matters arising out of the normal course of business. Management believes that the ultimate liability arising from such claims or contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or liquidity.

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Accrued Expenses and Other (Millions)	2002	2001
Deferred revenue	$165	$165
Compensation, payroll taxes and benefits	118	133
Taxes, other than income	57	52
Insurance	32	41
Returns reserve	32	31
Rent	31	40
Other	172	201
Total	$607	$663

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Income Taxes

Provision for Income Taxes (Millions)		2002	2001	2000
Currently payable	Federal	$251	$253	$251
	State	49	41	26
	Foreign	5	5	6
	Total	305	299	283
Deferred	Federal	30	56	8
	State	6	21	27
	Total	36	77	35
Total provision		$341	$376	$318

The total provision excludes amounts related to discontinued operations in the amount of ($1) million in 2002, $9 million in 2001, and $13 million in 2000. The 2002 tax provision also reflects the nondeductible expense related to the exchange of vested IBI incentive stock options (see Note 4). The foreign component of pretax income, arising principally from overseas sourcing operations, was $56 million in 2002, $59 million in 2001 and $70 million in 2000.

The following reconciliation between the statutory Federal income tax rate and the effective income tax rate on pretax earnings excludes the impact of minority interest, discontinued operations and the nondeductible expense related to the exchange of IBI incentive stock options (see Note 2).

Reconciliation Between the Statutory Federal Income Tax Rate and the Effective Tax Rate	2002	2001	2000
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax effect	4.3%	4.3%	4.5%
Other items, net	0.5%	0.5%	0.5%
Total	39.8%	39.8%	40.0%

The Company's effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. The Internal Revenue Service ("IRS") has assessed the Company for additional taxes and interest for the years 1992 to 1998 relating to the undistributed earnings of foreign affiliates. On September 7, 1999, the United States Tax Court sustained the position of the IRS with respect to the 1992 year. In connection with an appeal of the Tax Court judgment, in 1999 the Company made a $112 million payment of taxes and interest for the years 1992 to 1998 that reduced deferred tax liabilities.

On March 29, 2002, the U.S. Court of Appeals for the Sixth Circuit ruled in favor of the Company, reversing the previous Tax Court judgment relating to the 1992 year. This ruling will also apply to years 1993 and 1994. However, the amount of any payment the Company may receive related to the 1992 through 1994 years has not been finalized and the Company will be required to pursue additional actions to obtain any refunds related to the 1995 through 1998 years.

Effect of Temporary Differences that Give Rise to Deferred Income Taxes (Millions)	2002 Assets	2002 Liabilities	2002 Total	2001 Assets	2001 Liabilities	2001 Total
Property and equipment	--	($119)	($119)	--	($98)	($98)
Trademarks and other intangibles	--	(155)	(155)	$ 13	--	13
Undistributed earnings of foreign affiliates	--	(36)	(36)	--	(41)	(41)
Leases	$100	--	100	108	--	108
Inventory	15	--	15	16	--	16
Investments in unconsolidated affiliates	--	(30)	(30)	--	(24)	(24)
Non-qualified retirement plan	28	--	28	28	--	28
Other, net	16	--	16	40	--	40
Total deferred income taxes	$159	($340)	($181)	$205	($163)	$ 42

Income taxes payable included net current deferred tax liabilities of $56 million at February 1, 2003 and $25 million at February 2, 2002. Income tax payments were $376 million in 2002, $181 million in 2001 and $316 million in 2000.

Long-term Debt

Unsecured Long-term Debt (Millions)		2002	2001
6 1/8%	Notes due December 2012, less unamortized discount	$299	--
7 1/2%	Debentures due March 2023, less unamortized discount	248	$250
7 4/5%	Notes due May 2002	--	150
Less: current portion of long-term debt		--	150
Total		$547	$250

On November 25, 2002, the Company issued $300 million of debt securities which mature on December 1, 2012 and bear interest at 6 1/8%. The debt securities were issued using the Company's then existing $250 million shelf registration, together with an additional $50 million as permitted pursuant to Securities and Exchange Commission shelf registration regulations.

The $250 million 7 1/2% debentures may be redeemed at the option of the Company, in whole or in part, at any time on or after March 15, 2003, at declining premiums (see Note 15). The unamortized discount relates to the fair market value adjustment of Intimate Brands' portion of the 7 1/2% debentures in connection with the recombination (see Note 2) and is being amortized over the remaining term of the debentures.

In 2001, the Company entered into a $1.25 billion unsecured revolving credit facility (the "Facility"). The Facility is comprised of a $500 million 364-day agreement and a $750 million 5-year agreement. Borrowings outstanding under the Facility, if any, are due June 27, 2003 and July 13, 2006, respectively. The Facility has several borrowing and interest rate options both fixed and variable. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.1% (for the 364-day agreement) and 0.125% (for the 5-year agreement) of the committed amount per year.

The Facility requires the Company to maintain certain specified fixed charge and debt-to-capital ratios. The Company was in compliance with these requirements at February 1, 2003.

The Facility supports the Company's commercial paper and letter of credit programs, which are used from time to time to fund working capital and other general corporate requirements. The Company did not issue commercial paper or draw on the Facility during 2002. In addition, no commercial paper or amounts under the Facility were outstanding at February 1, 2003.

Interest paid was $29 million in 2002, $34 million in 2001 and $66 million in 2000.

Stock-based Compensation

Stock Options

Under the Company's stock plans, associates may be granted up to a total of 75 million options and restricted shares to purchase the Company's common stock at the market price on the date of grant. This amount includes an additional 12 million options and restricted shares authorized in 2002. Options have a maximum term of ten years and generally vest over periods from four to six years.

Prior to the acquisition of the IBI minority interest, associates were granted restricted shares and options under separate Limited Brands and IBI stock plans. As a result of the recombination (see Note 2), the IBI stock plan was amended to reflect the conversion of IBI stock options and restricted stock to Limited Brands stock awards with substantially similar terms.

Restricted Stock

Approximately 559,000, 75,000 and 41,000 restricted Limited Brands shares were granted in 2002, 2001 and 2000, with market values at date of grant of $10 million in 2002 and $1 million in each of 2001 and 2000. Restricted shares generally vest over a period of three to six years. Additionally, IBI granted 59,000 restricted shares in 2000. No IBI restricted shares were granted in 2001. The restricted shares were exchanged for Limited Brands stock awards with substantially similar terms (see Stock Options section).

Stock Options Outstanding at February 1, 2003 (Millions except per share amounts)

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 6-10	12,753	4.1	$ 9.22	8,716	$ 9.12
$11-15	10,318	6.1	$13.23	5,537	$13.28
$16-20	19,297	7.6	$17.62	5,120	$17.20
$21-27	1,596	6.9	$21.88	687	$22.07
$ 6-27	43,964	6.2	$14.31	20,060	$12.77

	Stock Option Activity (Millions except per share amounts)	Number of Shares	Weighted Average Option Price Per Share
2000	Outstanding at beginning of year	32,574	$12.03
	Granted	4,075	17.39
	Exercised	(4,157)	10.22
	Canceled	(2,285)	14.03
	Outstanding at end of year	30,207	$12.86
	Options exercisable at end of year	10,474	$11.53
2001	Outstanding at beginning of year	30,207	$12.86
	Granted	5,818	17.71
	Exercised	(2,464)	10.68
	Canceled	(3,097)	16.43
	Outstanding at end of year	30,464	$13.61
	Options exercisable at end of year	12,272	$12.08
2002	Outstanding at beginning of year	30,464	$13.61
	Granted	7,952	17.59
	Exchange of IBI options	13,871	12.86
	Exercised	(4,544)	10.95
	Canceled	(3,779)	14.51
	Outstanding at end of year	43,964	$14.31
	Options exercisable at end of year	20,060	$12.77

Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service

with the Company during certain twelve-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service, job level and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was $67 million in 2002, $56 million in 2001 and $54 million in 2000. The liability for the nonqualified plan, including contributions made by employees and the Company, amounted to $111 million at February 1, 2003 and $109 million at February 2, 2002 and is included in other long-term liabilities.

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Fair Value of Financial Instruments and Concentration of Credit Risk

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Fair Value

The carrying value of cash equivalents, accounts receivable, accounts payable, current portion of long-term debt and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of the Company's long-term debt at February 1, 2003 and February 2, 2002 was $556 million and $221 million compared to the carrying value of $547 million and $250 million, respectively.

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Concentration of Credit Risk

The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

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Segment Information

Following the acquisition of the IBI minority interest (see Note 2), the Company has resegmented its business into three reportable segments: Victoria's Secret, Bath & Body Works and Apparel. Previously, the Company's reportable segments were Intimate Brands and Apparel. Historical financial information has been reclassified to reflect this new segmentation.

The Victoria's Secret segment derives its revenues from sales of women's intimate and other apparel, personal care products and accessories marketed under the Victoria's Secret brand name. Victoria's Secret merchandise is sold through its stores and direct response (catalog and e-commerce) businesses. The Bath & Body Works segment derives its revenues from the sale of personal care products and accessories and home fragrance products marketed under the Bath & Body Works and White Barn Candle Company brand names. The Apparel segment derives its revenues from sales of women's and men's apparel through Express and Limited Stores.

Segment Information (Millions)		Victoria's Secret	Bath & Body Works	Apparel	*Other	Reconciling Items	Total
2002	Net sales	$3,586	$1,781	$2,711	@$1,510	#($1,143)	$8,445
	Depreciation & amortization	75	65	52	84	--	276
	Operating income	614	300	115	@(157)	+(34)	838
	Total assets	1,991	1,477	685	3,093	--	7,246
	Capital expenditures	117	39	89	61	--	306
2001	Net sales	$3,272	$1,747	$2,662	@$1,814	#($1,072)	$8,423
	Depreciation & amortization	70	59	59	89	--	277
	Operating income	454	347	55	@(130)	+170	896
	Total assets	1,078	776	666	2,574	--	5,094
	Capital expenditures	128	99	58	92	--	377
2000	Net sales	$3,301	$1,785	$2,836	@$2,295	#($1,137)	$9,080
	Depreciation & amortization	64	48	66	93	--	271
	Operating income	468	418	75	@(119)	+(10)	832
	Total assets	1,036	776	709	1,966	--	4,487
	Capital expenditures	136	140	55	156	--	487

* Includes Corporate (including non-core real estate and equity investments), Mast, Henri Bendel, Lerner (through November 27, 2002) and Lane Bryant (through August 16, 2001).

\# Represents the elimination of Mast sales to the Victoria's Secret, Bath & Body Works and Apparel segments.

@ As a result of its sale on November 27, 2002, Lerner's results have been reflected in discontinued operations and are excluded from net sales and operating income for all periods presented.

\+ Special and nonrecurring items:

2002 - a $34 million non-cash charge for the exchange of vested stock awards related to the IBI recombination.
2001 - a $170 million gain resulting from the sale of Lane Bryant.
2000 - a $10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

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Subsequent Event

On February 13, 2003, the Company issued $350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. The Company is required to register these securities with the Securities and Exchange Commission within 180 days of their issuance.

On February 27, 2003, the Company notified the holders of its 7 1/2% debentures due 2023 (the "Securities") of its intention to redeem the entire outstanding aggregate amount of $250 million. Accordingly, the Securities become due and payable on March 28, 2003 at a redemption price equal to 103.16% of the principal amount, plus accrued interest through March 28, 2003. The early redemption of these Securities will result in a pretax charge of approximately $13 million in the first quarter of 2003, comprised of a call premium and the write-off of unamortized deferred financing fees and discounts.

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Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 2002 and 2001 follow (Millions except per share amounts):

2002 Quarters*		First	Second	Third	Fourth
Net sales#		$1,799	$1,912	$1,768	$2,966
Gross income#		622	673	564	1,235
Net income from continuing operations		44	81	14	357
Net income from discontinued operations		6	2	2	(4)
Net income		50	83	16	353
Net income per share from continuing operations:	Basic	$ 0.10	$ 0.16	$ 0.03	$ 0.68
	Diluted	0.09	0.15	0.03	0.67
Net income per share:	Basic	$ 0.11	$ 0.16	$ 0.03	$ 0.68
	Diluted	0.10	0.16	0.03	0.66

2001 Quarters*		First	Second	Third	Fourth
Net sales#		$1,898	$1,999	$1,687	$2,839
Gross income#		611	664	514	1,227
Net income from continuing operations		27	85	88	306
Net income from discontinued operations		4	(13)	1	21
Net income		31	72	89	327
Net income per share from continuing operations:	Basic	$ 0.06	$ 0.20	$ 0.21	$ 0.71
	Diluted	0.06	0.19	0.21	0.70
Net income per share:	Basic	$ 0.07	$ 0.17	$ 0.21	$ 0.76
	Diluted	0.07	0.16	0.21	0.75

* As a result of its sale on November 27, 2002, Lerner's operating results have been reflected as discontinued operations for all periods presented. A loss on the disposal of Lerner of $4 million, net of tax, was recorded in the fourth quarter of 2002.

\# Amounts have been reclassified to reflect Lerner's operating results as discontinued operations. Net sales previously reported for the first three quarters in 2002 were $2.027 billion, $2.113 billion and $1.983 billion. Net sales reported for the quarters ended May 5, 2001, August 4, 2001, November 3, 2001 and February 2, 2002 were $2.127 billion, $2.192 billion, $1.906 billion and $3.138 billion, respectively. Gross income previously reported for the first three quarters of 2002 was $685 million, $724 million and $619 million. Gross income reported for the quarters ended May 5, 2001, August 4, 2001, November 3, 2001 and February 2, 2002 was $671 million, $692 million, $567 million and $1.323 billion, respectively.

The following special items are included in the above results:

2002 - a $34 million non-cash charge in the first quarter for the exchange of vested stock awards related to the IBI recombination and a $6 million gain in the third quarter resulting from the sale of Charming Shoppes, Inc. common stock.

2001 - a $170 million gain in the third quarter resulting from the sale of Lane Bryant and $62 million in gains in the second quarter resulting from the IPO's of ADS and Galyan's.

Report of Independent Accountants

To the Board of Directors & Shareholders of Limited Brands, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Limited Brands, Inc. and its subsidiaries at February 1, 2003 and February 2, 2002, and the results of their operations and their cash flows for each of the three years in the period ended February 1, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which changed the method of accounting for discontinued operations.

/s/ Pricewaterhouse Coopers LLP

Columbus, Ohio
February 27, 2003

Market Price and Dividend Information

The Company's common stock is traded on the New York Stock Exchange ("LTD"). On February 1, 2003, there were approximately 68,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 214,000.

		Market Price High	Market Price Low	Cash Dividend Per Share
Fiscal Year 2002	Fourth quarter	$18.50	$12.11	$0.075
	Third quarter	17.11	12.53	0.075
	Second quarter	22.34	15.30	0.075
	First quarter	20.00	15.95	0.075
Fiscal Year 2001	Fourth quarter	$18.98	$11.56	$0.075
	Third quarter	17.63	9.00	0.075
	Second quarter	17.50	14.94	0.075
	First quarter	19.99	14.61	0.075

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a)	Jurisdiction of Incorporation
Express, LLC (b)	Delaware
The Limited Stores, Inc. (c)	Delaware
Henri Bendel, Inc. (d)	Delaware
Mast Industries, Inc. (e)	Delaware
Mast Industries (Far East) Limited (f)	Hong Kong
Limited Logistics Services, Inc. (g)	Delaware
Limited Service Corporation (h)	Delaware
Womanco, Inc. (i)	Delaware
Victoria's Secret Stores, Inc. (j)	Delaware
Victoria's Secret Direct, LLC (k)	Delaware
Bath & Body Works, Inc. (l)	Delaware
Intimate Beauty Corporation (m)	Delaware
Intimate Brands, Inc. (n)	Delaware

(a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of February 1, 2003.

(b) Express, LLC is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(c) The Limited Stores, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(d) Henri Bendel, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(e) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(f) Mast Industries (Far East) Limited is a wholly-owned subsidiary of Mast Industries (Overseas), Inc., which is a wholly-owned subsidiary of Mast Industries, Inc.

(g) Limited Logistics Services, Inc. is a wholly-owned subsidiary of LTDSP, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(h) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.

(i) Womanco, Inc. is a wholly-owned subsidiary of the registrant.

(j) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(k) Victoria's Secret Direct, LLC is a wholly-owned subsidiary of Victoria's Secret Direct Holding LLC, a Delaware limited liability company, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(l) Bath & Body Works, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(m) Intimate Beauty Corporation is a majority owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(n) Intimate Brands, Inc. is a wholly-owned subsidiary of the registrant.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-44041, 33-18533, 33-49871, 333-04927 and 333-04941) of Limited Brands, Inc. of our report dated February 27, 2003, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
April 17, 2003

EXHIBIT 24

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2003 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 31st day of January, 2003.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2003 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 31st day of January, 2003.

/s/ EUGENE M. FREEDMAN

Eugene M. Freedman

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2003 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 31st day of January, 2003.

/s/ E. GORDON GEE

E. Gordon Gee

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2003 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 31st day of January, 2003.

/s/ JAMES L. HESKETT

James L. Heskett

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2003 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 31st day of January, 2003.

/s/ DAVID T. KOLLAT

David T. Kollat

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ DONNA JAMES

Donna James

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ LEONARD A. SCHLESINGER

Leonard A. Schlesinger

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ DONALD B. SHACKELFORD

Donald B. Shackelford

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ ALEX SHUMATE

Alex Shumate

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ ALLAN R. TESSLER

Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ MARTIN TRUST

Martin Trust

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ ABIGAIL S. WEXNER

Abigail S. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 31st day of January, 2003.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

EXHIBIT 99.1

LIMITED BRANDS, INC.
CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION

The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions, or other events the Company expects or anticipates will occur in the future. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions, and the competitive environment. Forward-looking statements are based on management's then-current views and assumptions and, as a result, are subject to risks and uncertainties, including those described below, which may be outside of the Company's control and that could cause actual results to differ materially from those projected. The following risks are not the only ones facing the Company and additional risks and uncertainties may also develop that impair the Company's business operations.

All forward-looking statements are qualified by the following which, if they develop into actual events, would have a material adverse effect on the Company's business, financial condition or results of operations. In addition, investors in the Company should consider the following risk factors, as well as the other information contained herein.

The Company's revenue and profit results are sensitive to general economic conditions, consumer confidence and spending patterns.

The Company's growth, sales and profitability may be adversely affected by negative local, regional, national or international economic trends that shake consumer confidence, including the effects of war, terrorism or the threat thereof. Purchases of women's and men's apparel, women's intimate apparel, personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, the Company may increase the number of promotional sales, which would further adversely affect its profitability.

The Company's net sales, operating income and inventory levels fluctuate on a seasonal basis.

The Company experiences major seasonal fluctuations in its net sales and operating income, with a significant portion of its operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a disproportionate effect on the Company's financial condition and results of operations.

Seasonal fluctuations also affect the Company's inventory levels, since it usually orders merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. The Company must carry a significant amount of inventory, especially before the holiday season selling period.

If the Company is not successful in selling inventory during the holiday period, it may have to sell the inventory at significantly reduced prices or it may not be able to sell the inventory at all.

The Company may be unable to compete favorably in its highly competitive segment of the retail industry.

The sale of intimate and other apparel, personal care products and accessories is highly competitive. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company competes for sales with a broad range of other retailers, including individual and chain fashion specialty stores and department stores. In addition to the traditional store-based retailers, the Company also competes with direct marketers that sell similar lines of merchandise, who target customers through catalogs and e-commerce. Direct marketers also include traditional store-based retailers like the Company who are competing in the catalog and e-commerce distribution channels. The Company's direct response business competes with numerous national and regional catalog and e-commerce merchandisers. Brand image, marketing, fashion design, price, service, quality image presentation and fulfillment are all competitive factors in catalog and e-commerce sales.

Some of the Company's competitors may have greater financial, marketing and other resources available to them. In many cases, the Company's primary competitors sell their products in department stores that are located in the same shopping malls as the Company's stores. In addition to competing for sales, the Company competes for favorable site locations and lease terms in shopping malls.

The Company may not be able to keep up with fashion trends and may not be able to launch new product lines successfully.

The Company's success depends in part on management's ability to effectively anticipate and respond to changing fashion tastes and consumer demands and to translate market trends into appropriate, saleable product offerings far in advance. Customer tastes and fashion trends change rapidly. If the Company is unable to successfully anticipate, identify or react to changing styles or trends and misjudges the market for its products or any new product lines, the Company's sales will be lower and it may be faced with a significant amount of unsold finished goods inventory. In response, the Company may be forced to increase its marketing promotions or price markdowns, which could have a material adverse effect on its business. The Company's brand image may also suffer if customers believe merchandise misjudgments indicate that the Company is no longer able to offer the latest fashions.

The Company may lose key personnel.

The Company believes that it has benefited substantially from the leadership and experience of its senior executives, including Leslie H. Wexner (its Chairman of the Board of Directors and Chief Executive Officer). The loss of the services of any of these individuals could have a material adverse effect on the business and prospects of the Company. The Company's future success will also depend on its ability to recruit, train and retain other qualified personnel. Competition for key personnel in the retail industry is intense.

The Company's manufacturers may be unable to manufacture and deliver products in a timely manner or meet quality standards.

The Company purchases apparel through its wholly owned subsidiary, Mast, a contract manufacturer and apparel importer, as well as through other contract manufacturers and importers and directly from third-party manufacturers. Personal care, fragrance and beauty products are also purchased through other contract manufacturers and importers and directly from third-party manufacturers. Similar to most other specialty retailers, the Company has narrow sales windows for much of its inventory. Factors outside the Company's control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

The Company relies significantly on foreign sources of production.

The Company purchases apparel merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. The Company does not have any long-term merchandise supply contracts and many of its imports are subject to existing or potential duties, tariffs or quotas. The Company competes with other companies for production facilities and import quota capacity.

The Company also faces a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as:

- political instability;
- imposition of new legislation relating to import quotas that may limit the quantity of goods which may be imported into the United States from countries in a particular region;
- imposition of duties, taxes, and other charges on imports;
- currency and exchange risks;

- local business practice and political issues, including issues relating to compliance with domestic or international labor standards which may result in adverse publicity; and

- potential delays or disruptions in shipping and related pricing impacts

New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, would increase the cost of products purchased from suppliers in such countries.

In addition, the recent outbreak of severe acute respiratory syndrome (SARS) in the People's Republic of China and concerns over its spread in Asia and elsewhere could have a negative effect on the economies, financial markets and business activity in Asia and elsewhere. The Company's purchases of merchandise from Asian manufacturing operations may be affected by this risk.

The future performance of the Company will depend upon these and the other factors listed above which are beyond its control. These factors may have a material adverse effect on the business of the Company.

The Company depends on a high volume of mall traffic and the availability of suitable lease space.

Many of the Company's stores are located in shopping malls. Sales at these stores are derived, in part, from the high volume of traffic in those malls. The Company's stores benefit from the ability of the mall's "anchor" tenants, generally large department stores, and other area attractions to generate consumer traffic in the vicinity of its stores and the continuing popularity of malls as shopping destinations. Sales volume and mall traffic may be adversely affected by economic downturns in a particular area, competition from non-mall retailers and other malls where the Company does not have stores and the closing of anchor department stores. In addition, a decline in the desirability of the shopping environment in a particular mall, or a decline in the popularity of mall shopping among the Company's target consumers, would adversely affect its business.

Part of the Company's future growth is significantly dependent on its ability to open new stores in desirable locations with capital investment and lease costs that allow the Company to earn a reasonable return. The Company cannot be sure as to when or whether such desirable locations will become available at reasonable costs.

Increases in costs of mailing, paper and printing may affect our business.

Postal rate increases and paper and printing costs will affect the cost of the Company's order fulfillment and catalog and promotional mailings. The Company relies on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. Future paper and postal rate increases could adversely impact the Company's earnings if it was unable to pass such increases directly onto its customers or offset such increases by raising prices or by implementing more efficient printing, mailing, delivery and order fulfillment systems.

The Company's stock price may be volatile.

The Company's stock price may fluctuate substantially as a result of quarter to quarter variations in the actual or anticipated financial results of the Company or other companies in the retail industry or markets served by the Company. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other stocks and that have often been unrelated or disproportionate to the operating performance of these companies.