SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

# FORM 10-K

(Mark One)

[X] 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, 1997

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

THE LIMITED, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 31-1029810 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| Three Limited Parkway, P.O. Box 16000, Columbus, Ohio | 43216 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (614) 479-7000

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 X 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. ____

Aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 28, 1997: $5,086,697,081.

Number of shares outstanding of the registrant's Common Stock as of March 28, 1997: 271,290,511.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year ended February 1, 1997 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, 1997 are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

General.

The Limited, Inc., a Delaware corporation (including its subsidiaries, the "Company"), is principally engaged in the purchase, distribution and sale of women's apparel, lingerie, men's apparel, personal care products, children's apparel and a wide variety of sporting goods. The Company operates an integrated distribution system which supports the Company's retail activities. These activities are conducted under various trade names through the retail stores and catalogue businesses of the Company. Merchandise is targeted to appeal to customers in specialty markets who have distinctive consumer characteristics. The Company's women's apparel businesses offer regular and special-sized fashion apparel at various price levels, including shirts, blouses, sweaters, pants, skirts, coats and dresses. In addition, the Company offers lingerie and accessories, men's apparel, fragrances, bath, personal care products, specialty gift items, children's apparel and a wide variety of sporting goods.

Description of Operations.

General.
- --------

As of February 1, 1997, the Company owned the following businesses: (1) Intimate Brands, Inc. ("IBI") (a corporation in which the Company holds an 83% interest) which consists of three lingerie businesses, including two retail businesses and one catalogue business (Victoria's Secret Catalogue) and two personal care businesses, (2) Abercrombie & Fitch Co. (a corporation in which the Company holds an 84% interest), a men's and women's apparel business, (3) five women's retail apparel businesses, and (4) the "Emerging" businesses which consist of a men's apparel business, one children's apparel business and one sporting goods business. The following chart reflects the retail businesses and the number of stores in operation for each business at February 1, 1997 and February 3, 1996.

| RETAIL BUSINESSES | NUMBER OF STORES | |
|---|---|---|
| Women's | February 1, 1997 | February 3, 1996 |
| Express | 753 | 737 |
| Lerner New York | 784 | 835 |
| Lane Bryant | 832 | 828 |
| Limited Stores | 663 | 689 |
| Henri Bendel | 6 | 4 |
| Total Women's | 3,038 | 3,093 |
| Emerging | | |
| Structure | 542 | 518 |
| The Limited Too | 308 | 288 |
| Galyan's Trading Co. | 9 | 6 |
| Total Emerging | 859 | 812 |
| Intimate Brands, Inc. | | |
| Victoria's Secret Stores | 736 | 671 |
| Cacique | 119 | 120 |
| Bath & Body Works | 750 | 498 |
| Penhaligon's* | 4 | 4 |
| Total Intimate Brands, Inc. | 1,609 | 1,293 |
| Abercrombie & Fitch Co. | 127 | 100 |
| Total | 5,633 | 5,298 |

* - Penhaligon's was sold in March 1997.

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 | End of Year |
|---|---|---|---|---|---|
| 1992 | 4,194 | - | 323 | (92) | 4,425 |
| 1993 | 4,425 | - | 322 | (124) | 4,623 |
| 1994 | 4,623 | - | 358 | (114) | 4,867 |
| 1995 | 4,867 | 6 | 504 | (79) | 5,298 |
| 1996 | 5,298 | - | 470 | (135) | 5,633 |

The Company also owns Mast Industries, Inc., a contract manufacturer and apparel importer, and Gryphon Development, Inc. ("Gryphon") which is a subsidiary of IBI. Gryphon creates, develops and contract manufactures a substantial portion of the bath and personal care products sold by the Company.

During fiscal year 1996, the Company purchased merchandise from approximately 5,200 suppliers and factories located throughout the world. In addition to purchases through Mast and Gryphon, the Company purchases merchandise in foreign markets, with additional merchandise purchased in the domestic market, some of which is manufactured overseas. No more than 5% of goods purchased originated from any single manufacturer.

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, where the merchandise is received and inspected. The Company uses common and contract carriers to distribute merchandise and related materials to its stores. The Company's businesses generally have independent distribution capabilities and no business receives priority over any other business. There are no distribution channels between the businesses.

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 a full selection of current merchandise. The Company emphasizes rapid turnover and takes markdowns where required to keep merchandise fresh and current with fashion trends.

The Company views the retail apparel market as having two principal selling seasons, Spring and Fall. As is generally the case in the apparel industry, the Company experiences its peak sales activity during the Fall season. This seasonal sales pattern results in increased inventory during the Fall and Christmas holiday selling periods. During fiscal year 1996, the highest inventory level approximated $1.5 billion at the November 1996 month-end and the lowest inventory level approximated $980 million at the March 1996 month-end.

Merchandise sales are paid for in cash or by personal check, credit cards issued by third parties or credit cards issued by the Company's credit card processing venture, Alliance Data Services ("ADS"), for customers of Express, Lerner New York, Lane Bryant, Limited, Henri Bendel, Victoria's Secret Stores, Victoria's Secret Catalogue , Structure and Abercrombie & Fitch. ADS was formed in part from World Financial Network National Bank ("WFNNB"), a wholly-owned subsidiary of the Company prior to January 1996, when a 60% interest was sold to a New York investment firm, resulting in the formation of a venture that provides private-label and bank card transaction processing and database management services to retailers, including the Company's private-label credit card operations. Further information regarding this transaction is contained in Note 2 of the Notes to Consolidated Financial Statements included in The Limited, Inc., 1996 Annual Report to Shareholders, portions of which are annexed hereto as Exhibit 13 (the "1996 Annual Report") and is incorporated herein by reference.

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

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

Women's
- -------

Express - A lifestyle brand offering hot new international fashion to young women.

Lerner New York - Fashionable sportswear for the value-minded customer.

Lane Bryant - The key fashion destination for the large-size customer (size 14 - 28); offering sportswear, suit separates, and dresses as well as intimate apparel, hosiery and accessories.

Limited Stores - Casual American lifestyle fashion for women in their twenties and thirties who desire great fashion and comfort.

Henri Bendel - Fashion apparel, cosmetics, accessories and gifts for today's modern woman in her mid-thirties in a higher-income household.

Emerging
- --------

Structure - Authentic, American-style sportswear with a creative edge for men in their mid-twenties who are urban, active, young and creative.

Limited Too - American casual lifestyle store for girls to age 14.

Galyan's - The "coolest" destination in retailing for sports enthusiasts and "wannabes" of all ages.

Intimate Brands, Inc.
- ---------------------

Victoria's Secret Stores - The most successful brand of elegant intimate apparel, foundations and related products for women.

Cacique - Uniquely designed, high-quality, lingerie for the elegant, intelligent and sophisticated woman, aged twenty-five and up.

Victoria's Secret Catalogue - The industry-leading catalogue of women's intimate and fashion apparel.

Bath & Body Works - Healthy, natural, good-for-you personal care products and gifts from America's heartland.

Abercrombie & Fitch Co. - Quality, casual, classic American sportswear brand,
- -----------------------
targeted to the young, hip customer.

Additional information about the Company's business, including its revenues and profits for the last three years, plus selling square footage and other information about each of the Company's operating businesses, is set forth under the caption "Management's Discussion and Analysis" of the 1996 Annual Report and is incorporated herein by reference.

Competition.

The sale of apparel, lingerie, personal care products and sporting goods through retail stores is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores and department stores. Design, price, service, selection and quality are the principal competitive factors in retail store sales. The Company's Catalogue business competes with numerous national and regional catalogue merchandisers. Design, price, quality and catalogue presentation are the principal competitive factors in catalogue 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 at retail, both through stores and catalogues.

Associate Relations.

On February 1, 1997, the Company employed approximately 123,100 associates, 90,300 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the Christmas season.

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, Indianapolis, Indiana, Andover, Massachusetts, Kettering, Ohio and London, England.

The distribution and shipping facilities owned by the Company consist of seven buildings located in Columbus, Ohio, comprising approximately 5.2 million square feet.

Substantially all of the retail stores owned by the Company are located in leased facilities, primarily in shopping centers throughout the continental United States. The leases expire at various dates principally between 1997 and 2017 and generally have renewal options.

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. In certain cases, the landlord of the property may provide a construction allowance to defray a portion of the cost of improvements. The cost of improvements varies widely, depending on the size and location of the store. 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 lawsuits arising in the ordinary course of business. Although the amount of any liability that could arise with respect to any such lawsuit cannot be accurately predicted, in the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the Company.

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 as of February 1, 1997.

Leslie H. Wexner, 59, has been Chairman of the Board of Directors of the Company for more than five years and its President and Chief Executive Officer since he founded the Company in 1963.

Kenneth B. Gilman, 50, has been Vice Chairman and Chief Financial Officer of the Company since June 1993. Mr. Gilman was the Executive Vice President and Chief Financial Officer of the Company for more than five years prior thereto.

Bella Wexner, over 65 years of age, has been the Secretary of the Company for more than five years.

Martin Trust, 62, has been President of Mast Industries, Inc., a wholly-owned subsidiary of the Company, for more than five years.

Arnold F. Kanarick, 56, has been Executive Vice President and Chief Human Resources Officer since October 1992.

Wade H. Buff, 62, has been Vice President, Internal Audit of the Company for more than five years.

Alfred S. Dietzel, 65, has been Vice President, Public Affairs of the Company for more than five years.

Daniel B. Finkelman, 41, has been Vice President, Planning of the Company since August 1996. Mr. Finkelman was Executive Vice President of Marketing for Cardinal Health Inc. from May 1994 to August 1996 and Principal/Partner for McKinsey & Co., Inc. for more than five years prior thereto.

Samuel P. Fried, 45, has been Vice President and General Counsel of the Company for more than five years.

William K. Gerber, 42, has been Vice President, Finance of the Company since August 1993. Mr. Gerber was Vice President and Corporate Controller of the Company for more than five years prior thereto.

Patrick C. Hectorne, 44, has been Treasurer of the Company since August 1993. Mr. Hectorne was Assistant Treasurer of the Company for more than five years prior thereto.

Charles W. Hinson, 60, has been President, Store Planning of the Company for more than five years.

Peter Z. Horvath, 39, has been Vice President and Chief Financial Officer - Apparel Merchandise since January 1997. Mr. Horvath was Vice President and Chief Financial Officer of Structure from June 1995 to January 1997 and Vice President and Controller of Express from June 1992 to June 1995.

Kent A. Kleeberger, 45, has been Corporate Controller of the Company since July 1995. Mr. Kleeberger was Vice President and Controller at Victoria's Secret Catalogue from February 1993 to June 1995 and Director of Accounting Operations at Victoria's Secret Catalogue from August 1991 to January 1993 and Director of Financial Reporting at The Limited, Inc. prior thereto.

Jack Listanowsky, 49, has been Vice President and Chief Sourcing and Production Officer of the Company since March 1995. Mr. Listanowsky was Executive Vice President, Manufacturing and Operations for Liz Claiborne, Inc. for more than five years prior thereto.

Timothy B. Lyons, 50, has been Vice President, Taxes of the Company for more than five years.

Edward G. Razek, 48, has been Vice President and Chief Marketing Officer of the Company since November 1993. Mr. Razek was the Executive Vice President of Marketing for Limited Stores for more than five years prior thereto.

Jon Ricker, 47, has been Vice President and Chief Information Officer of the Company since February 1996. Mr. Ricker was Vice President and Chief Information Officer for Bell South from mid-1993 until 1996 and Vice President, Corporate Systems Development for Federal Express from 1990 to mid-1993.

Bruce A. Soll, 39, has been Vice President and Counsel of the Company for more than five years.

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 1996 and 1995, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 1996 and 1995 is set forth under the caption "Market Price and Dividend Information" on page 42 of the 1996 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 27 of the 1996 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 28 through 33 of the 1996 Annual Report and is incorporated herein by reference.

______________________________________________________

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." SFAS No. 128 is effective for the Company's 1997 annual financial statements. The Company is in the process of evaluating the impact of SFAS No. 128 on its financial statements and expects to disclose the impact in the first quarter 10-Q.

## 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 1996 Annual Report and are incorporated herein by reference.

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

Not applicable.

## 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", "- Business Experience", "- Information Concerning the Board of Directors" and "- Security Ownership of Directors and Management" on pages 5 and 6 of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 19, 1997 (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 12 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 9 through 12 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.

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 1 through 6 of the Proxy Statement and "PRINCIPAL HOLDERS OF VOTING SECURITIES" on page 17 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 captions "ELECTION OF DIRECTORS - Business Experience" on pages 2 and 3 of the Proxy Statement and "ELECTION OF DIRECTORS - Certain Relationships and Related Transactions" on pages 7 and 8 of the Proxy Statement and is incorporated herein by reference.

## PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) List of Financial Statements.

The following consolidated financial statements of The Limited, 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, 1997, February 3, 1996 and January 28, 1995.

Consolidated Statements of Shareholders' Equity for the fiscal years ended February 1, 1997, February 3, 1996 and January 28, 1995.

Consolidated Balance Sheets as of February 1, 1997 and February 3, 1996.

Consolidated Statements of Cash Flows for the fiscal years ended February 1, 1997, February 3, 1996 and January 28, 1995.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

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

The following consolidated financial statement schedule of The Limited, Inc. and subsidiaries is filed as part of this report pursuant to ITEM 14(d):

II. Valuation and Qualifying Accounts

All other schedules are omitted because the required information is either presented in the financial statements or notes thereto, or is not applicable, required or material. Columns omitted from the schedule have been omitted because the information is not applicable.

(a)(3) List of Exhibits

3. Articles of Incorporation and Bylaws.

3.1. Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988.

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

4. Instruments Defining the Rights of Security Holders.

4.1. Copy of the form of Global Security representing the Company's 7 1/2% Debentures due 2023, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 4, 1993.

4.2. Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1(a) to the Company's Current Report on Form 8-K dated March 21, 1989.

4.3. Copy of the form of Global Security representing the Company's 8 7/8% Notes due August 15, 1999, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 1989.

4.4. Copy of the form of Global Security representing the Company's 9 1/8% Notes due February 1, 2001, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 6, 1991.

4.5. Copy of the form of Global Security representing the Company's 7.80% Notes due May 15, 2002, incorporated by reference to the Company's Current Report on Form 8-K dated February 27, 1992.

4.6. Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").

4.7. Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.

4.8. Credit Agreement dated as of December 15, 1995 among the Company, Morgan Guaranty Trust Company of New York and the banks listed therein, incorporated by reference to Exhibit 4.8 to the Company's 1995 Annual Report on Form 10-K.

10. Material Contracts.

10.1. The Restated 1981 Stock Option Plan of The Limited, Inc., incorporated by reference to Exhibit 28(b) to the Company's Registration Statement on Form S-8 (File No. 33-18533) (the "Form S-8").

10.2. The 1987 Stock Option Plan of The Limited, Inc., incorporated by reference to Exhibit 28(a) to the Form S-8.

10.3. 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").

10.4. The Limited Deferred Compensation Plan incorporated by reference to Exhibit 10.4 to the 1990 Form 10-K.

10.5. Form of Indemnification Agreement between the Company and the directors and officers of the Company, incorporated by reference to Exhibit A to the Company's definitive proxy statement dated April 18, 1988 for the Company's 1988 Annual Meeting of Shareholders held May 23, 1988.

10.6. Schedule of directors and officers who became parties to Indemnification Agreements effective May 23, 1988, incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 1988.

10.7. Supplemental schedule of officer who became a party to an Indemnification Agreement effective May 23, 1988 incorporated by reference to Exhibit 10.7 to the 1988 Form 10-K.

10.8. Supplemental schedule of directors and officers who became parties to Indemnification Agreements incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1992.

10.9. Supplemental schedule of officer who became party to an Indemnification Agreement effective November 16, 1992 incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended January 30, 1993.

10.10. 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).

10.11. Supplemental schedule of director who became party to an Indemnification Agreement effective January 27, 1996 incorporated by reference to Exhibit 10.12 to the 1995 Form 10-K.

10.12. Supplemental schedule of officer who became party to an Indemnification Agreement effective March 20, 1996 incorporated by reference to Exhibit 10.13 to the 1995 Form 10-K.

10.13. Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust.

10.14. Amendment dated July 19, 1996 to the Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust.

10.15. Supplemental schedule of officer who became party to an Indemnification Agreement effective March 7, 1996 incorporated by reference to Exhibit 10.16 to the 1995 Form 10-K.

10.16. Supplemental schedule of officer who became party to an Indemnification Agreement effective February 1, 1996 incorporated by reference to Exhibit 10.17 to the 1995 Form 10-K.

10.17. The 1997 Restatement of The Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.

10.18. 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.

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

10.20. Supplement schedule of officer who became party to an Indemnification Agreement effective February 3, 1997.

11. Statement re Computation of Per Share Earnings.

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

13. Excerpts from the 1996 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis" and "Financial Statements and Notes" on pages 27 - 42.

21. Subsidiaries of the Registrant.

23. Consent of Independent Accountants.

24. Powers of Attorney.

27. Financial Data Schedule.

99. Annual Report of The Limited, Inc. Savings and Retirement Plan.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the fourth quarter of fiscal year 1996.

(c) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 14 above.

(d) Financial Statement Schedule

The financial statement schedule filed with this report is listed in section (a) (2) of Item 14 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 29, 1997

THE LIMITED, INC.
(registrant)

By /s/ KENNETH B. GILMAN
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Kenneth B. Gilman,
Vice Chairman 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 May 1, 1996:

| Signature | Title |
|---|---|
| /s/ LESLIE H. WEXNER*<br>Leslie H. Wexner | Chairman of the Board of Directors, President and Chief Executive Officer |
| /s/ KENNETH B. GILMAN<br>Kenneth B. Gilman | Director, Vice Chairman, Chief Financial Officer and Principal Accounting Officer |
| /s/ BELLA WEXNER*<br>Bella Wexner | Director |
| /s/ MARTIN TRUST*<br>Martin Trust | Director |
| /s/ EUGENE M. FREEDMAN*<br>Eugene M. Freedman | Director |
| /s/ E. GORDON GEE*<br>E. Gordon Gee | Director |
| /s/ DAVID T. KOLLAT*<br>David T. Kollat | Director |
| /s/ CLAUDINE MALONE*<br>Claudine Malone | Director |

| | |
|---|---|
| /s/ LEONARD A. SCHLESINGER* | Director |
| Leonard A. Schlesinger | |
| /s/ DONALD B. SHACKELFORD* | Director |
| Donald B. Shackelford | |
| /s/ ALLAN R. TESSLER* | Director |
| Allan R. Tessler | |
| /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/ KENNETH B. GILMAN

Kenneth B. Gilman
Attorney-in-fact

[LETTERHEAD OF COOPERS & LYBRAND APPEARS HERE]

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Limited, Inc.

We have audited the consolidated financial statements of The Limited, Inc. and Subsidiaries as of February 1, 1997 and February 3, 1996, and for each of the three fiscal years in the period ended February 1, 1997, which financial statements are included on pages 34 through 41 of the 1996 Annual Report to shareholders of The Limited, Inc. and incorporated by reference herein. We have also audited the financial statement schedule for each of the two fiscal years in the period ended February 3, 1996, listed in Item 14(a)(2) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and Subsidiaries as of February 1, 1997 and February 3, 1996, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended February 1, 1997 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule for each of the two fiscal years in the period ended February 3, 1996 referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

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

COOPERS & LYBRAND L.L.P.

Columbus, Ohio
February 24, 1997

Schedule II

THE LIMITED, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEARS ENDED
FEBRUARY 3, 1996 and JANUARY 28, 1995
(THOUSANDS)

| | Balance at Beginning of Fiscal Year | Charged to Costs and Expenses | Deductions | Sale of WFNNB | Balance at End of Fiscal Year |
|---|---|---|---|---|---|
| ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS | | | | | |
| Fiscal year ended February 3, 1996 | $44,946 | 91,424 | (90,134)(A) | (46,236)(B) | $ - |
| Fiscal year ended January 28, 1995 | $34,897 | 72,725 | (62,676)(A) | | $44,946 |

(A) - Write-offs, net of recoveries

(B) - The Company sold a 60% interest in WFNNB in 1995; therefore, it is no longer a consolidated subsidiary of the Company. See Note 2 to the Consolidated Financial Statements for further information.

# EXHIBIT INDEX

| Exhibit No. | Document |
| --- | --- |
| 10.13. | Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust. |
| 10.14. | Amendment dated July 19, 1996 to the Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust. |
| 10.20. | Supplemental schedule of officer who became party to an Indemnification Agreement effective February 3, 1997. |
| 11 | Statement re Computation of Per Share Earnings. |
| 12 | Statement re Computation of Ratio of Earnings to Fixed Charges. |
| 13 | Excerpts from the 1996 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis" and "Financial Statements and Notes" on pages 27 through 42. |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Independent Accountants. |
| 24 | Powers of Attorney. |
| 27 | Financial Data Schedule. |
| 99 | Annual Report of The Limited, Inc. Savings and Retirement Plan. |

CONFORMED COPY EXHIBIT 10.13

CONTINGENT

STOCK REDEMPTION AGREEMENT

dated as of

January 26, 1996

among

THE LIMITED, INC.,

LESLIE H. WEXNER

and

THE WEXNER CHILDREN'S TRUST

# CONTINGENT STOCK REDEMPTION AGREEMENT

THIS CONTINGENT STOCK REDEMPTION AGREEMENT (the "Agreement") is made and entered into as of January 26, 1996 among The Limited, Inc., a Delaware corporation (the "Company"), Leslie H. Wexner, in his individual capacity, (in such capacity, the "Principal Stockholder"), and Leslie H. Wexner, as Trustee (in such capacity, the "Trustee") of The Wexner Children's Trust under a Trust Agreement dated January 24, 1996 (the "Trust").

## ARTICLE I

## DEFINITIONS

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

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For the purpose of this definition, the term "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Business Day" means each day other than Saturdays, Sundays and days when commercial banks are authorized or required to be closed for business in New York City, New York.

"Closing" means any closing of a redemption of Subject Shares pursuant to Section 2.01 or 2.02 hereof, as the case may be.

"Common Stock" means the common stock, par value $.50 per share, of the Company (or any successor thereto).

"Credit Agreement" means any credit or similar agreement providing for the making of loans or other financial accommodations to a Holder of the Section 2.01 Redemption Right or any portion thereof.

"Effective Date" means the earlier to occur of (i) the day immediately preceding the date of the commencement of the Tender Offer or (ii) February 2, 1996.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Guaranty" means any guaranty of the obligations of the Company hereunder entered into pursuant to Section 3.06.

"Holder" means the Trust, any Permitted Transferee and any other Person to whom rights or obligations under this Agreement have been transferred in accordance with the terms hereof.

"Immediate Family" shall be defined as in Rule 16a-1(e) under the Exchange Act.

"Permitted Transferee" means (i) the Principal Stockholder, (ii) any member of the Immediate Family of the Principal Stockholder, (iii) any corporation, partnership, trust or other entity all of the stockholders, partners, owners or beneficiaries of which are the Principal Stockholder, members of the Immediate Family of the Principal Stockholder or any Person qualified as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and (iv) the estate or personal representative of (A) the Principal Stockholder or (B) any member of the Immediate Family of the Principal Stockholder.

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

"Redemption Price" means the price per share, as adjusted from time to time in accordance with the terms of Sections 2.07 and 2.08 hereof, at which the Subject Shares may be redeemed in accordance with the terms and conditions of this Agreement.

"Subject Shares" means (i) as of the Effective Date, 18,750,000 shares of Common Stock, and (ii) as of any subsequent date, the number of shares of Common Stock (and the number of shares, units or amounts of each such other security or other property, which, as of such date, is a Subject Share in accordance with the terms and provisions hereof) which are subject to redemption hereunder (either pursuant to Section 2.01 or 2.02), as adjusted from time to time in accordance with the terms hereof.

"Tender Offer" means the offer by the Company to purchase up to 85 million shares of Common Stock to be commenced on or about February 1, 1996.

"Transferee" means a Person to whom a Transfer has been made.

"Trust Agreement" means the Declaration of Trust made as of January 24, 1996 by Leslie H. Wexner, as Settlor and as Trustee.

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

| Term | Section |
| --- | --- |
| Aggregate Common Stock Component | 2.07(c) |
| Cash Collateral | 3.05(a) |
| Constituent Person | 2.09 |
| Current Market Price Per Common Share | 2.07(d) |
| Custodian | 3.04(a) |
| Custodian's Notice | 3.05(a) |
| Custody Account | 3.04 |
| DGCL | 2.03(c) |
| Daily Price | 2.07(d) |
| Determination Date | 2.07(c) |
| Designated Subject Shares | 2.07(a)(ii) |
| Distributee Company | 2.06(a) |
| Extraordinary Dividend | 2.07(b) |
| Minimum Required Amount | 3.05 |
| Pledge Agreement | 3.04(a) |
| Permitted Pledgee | 2.04(c) |
| Pre-Distribution Subject Shares | 2.07(a)(i)(c) |
| Redemption Notice | 2.01 and 2.02 |
| Relevant Distribution | 2.06(a) |
| Replaced Shares | 2.04(d) |
| Repurchased Designated Common Stock | 2.07(c) |
| Rights | 2.07(a) |
| Section 2.01 Redemption Right | 2.01 |
| Section 2.02 Redemption Right | 2.02 |
| Specified Number | 2.07(a)(i)(A) |
| Subject Share Shortfall | 2.07(a)(iii) |
| Transfer | 2.04(a) |
| Transferee Agreement | 2.04(b) |
| Withdrawn Shares | 3.05(a) |

## ARTICLE II

## REDEMPTION RIGHTS

Section 2.01. Redemption Right of the Holder. Subject to the final sentence of this Section 2.01, from time to time during the period commencing upon the second annual anniversary of the Effective Date and ending on the day prior to the fifth annual anniversary of the Effective Date, a Holder shall be entitled to require the Company to redeem Subject Shares, in whole or in part, subject to the terms and conditions hereof, if, and only if, during such period such Holder gives written notice (a "Redemption Notice") to the Company stating the number of Subject Shares to be redeemed (the "Section 2.01 Redemption Right"). In such event, the Redemption Price shall be a price equal to $18.75 per share in cash, as adjusted from time to time in accordance with Sections 2.07 and 2.08 hereof. The Company shall not be required to redeem a number of Subject Shares pursuant to this Section 2.01 having an aggregate Redemption Price of less than $200 million, unless all other Subject Shares shall have been previously, or shall be simultaneously, redeemed by the Company pursuant to the terms of this Agreement. The number of Subject Shares from time to time subject to the Section 2.01 Redemption Right shall be reduced by the number of Subject Shares theretofore redeemed pursuant to this Section 2.01.

Section 2.02. Redemption Right of the Company. Subject to the final sentence of this Section 2.02, from time to time during the period commencing upon the 66th monthly anniversary of the Effective Date and ending on the day prior to the 72nd monthly anniversary of the Effective Date, the Company shall have the right to redeem Subject Shares from a Holder that holds such Subject Shares (or has withdrawn Subject Shares from the Custody Account in accordance with Section 3.05) subject to the Section 2.02 Redemption Right, in whole or in part, subject to the terms and conditions hereof, if, and only if, during such period the Company gives written notice (a "Redemption Notice") to such Holder stating the number of Subject Shares to be redeemed (the "Section 2.02 Redemption Right"). In such event, the Redemption Price shall be a price equal to $25.07 per share in cash, as adjusted from time to time in accordance with Sections 2.07 and 2.08 hereof. The Company shall not be entitled to redeem a number of Subject Shares pursuant to this Section 2.02 having an aggregate Redemption Price of less than $200 million unless all other Subject Shares shall have been previously, or shall be simultaneously, redeemed by the Company pursuant to the terms of this Agreement. The number of Subject Shares from time to time subject to the Section 2.02 Redemption Right shall be reduced by the number of Subject Shares theretofore redeemed pursuant to either the Section 2.01 Redemption Right or the Section 2.02 Redemption Right.

Section 2.03. Closing. (a) Any Closing shall occur no later than five Business Days following the receipt by the Company or the Holder, as the case may be, of a Redemption Notice. A Closing shall be permitted to occur following the periods specified in Section 2.01 and 2.02 provided that the Redemption Notice shall have been given prior to the expiration of the applicable period.

(b)(i) At any Closing, the relevant Holder shall deliver, or cause to be delivered, to the Company a certificate or certificates representing the securities included in the Subject Shares to be redeemed at such Closing, duly endorsed for transfer or accompanied by duly executed instruments of transfer, in each case, with signature guaranteed, against payment therefor pursuant to paragraph (ii) below. If less than all the securities included in the Subject Shares represented by any such certificate or certificates are being redeemed, the Company shall, at any such Closing (or, to the extent that the applicable Subject Shares are not shares of Common Stock, as soon as practicable thereafter), deliver to the Custodian, Trust or other Holders, as applicable, new certificates representing the securities included in the Subject Shares equal to the difference between the securities included in the Subject Shares represented by the certificate(s) delivered to the Company and the securities included in the Subject Shares redeemed. To the extent Subject Shares to be redeemed at any Closing include property other than securities, title to such property shall be conveyed, and possession of such property surrendered, to the Company in a manner appropriate for such property. In the event any Closing shall occur following a record date for a distribution with respect to any security constituting a part of the Subject Shares, but prior to such distribution, the relevant Holder shall not be required to deliver the security or other property to be distributed in such distribution but, instead, shall be obligated to deliver an instrument assigning such Holder's right to receive such security or other property in such distribution with respect to the Subject Shares so delivered.

(ii) At any Closing, the Company shall deliver to the relevant Holder, against receipt of the Subject Shares being redeemed at such Closing in accordance with paragraph (i) above, the aggregate Redemption Price for the Subject Shares to be redeemed from such Holder at such Closing by wire transfer of immediately available funds to such bank account as such Holder shall have specified in writing no later than two Business Days prior to the Closing.

(c) Notwithstanding any provision of this Agreement to the contrary, the Company's obligation to effect any Closing shall be subject to the following conditions: (i) as of the date of the Closing, the relevant Holder (A) has the legal capacity to deliver for redemption the Subject Shares and (B) owns the Subject Shares (or is a Permitted Pledgee), and is delivering such shares to the Company, free and clear of (x) in the case of any pledgee to whom any Section 2.01 Redemption Right and related Subject Shares shall have been pledged in accordance with Section 2.04(c) hereof, or any other Holder following a Transfer contemplated by clause (ii), (iii) or (iv) of such Section 2.04(c), all claims, charges, encumbrances, or security interests created by or arising or attaching through such pledgee or Holder and (y) in the case of any other Holder, all claims, charges, encumbrances or security interests of any nature whatsoever, except, in each case, a pledge or security interest granted pursuant to Section 3.04 hereof; (ii) as of the date of the Closing, the Company is not prohibited from redeeming the Subject Shares by reason of clause (a)(1) of Section 160 of the Delaware General Corporation Law ("DGCL"); (iii) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting the consummation of the transaction shall be in effect and (iv) the relevant Holder shall have confirmed in writing to the Company as of the Closing Date the accuracy of the matters referred to in clause (i) of this Section 2.03(c).

Section 2.04. Transfer of the Section 2.01 Redemption Right and the Subject Shares. (a) Any Holder shall have the right to transfer, sell, assign, bequeath or otherwise dispose of (together, "Transfer"), from time to time, in whole or in part, the Section 2.01 Redemption Right to any Permitted Transferee; provided the Transferee of the Section 2.01 Redemption Right, at the time of the Transfer and at all times during which such Transferee holds the Section 2.01 Redemption Right, holds the number of Subject Shares from time to time required to exercise the Section 2.01 Redemption Right in full (it being understood that such Subject Shares need not have been owned by the Transferor of the Section 2.01 Redemption Right), and provided further, that as a condition to such Transfer, such Transferee shall enter into a written agreement reasonably satisfactory to the Company to the effect that such Transferee shall be bound by the terms and provisions of this Agreement applicable to Holders of a Section 2.01 Redemption Right, including, without limitation, the terms of the immediately foregoing proviso.

(b) Each of the Trust and any Permitted Transferee shall have the right to Transfer at any time following the third annual anniversary of the Effective Date, in whole or, subject to the final sentence of this Section 2.04(b), in part, the Section 2.01 Redemption Right, to any Person other than a Permitted Transferee, *provided that* (A) the number of Subject Shares to which the Transferred Section 2.01 Redemption Right relates shall be Transferred together with such Section 2.01 Redemption Right and (B) as a condition to such Transfer, the Transferee shall enter into a written agreement reasonably satisfactory to the Company to the effect that such Transferee shall (i) be a "Holder" hereunder, (ii) be bound by the terms and provisions of this Agreement applicable to Holders, (iii) hold such Section 2.01 Redemption Right (or portion thereof) (and the related Subject Shares) for investment purposes only, (iv) not engage (and shall not permit any other Person to engage) in any options, hedging, derivatives or similar transactions or arrangements with respect to such Section 2.01 Redemption Right (or portion thereof) or the Subject Shares related thereto and (v) not Transfer such Section 2.01 Redemption Right (or portion thereof) or Subject Shares except in accordance with this Section 2.04 (such agreement, a "Transferee Agreement"). Unless such Transferee shall continue to hold Subject Shares subject to the Section 2.02 Redemption Right, upon expiration or termination of the Section 2.01 Redemption Right, any Transferee Agreement relating thereto shall also expire or terminate. In the case of a partial Transfer of the Section 2.01 Redemption Right pursuant to this Section 2.04(b), such Transfer shall be made only with respect to a portion of such Section 2.01 Redemption Right in respect of Subject Shares having an aggregate Redemption Price at least equal to $200 million, unless the number of Subject Shares which have not been previously or simultaneously redeemed pursuant to this Agreement shall have an aggregate Redemption Price of less than $200 million (in which case the Section 2.01 Redemption Right may be Transferred only in its entirety).

(c) The Trust or any Permitted Transferee shall have the right to pledge the Section 2.01 Redemption Right (and related Subject Shares), from time to time, in whole or in part, to any financial institution reasonably satisfactory to the Company to secure such Holder's obligations under a Credit Agreement; *provided* that, as a condition to such pledge, the pledgee shall enter into a written agreement reasonably satisfactory to the Company intended to protect the Company's rights under this Agreement. Any such pledgee is referred to herein as a "Permitted Pledgee". Notwithstanding any contrary provision of Section 2.01, the Section 2.01 Redemption Right shall be exercisable beginning on the first annual anniversary of the Effective Date by a Permitted Pledgee following the occurrence of a default under the applicable Credit Agreement or by any Holder of the Section 2.01 Redemption Right and related Subject Shares following a Transfer thereof pursuant to an exercise of remedies by a Permitted Pledgee (whether by foreclosure of its pledge or the exercise of other legal or equitable remedies) or pursuant to a Transfer made in lieu of foreclosure following a default under the applicable Credit Agreement. In the event of any default under a Credit Agreement entitling a Permitted Pledgee to exercise or Transfer the Section 2.01 Redemption Right, then such Permitted Pledgee shall have the right to:

(i) exercise the Section 2.01 Redemption Right at any time prior to effecting any Transfer thereof, by foreclosure or otherwise;

(ii) effect a Transfer of the Section 2.01 Redemption Right (and related Subject Shares), by foreclosure or otherwise, to a Permitted Transferee, but in such event the Section 2.01 Redemption Right shall not be exercisable prior to the second annual anniversary of the Effective Date (except in accordance with this Section 2.04(c) if pledged by such Permitted Transferee to another Permitted Pledgee);

(iii) effect a Transfer of the Section 2.01 Redemption Right (and related Subject Shares), by foreclosure or otherwise, to any Person (including, without limitation, itself); *provided* that the Transferee executes and delivers a Transferee Agreement and holds the Section 2.01 Redemption Right (and related Subject Shares) subject to the terms thereof; or

(iv) effect a Transfer of the Section 2.01 Redemption Right (and related Subject Shares), by foreclosure or otherwise, to any Person (including, without limitation, itself) other than in accordance with the foregoing clauses, but in such event the Section 2.01 Redemption Right so Transferred shall terminate 15 Business Days after the date of consummation of such Transfer unless such Person is a Permitted Pledgee (or an affiliate thereof) and executes an agreement whereby such Person agrees not to Transfer the Section 2.01 Redemption Right (and related Subject Shares) other than in accordance with clause

(ii) or (iii) above, in which case the Section 2.01 Redemption Right so Transferred shall terminate 15 Business Days after the later to occur of (A) the date of consummation of such Transfer and (B) the first annual anniversary of the Effective Date.

A Transfer may be made as contemplated by clause (ii), (iii) or (iv) above only if the Person to whom such Transfer is made assumes the obligations of a Holder hereunder with respect to the Section 2.02 Redemption Right to the extent of the Subject Shares Transferred; *provided* that such assumption shall not be required if such Subject Shares constitute Withdrawn Shares, or Replaced Shares, at the time of such Transfer.

In addition to the foregoing, following the expiration of the Section 2.01 Redemption Right, the Trust or any Permitted Transferee shall be permitted to pledge the Subject Shares, subject to the Section 2.02 Redemption Right, on the same terms as are applicable to a pledge of the Section 2.01 Redemption Right (and the related Subject Shares) under this Section 2.04(c).

(d) No Holder shall be permitted to Transfer any Subject Shares except (i) in connection with a Transfer of the Section 2.01 Redemption Right in accordance with Section 2.04(a), (b) or (c) or (ii) Withdrawn Shares or Replaced Shares. All Subject Shares (other than Withdrawn Shares or Replaced Shares) Transferred in accordance with Section 2.04(a), (b) or (c) shall at all times remain subject to the Section 2.02 Redemption Right. Notwithstanding the foregoing, the Trust shall be entitled from time to time to deposit into the Custody Account (or to establish a separate Custody Account and deposit therein) additional Subject Shares which shall immediately become subject to the Section 2.02 Redemption Right (or cash in the Minimum Required Amount) in lieu of an equivalent number of Subject Shares then held by another Holder (designated by the Trustee) ("Replaced Shares"), and (i) the Company shall thereupon issue or, to the extent possible, cause to be issued to such Holder new certificates representing the Replaced Shares without the legend referred to in Section 2.04(f) and (ii) such Replaced Shares shall no longer be subject to the Section 2.02 Redemption Right.

(e) Except as expressly permitted by Section 2.04(a), (b), and (c), a Section 2.01 Redemption Right may not be Transferred by any Holder; *provided* that, notwithstanding any contrary provision in this Section 2.04, it is understood that any Transfer of Subject Shares and the Section 2.01 Redemption Right pursuant to enforcement of the

Guaranty (or any drawing under a letter of credit issued to support obligations under the Guaranty) shall not be prohibited by any provision of this Agreement.

(f) All Subject Shares from time to time subject to the Section 2.02 Redemption Right shall bear a legend to such effect.

Section 2.05. Transfer of Section 2.02 Redemption Right. The Company shall have the right to transfer, from time to time, in whole or in part, the Section 2.02 Redemption Right to any Affiliate, including, without limitation to a Distributee Company in connection with any Relevant Distribution; provided, however, that (i) no such transfer shall relieve the Company of its obligation to pay the aggregate Redemption Price in respect of the Section 2.01 Redemption Right, unless the Distributee Company shall have assumed such obligation, and (ii) the Guaranty and all other credit support referred to in Section 3.06 hereof shall remain in effect.

Section 2.06. Certain Adjustments to the Subject Shares. (a) In the event the Company shall fix a record date for the distribution to holders of Common Stock of any security representing an interest in any business theretofore owned or controlled by the Company, immediately following the effective date of such distribution (a "Relevant Distribution"), each Subject Share shall be deemed to consist of the share or shares of Common Stock and other securities and other assets, if any, which, as of the date immediately prior to such distribution, constituted a Subject Share, plus such security, or portion thereof, to be received by the holders of Common Stock in such distribution in respect of the share or shares of Common Stock included in one Subject Share immediately prior to such distribution. If, in connection with any such distribution, the Company's obligations under the Section 2.01 Redemption Right and the Company's rights under the Section 2.02 Redemption Right are transferred to the entity the stock of which is being distributed to holders of Common Stock (the "Distributee Company"), (i) an adjustment in the number and type of securities included in one Subject Share shall be made in accordance with the first sentence of this Section 2.06(a), (ii) the Distributee Company shall be deemed the successor to the Company for all purposes of this Agreement and (iii) without limiting the generality of the foregoing, for purposes of determining whether any adjustment is required pursuant to Section 2.06, 2.07, 2.08 or 2.09 as a result of any action taken or event occurring after the date of such distribution, all references to the Company shall be deemed to be references to the Distributee Company and all references to Common Stock shall be deemed to be references to the common stock of the Distributee Company received in the Relevant Distribution. The foregoing adjustments shall be made successively whenever a record date is fixed and, in the event that such distribution is not so made, the composition of the Subject Shares shall again be adjusted to be such Subject Shares which would then be in effect if such record date had not been fixed.

(b) In case the Company shall at any time after the date hereof (i) declare a dividend, or make a distribution on Common Stock, payable in Common Stock, (ii) subdivide or split the outstanding Common Stock, (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), each Subject Share shall thereafter consist of (x) the number of shares of Common Stock or portions thereof resulting from such dividend, distribution, subdivision, split, combination or reclassification in respect of the number of shares of Common Stock or portions thereof thereto fore contained in a Subject Share and (y) all other assets and property theretofore contained in a Subject Share. Such adjustment shall be made successively whenever any event listed above shall occur.

(c) All calculations required by this Section 2.06 shall be made to the nearest one hundredth of a share.

Section 2.07. Certain Additional Adjustments. (a)(i) In case the Company shall fix a record date for the issuance to all holders of Common Stock of rights, options, warrants, convertible securities or other securities entitling such holders to subscribe for or purchase shares of Common Stock (or securities convertible into shares of Common Stock) (collectively, "Rights") and the price per share of Common Stock (or the conversion price per share of Common Stock, if a security convertible into shares of Common Stock) to be paid upon exercise or conversion thereof is less than the Current Market Price Per Common Share on such record date, then:

(A) unless the relevant Holder elects to have the provisions of clause (iii) of this Section 2.07(a) apply, the Specified Number of shares of Common Stock theretofore withdrawn from the Custody Account as a result of the substitution of Cash Collateral shall be replaced in the Custody Account at least two Business Days prior to the record date for such issuance and such replacement shares of Common Stock shall remain in the Custody Account through such record date (For purposes of this clause (A), the term "Specified Number" means a number of shares of Common Stock equal to the excess, if any, of (1) the number of shares of Common Stock then required (together with all other assets comprising Subject Shares) to satisfy the Section 2.02 Redemption Right in full over (2) the sum of the number of shares of Common Stock then subject to a security interest of Permitted Pledgees and the number of shares of Common Stock subject to the Section 2.02 Redemption Right but not subject to such security interest.);

(B) all Rights received in respect of Common Stock constituting a part of the Designated Subject Shares, from and after the distribution thereof, may not be Transferred (other than in connection with a Transfer of Subject Shares);

(C) until such time as such Rights included in the Designated Subject Shares expire or are exercised or converted, each Subject Share shall be deemed to consist of each share of Common Stock included in a Subject Share in respect of which such Rights were issued and such other securities and other assets, if any, which, as of such record date constituted a Subject Share (together, a "Pre-Distribution Subject Share") plus the number of Rights determined by dividing (1) the total number of unexercised or unconverted Rights included in the Designated Subject Shares, by (2) the number of Subject Shares;

(D) to the extent such Rights included in the Designated Subject Shares are exercised or converted, from and after the time of such exercise or conversion each Subject Share shall be deemed to consist of a Pre-Distribution Subject Share plus any unexpired, unexercised and unconverted Rights included therein pursuant to clause (C) above, plus (x) a number of shares of Common Stock with a Current Market Price Per Common Share (measured as of the record date) equal to the difference between (1) the aggregate Current Market Price Per Common Share (determined as aforesaid) of the shares of Common Stock received upon such exercise or conversion of Rights included in the Designated Subject Shares minus (2) the aggregate price paid by the relevant Holder upon such exercise or conversion divided by (y) the number of Subject Shares.

(ii) For purposes hereof, "Designated Subject Shares" means, at any time, particular Subject Shares equal to the total number of Subject Shares at the time, determined by reference to (A) first, to the extent that any Subject Shares have been pledged, together with related Section 2.01 Redemption Rights, to a Permitted Pledgee, the number of Subject Shares so pledged and (B) second, to the extent that the total number of Subject Shares at the time exceeds the Designated Subject Shares specified in clause (A) of this Section 2.07(a)(ii), the Subject Shares in the Custody Account.

(iii) For purposes of this Section 2.07(a), if on any record date referred to in clause (i) of this Section 2.07(a), the aggregate number of Designated Subject Shares shall be less than the aggregate number of Subject Shares (such shortfall, the "Subject Share Shortfall") each Subject Share shall be adjusted pursuant to clause (i)(D) of this Section 2.07(a) as if, in addition to the Rights actually exercised in respect of actual Designated Subject Shares, all Rights in respect of a number of Designated Subject Shares equal to the Subject Share Shortfall had been exercised on such record date.

(iv) The adjustments set forth above shall be made successively whenever a record date is fixed or any Right is exercised or converted, as the case may be; and in the event that such Rights are not so issued or expire unexercised, each Subject Share shall again be adjusted to be such Subject Shares which would then be in effect if such record date had not been fixed.

(b) In case the Company shall fix a record date for the making of a distribution to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, assets or other property (other than (w) distributions payable in Common Stock or Rights referred to in, and for which an adjustment is made pursuant to, Section 2.07(a) hereof, (x) distributions referred to in, and for which an adjustment is made pursuant to Section 2.06, (y) any regular quarterly or semi-annual dividend payable in cash or (z) any dividend payable in cash other than a regular quarterly or semi-annual dividend (an "Extraordinary Dividend") which, individually or together with all other Extraordinary Dividends paid in such fiscal year, does not exceed 50% of the aggregate amount of any regular quarterly or semi-annual dividend or dividends paid in the preceding fiscal year) then (i) in the case of any distribution of cash, the Redemption Price to be in effect after such record date shall be reduced by the amount of cash distributed in respect of the number of shares of Common Stock included in one Subject Share and (ii) in the case of a distribution of evidences of indebtedness, assets or other property (other than cash), from and after such record date, each Subject Share shall be deemed to consist of such number of shares of Common Stock included in one Subject Share as of such record date, and such other securities and other assets, if any, which, as of such record date, constituted one Subject Share, plus such evidences of indebtedness, assets or other property received by the Holder in respect of such number of shares of Common Stock in such distribution. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, each Redemption Price or the composition of the Subject Shares, as the case may be, shall again be adjusted to be such Redemption Price or such Subject Shares, as the case may be, which would then be in effect if such record date had not been fixed.

(c) In case at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self tender offer (excluding for this purpose, open market purchases), any shares of Common Stock of the Company included in any Designated Subject Shares at a weighted average purchase price in excess of the Current Market Price Per Common Share on the Business Day immediately prior to the earliest date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), (i) each Subject Share shall thereafter consist of (A) all property and assets other than shares of Common Stock included in one Subject Share on the Determination Date and (B) a number of shares of Common Stock equal to the number of shares of Common Stock included in one Subject Share on the Determination Date multiplied by a fraction the numerator of which is (I) the aggregate number of shares of Common Stock included in the total number of Subject Shares on the Determination Date (such aggregate number of shares of Common Stock, the "Aggregate Common Stock Component") less (II) the number of shares of Common Stock included in all Designated Subject Shares on the Determination Date that are purchased pursuant to such repurchase (the "Repurchased Designated Common Stock") and the denominator of which is the Aggregate Common Stock Component as of the Determination Date and (ii) each Redemption Price shall be adjusted to equal the amount determined by dividing (x) the difference between (A) the product of the number of Subject Shares outstanding on the Determination Date multiplied by the Redemption Price theretofore in effect minus (B) the number of shares of Repurchased Designated Common Stock multiplied by the purchase price per share of Repurchased Designated Common Stock paid by the Company or any subsidiary in such repurchase by (y) the total number of Subject Shares. For purposes of this Section 2.07(c), if on any Determination Date in respect of any self tender offer there shall exist a Subject Share Shortfall, the adjustments set forth in the foregoing sentence shall be made as if the number of shares of Repurchased Designated Common Stock included, in addition to any shares of Common Stock included in any Designated Subject Shares actually purchased pursuant to such repurchase, a number of Shares of Common Stock equal to the number that would have been purchased had a number of shares of Common Stock equal to the number of shares included in a number of Subject Shares equal to the Subject Share Shortfall been tendered and purchased on the basis of the maximum proration possible in respect of such tender offer. In addition, for purposes of this Section 2.07(c), neither (A) the Tender Offer, (B) the exercise of the Section 2.01 Redemption Right or the Section 2.02 Redemption Right nor (C) the repurchase or repurchases by the Company or any subsidiary thereof within any 12 month period of not more than 15% of the shares of Common Stock outstanding as of the first date of such period, at a price not in excess of 115% of the Current Market Price Per Common Share as of the Determination Date of any such repurchase, shall be deemed to constitute a repurchase to which this Section 2.07(c) applies. An adjustment made pursuant to this Section 2.07(c) shall become effective immediately after the effective date of such repurchase.

(d) For the purpose of any computation under Sections 2.07(a), (b) or (c) hereof, on any Determination Date the "Current Market Price Per Common Share" shall be deemed to be the average (weighted by daily trading volume) of the Daily Prices (as defined below) per share of the applicable class of Common Stock for the 20 consecutive trading days immediately prior to such date. "Daily Price" means the closing price on such day as reported on the New York Stock Exchange, Inc. Composite Transactions Tape.

(e) No adjustment in the Redemption Price shall be required unless such adjustment would require an adjustment of at least one percent in such price; *provided* that any adjustments which by reason of this Section 2.07(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 2.07 shall be made to the nearest one tenth of a cent.

2.08. *Other Adjustments.* In the event that the Subject Shares shall include any shares of capital stock of the Company other than Common Stock or any shares of capital stock of any other Person, the number of such other shares and/or the applicable Redemption Price shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained in Sections 2.06, 2.07 and 2.09 hereof. In addition, if (i) the Company effects any distribution or similar transaction to or in respect of holders of Common Stock involving any securities representing an interest in any business theretofore owned by the Company and (ii) the effect of such distribution or similar transaction on the composition of the Subject Shares is not addressed in Section 2.06, 2.07 or 2.09 hereof, the composition of the Subject Shares shall thereafter be adjusted in an equitable manner to reflect both the nature of the distribution or transaction and the purposes of the provisions of Sections 2.06, 2.07 and 2.08.

2.09. Merger, Consolidation or Sale of Assets. In case of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or any sale or transfer of all or substantially all of the assets of the Company or of the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, the portion of one Subject Share consisting of Common Stock shall thereafter be the kind and amount of securities receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock equal to the number of shares of Common Stock included in one Subject Share immediately prior to such consolidation, merger, sale or transfer, assuming (i) such holder of Common Stock is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be ("Constituent Person"), or an Affiliate of a Constituent Person and (ii) in the case of a consolidation, merger, sale or transfer which includes an election as to the consideration to be received by the holders, (A) such holder made the election actually made in respect of the Designated Subject Shares and (B) if there is a Subject Share Shortfall at the time at which any such election is to be made, no election was made in respect of a number of Subject Shares equal to such Subject Share Shortfall, (provided that in the case of this clause (B), if the kind or amount of securities and other property receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock held immediately prior to such consolidation, merger, sale or transfer by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of clause (B) of this Section 2.09 the kind and amount of securities and other property receivable upon such consolidation, merger, sale or transfer by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Adjustments for events subsequent to the effective date of such a consolidation, merger and sale of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in this Agreement. In the event the Company is not the surviving entity, this Agreement shall be assumed by the Person with whom such transaction is effected and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise of the Section 2.01 Redemption Right and the Section 2.02 Redemption Right, the aggregate Redemption Price. The provisions of this Section 2.09 shall similarly apply to successive consolidations, mergers, sales, leases or transfers.

## ARTICLE III

## REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 3.01. Representations and Warranties of the Company. The Company represents and warrants to the Principal Stockholder and the Trust that (a) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (c) this Agreement has been duly executed and delivered by the Company and, assuming this Agreement constitutes a valid and binding obligation of the Principal Stockholder and the Trust, constitutes a valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and the availability of equitable remedies may be limited by equitable principles of general applicability.

Section 3.02. Representations and Warranties of the Trustee. The Trustee represents and warrants to the Company that (i) the Trust has been duly constituted and is validly existing under the laws of the State of Ohio, and has the requisite power and authority to enter into this Agreement and to carry out its obligations hereunder, (ii) the execution and delivery of this Agreement by the Trustee and the consummation by the Trustee and/or its successors in trust of the transactions contemplated hereby have been duly authorized by all necessary action under the Trust Agreement and no other proceedings on the part of the Trustee or any other Person are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (iii) this Agreement has been duly executed and delivered by the Trustee and, assuming this Agreement constitutes a valid and binding obligation of the Company and the Principal Stockholder, constitutes a valid and binding obligation of the Trustee and/or its successors in trust, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and the availability of equitable remedies may be limited by equitable principles of general applicability.

Section 3.03. Covenants of the Principal Stockholder. The Principal Stockholder agrees that he (a) will not, and will cause all members of his Immediate Family who reside in his household and all other non-natural Persons referred to in the definition of Permitted Transferees over which he exercises control not to, tender any shares of Common Stock in the Tender Offer, and (b) will cause the Trust to comply with all of its obligations under this Agreement.

Section 3.04. Certain Other Covenants. (a) The Trust agrees that it will (i) not tender any shares of Common Stock in the Tender Offer, (ii) on the Effective Date, own not less than 18,750,000 shares of Common Stock and deposit the certificate or certificates representing such Shares in a custody account (the "Custody Account") with a financial or similar institution (the "Custodian") in the manner contemplated in the Pledge Agreement referred to below; (iii) deposit any certificate or certificates representing any shares of capital stock or other securities which hereinafter become Subject Shares in the Custody Account as soon as practicable following the date on which such securities become Subject Shares, (iv) upon any exercise of the Section 2.02 Redemption Right unless such Section 2.02 Redemption Right shall have been assumed by another Holder in accordance with the terms hereof, will deliver all the Subject Shares being redeemed free and clear of all liens, charges, encumbrances, or security interests of any nature whatsoever, (v) at the Effective Date, own the Subject Shares free and clear of any claims, charges, encumbrances or security interests other than those created under the Pledge Agreement or those securing a Credit Agreement as permitted under Section 2.04(c) and (vi) on or prior to the Effective Date, (A) execute a pledge or similar agreement (the "Pledge Agreement") in form and substance reasonably satisfactory to the Trust and the Company pursuant to which the Trust shall grant to the Company and its permitted assigns a security interest in the Subject Shares and any Cash Collateral that may be collateral after the date hereof, (B) to the fullest extent permitted by applicable law, give, execute, file and record any notice, financing statement, continuation statement or other instrument, document or agreement that the Company may reasonably consider necessary or desirable to create, perfect, continue or validate such security interest or to exercise or enforce the Company's rights with respect to such security interest and (C) appoint the Company as its attorney-in-fact to execute, file and record any such documents. The Company hereby acknowledges and agrees that, in the event the Trust shall enter into a Credit Agreement containing an obligation on the part of the Trust for borrowed money for which any Subject Shares shall be pledged as security, the security interest referred to in this Section 3.04(a)(vi) shall be subordinated to any security interest in such Subject Shares required by and granted to any lender (or agent thereof) in connection with any such borrowing.

(b) Upon any exercise of the Section 2.02 Redemption Right, each Holder (other than the Trust (the obligations of which are set forth in Section 3.04(a)) and a Permitted Pledgee (the obligations of which will be set forth in agreements to be entered into between the Company and such Permitted Pledgee) shall deliver the Subject Shares being redeemed free and clear of (x) in the case of any pledgee to whom the Subject Shares shall have been pledged in accordance with Section 2.04(c) hereof, or any other Holder following a Transfer contemplated by clause (ii), (iii) or (iv) of such Section 2.04(c), all claims, charges, encumbrances or security interests created by or arising or attaching through such pledgee or Holder and (y) in the case of any other Holder, all claims, charges, encumbrances or security interests of any nature whatsoever.

Section 3.05. Substitution of Collateral. (a) The Trust shall be permitted, from time to time, to withdraw Subject Shares from the Custody Account and the security interest under the Pledge Agreement, *provided, however*, that the Trust shall substitute therefor, in a manner and pursuant to agreements and arrangements reasonably satisfactory to the Company under which the Company shall have a perfected security interest therein subject to no prior liens or security interests other than liens and security interests theretofore applicable to the Subject Shares withdrawn prior to or concurrently with any such withdrawal, either (i) an amount in cash (the "Cash Collateral") at least equal to the Minimum Required Amount or (ii) an equal number of Subject Shares (the number of Subject Shares from time to time so withdrawn, "Withdrawn Shares"). The "Minimum Required Amount" means 120% of the product of the fair market value of the assets comprising a Subject Share and the number of Withdrawn Shares. For purposes of the preceding sentence, the fair market value (i) of a share of Common Stock shall be the Current Market Price Per Common Share as of the Determination Date or (ii) of any other publicly traded securities shall be deemed to be the average (weighted by trading volume) of the daily closing prices (as reported in *The Wall Street Journal* or other recognized source of financial information) of such securities on the principal securities exchange on which, or the principal securities market in which, such securities are traded during the 20 consecutive trading days immediately prior to such date and (iii) of any other assets, as determined in good faith by the Board of Directors of the Company. The required amount of Cash Collateral shall be recalculated weekly by the Custodian, which shall deliver promptly (by telecopier in accordance with Section 4.05) a written notice of such recalculation to the Trust (a "Custodian's Notice"). Cash Collateral shall be remitted by the Custodian to, or additional Cash Collateral (or Subject Shares) which may be required shall be deposited in the Custody Account by, the Trust based upon the most recent Custodian's Notice, to the extent, but only to the extent, the value of the Cash Collateral is greater or less than, as the case may be, the then current Minimum Required Amount. Any payment by or to the Trust shall be made on the second Business Day after the date of the Custodian's Notice. Any income in respect of the Cash Collateral shall be paid to the Trust; *provided* that any such income shall be retained by the Custodian to the extent necessary to bring the Trust into compliance with the provisions of this Section 3.05. Cash Collateral may be invested only in U.S. Government debt securities having a maturity of less than 90 days.

(b) If the Company exercises its Section 2.02 Redemption Right, or the Trust fails to satisfy its obligations pursuant to Section 3.05(a), upon the Company's instruction the Custodian shall utilize the Cash Collateral to purchase (within three Business Days after the Redemption Notice in respect of the Section 2.02 Redemption Right shall have been given) such number of Subject Shares as are required to satisfy the Trust's obligations in respect of the Section 2.02 Redemption Right so exercised.

Section 3.06. Covenants of the Company. The Company agrees that it shall, prior to the Effective Date (or as promptly as practicable thereafter), provide credit support in respect of its obligations hereunder on terms reasonably satisfactory to the Company and the Trust which may include, among other things, the creation of a bankruptcy remote vehicle, the funding of such vehicle and the provision by such vehicle of guarantees of or collateral to support such obligations of the Company, letters of credit to support such guarantees or obligations and/or reimbursement obligations in respect of such letters of credit.

## ARTICLE IV

## MISCELLANEOUS

Section 4.01. Expenses. (a) Except as otherwise agreed by the parties and except as provided in Section 4.01(b) hereof, each party hereto will pay all of its own expenses in connection with the transactions contemplated by this Agreement, including, without limitation, the fees and expenses of its counsel and other advisers, whether or not the transactions contemplated herein are consummated. Any fees, commissions, and other payments owing to a party's financial advisors in connection with this Agreement shall be borne solely by that party.

(b) The Company shall pay any transfer taxes incurred by the Holder as a result of the exercise of the Section 2.01 Redemption Right or the Section 2.02 Redemption Right, provided, however, that if the Holder shall request the Company to pay any portion of the aggregate Redemption Price to a Person other than the registered holder of the Subject Shares represented by the certificate or certificates surrendered in exchange therefor, it shall be a condition to such payment that the Holder shall pay to the Company any transfer taxes required to be paid as a result of such payment to a Person other than the registered holder of such Subject Shares or establish to the satisfaction of the Company that such tax has been paid or is not payable.

Section 4.02. Public Announcements. Except as required by applicable law or regulations, the Principal Stockholder and the Company shall jointly approve any public announcements relating to the transactions described herein. Each party agrees to cooperate with the other in the preparation of any governmental filing relating to the transactions contemplated hereby.

Section 4.03. Mutual Cooperation. Each of the parties hereto hereby agrees to reasonably cooperate with each other party in seeking the successful consummation of the transactions contemplated herein and to use its or his best efforts promptly to take all such actions as may be necessary or appropriate to consummate the transactions contemplated herein.

Section 4.04. Amendment; Assigns. This Agreement may not be modified, amended, altered or supplemented except by an agreement in writing executed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 4.05. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be either (i) hand-delivered, (ii) delivered by reputable overnight courier delivery or (iii) sent by telecopy (with receipt confirmed) and shall be deemed given upon delivery when hand-delivered, or one business day after having been deposited with the overnight courier service or upon receipt of confirmation of telecopier, addressed as follows (or to such other address as a party may designate by notice to the other):

If to the Principal Stockholder:

Leslie H. Wexner
c/o The Limited, Inc.
Three Limited Parkway
P. O. Box 1600
Columbus, Ohio 43216
Facsimile: (614) 479-7208

If to the Trust:

The Wexner Children's Trust
c/o The Limited, Inc.
Three Limited Parkway
P. O. Box 1600
Columbus, Ohio 43216
Attn: Leslie H. Wexner, Trustee
Facsimile: (614) 479-7208

With a copy to:

Weil Gotshal & Manges
767 Fifth Avenue
New York, New York 10153
Attn: Dennis J. Block
Facsimile: (212) 310-8007

If to the Company:

The Limited, Inc.
Three Limited Parkway
P.O. Box 1600
Columbus, Ohio 43216
Attn: Samuel P. Fried
Facsimile: (614) 479-7188

With a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
Attn: David L. Caplan
Facsimile: (212) 450-4800

Section 4.06. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same document.

Section 4.07. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Section 4.08. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 4.09. Third Party Beneficiaries. Nothing in this Agreement, expressed or implied, shall be construed to give any person other than the parties hereto and their successors and permitted assigns any legal or equitable right, remedy or claim under or by reason of this Agreement or any provision contained herein.

Section 4.10. Entire Agreement. This Agreement and any documents delivered by the parties pursuant hereto, constitutes the entire understanding and agreement of the parties hereto with regard to the subject matter hereof and thereof, and supersedes all prior agreements and understandings, written or oral, between the parties relating to the subject matter hereof.

Section 4.11. Injunctive Relief. Each of the parties hereto acknowledges and agrees that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, to the fullest extent permitted under applicable law, the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specific performance of the terms and provisions hereof in any court of the United States of America or any state thereof having jurisdiction, this being in addition to any other remedy to which they may be entitled at law or in equity.

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

THE LIMITED, INC.

By: /s/
--------------------------
Name: Kenneth B. Gilman
Title: Vice Chairman

LESLIE H. WEXNER

/s/
-----------------------------

/s/
-----------------------------
LESLIE H. WEXNER,
as Trustee of The
Wexner Children's Trust

EXHIBIT 10.14

# AMENDMENT
# to
# CONTINGENT STOCK REDEMPTION AGREEMENT

AMENDMENT dated as of July 19, 1996 ("Amendment") to the CONTINGENT STOCK REDEMPTION AGREEMENT (the "Agreement") dated as of January 26, 1996 among The Limited, Inc., a Delaware corporation (the "Company"), Leslie H. Wexner, in his individual capacity, (in such capacity, the "Principal Stockholder"), and Leslie H. Wexner, as Trustee (in such capacity, the "Trustee") of The Wexner Children's Trust under a Trust Agreement dated January 24, 1996 (the "Trust").

WHEREAS, the Company, the Principal Stockholder and the Trustee desire to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, the parties hereto agree as follows:

1. All capitalized terms used herein, unless otherwise defined herein, shall have the meanings given them in the Agreement, and each reference in the Agreement to "this Agreement", "hereof", "herein", "hereunder", or "hereby" and each other similar reference shall be deemed to refer to the Agreement as amended hereby. All references to the Agreement in any other agreement between the parties hereto relating to the transactions contemplated by the Agreement shall be deemed to refer to the Agreement as amended hereby.

2. The first sentence of Section 2.01 of the Agreement is hereby amended by deleting the phrase "upon the second annual anniversary of the Effective Date" and inserting in its place the date "January 31, 1998", and by deleting the phrase "the day prior to the fifth annual anniversary of the Effective Date" and inserting in its place the date "January 30, 2006". The first sentence of Section 2.02 of the Agreement is hereby amended by deleting the phrase "upon the 66th monthly anniversary of the Effective Date" and inserting in its place the date "July 31, 2006", and by deleting the phrase "the day prior to the 72nd monthly anniversary of the Effective Date" and inserting in its place the date "January 30, 2007".

3. This Amendment shall be construed in accordance with and governed by the law of the State of New York (without regard to principles of conflict of laws).

4. This Amendment 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. This Amendment shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

5. Except as expressly amended hereby, the Agreement shall remain in full force and effect.

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

THE LIMITED, INC.

By: /s/ Kenneth B. Gilman
--------------------------------
Name: Kenneth B. Gilman
Title: Vice Chairman

LESLIE H. WEXNER

/s/ Leslie H. Wexner
------------------------------------

/s/ Leslie H. Wexner
------------------------------------
LESLIE H. WEXNER,
as Trustee of The
Wexner Children's Trust

EXHIBIT 10.20

SUPPLEMENTAL SCHEDULE OF EXECUTIVE OFFICER WHO BECAME
A PARTY TO AN INDEMNIFICATION AGREEMENT
EFFECTIVE FEBRUARY 3, 1997

| Signatory | Capacity |
| --- | --- |
| Peter Z. Horvath | Executive Officer |

EXHIBIT 11

THE LIMITED, INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

(Thousands except per share amounts)

| | Quarter Ended | |
| --- | --- | --- |
| | February 1, 1997 | February 3, 1996 |
| Net income | $ 213,393 | $216,225 |
| Common shares outstanding: | | |
| Weighted average | 379,454 | 379,454 |
| Dilutive effect of stock options | 1,033 | 229 |
| Weighted average treasury shares | (108,389) | (22,057) |
| Weighted average used to calculate net income per share | 272,098 | 357,626 |
| Net income per share | $ 0.78 | $ 0.60 |

| | Year Ended | |
| --- | --- | --- |
| | February 1, 1997 | February 3, 1996 |
| Net income | $ 434,208 | $961,511 |
| Common shares outstanding: | | |
| Weighted average | 379,454 | 379,454 |
| Dilutive effect of stock options | 1,354 | 779 |
| Weighted average treasury shares | (98,755) | (21,862) |
| Weighted average used to calculate net income per share | 282,053 | 358,371 |
| Net income per share | $ 1.54 | $ 2.68 |

Note: Exercise of the Wexner Agreement (which cannot occur prior to February 1, 1998) was determined not to dilute reported earnings per share.

EXHIBIT 12

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

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | February 1, 1997 | February 3, 1996 | January 28, 1995 | January 29, 1994 | January 30, 1993 |
| **Adjusted Earnings** | | | | | |
| Pretax earnings | $ 675,208 | $1,184,511 | $ 744,343 | $644,999 | $745,497 |
| Portion of minimum rent ($714,482 in 1996, $669,301 in 1995, $614,147 in 1994, $572,278 in 1993 and $510,544 in 1992) representative of interest | 238,161 | 223,100 | 204,716 | 190,759 | 170,181 |
| Interest on indebtedness | 75,363 | 77,537 | 65,381 | 63,865 | 62,398 |
| Minority interest | 45,646 | 22,374 | - | - | _ |
| Total earnings as adjusted | $1,034,378 | $1,507,522 | $1,014,440 | $899,623 | $978,076 |
| **Fixed Charges** | | | | | |
| Portion of minimum rent representative of interest | $ 238,161 | $ 223,100 | $ 204,716 | $190,759 | $170,181 |
| Interest on indebtedness | 75,363 | 77,537 | 65,381 | 63,865 | 62,398 |
| Total fixed charges | $ 313,524 | $ 300,637 | $ 270,097 | $254,624 | $232,579 |
| Ratio of earnings to fixed charges | 3.30x | 5.01x | 3.76x | 3.53x | 4.21x |

limited EXHIBIT 13

96 financials

FINANCIAL SUMMARY

Thousands except per share amounts, ratios and store and associate data

| SUMMARY OF OPERATIONS | 1996 | (a,b,c)1995 | 1994 | (a)1993 | 1992 | (b)1991 |
|---|---|---|---|---|---|---|
| Net Sales | $8,644,791 | $7,881,437 | $7,320,792 | $7,245,088 | $6,944,296 | $6,149,218 |
| Gross Income | $2,496,579 | $2,087,532 | $2,114,363 | $1,958,835 | $1,990,740 | $1,793,543 |
| Operating Income | $636,067 | $613,349 | $798,989 | $701,556 | $788,698 | $712,700 |
| Operating Income as a Percentage of Sales | 7.4% | 7.8% | 10.9% | 9.7% | 11.4% | 11.6% |
| Income Before Income Taxes | $675,208 | $1,184,511 | $744,343 | $644,999 | $745,497 | $660,302 |
| Net Income | $434,208 | $961,511 | $448,343 | $390,999 | $455,497 | $403,302 |
| Net Income (Excluding Gain on Sale of Subsidiary Stock) | $316,030 | $312,044 | $448,343 | $390,999 | $446,380 | $403,302 |
| Net Income as a Percentage of Sales | (d)3.7% | (d)4.0% | 6.1% | 5.4% | (d)6.4% | 6.6% |
| PER SHARE RESULTS | | | | | | |
| Net Income | $1.54 | $2.68 | $1.25 | $1.08 | $1.25 | $1.11 |
| Net Income (Excluding Gain on Sale of Subsidiary Stock) | $1.12 | $ .87 | $1.25 | $1.08 | $1.23 | $1.11 |
| Dividends | $ .40 | $ .40 | $ .36 | $ .36 | $ .28 | $ .28 |
| Book Value | $7.09 | $9.01 | $7.72 | $6.82 | $6.25 | $5.19 |
| Weighted Average Shares Outstanding | 282,053 | 358,371 | 358,601 | 363,234 | 363,738 | 363,594 |
| OTHER FINANCIAL INFORMATION | | | | | | |
| Total Assets | $4,120,002 | $5,266,563 | $4,570,077 | $4,135,105 | $3,846,450 | $3,418,856 |
| Return on Average Assets | (d)7% | (d)6% | 10% | 10% | (d)12% | 13% |
| Working Capital | $638,204 | $2,018,960 | $1,750,111 | $1,513,181 | $1,063,352 | $1,084,205 |
| Current Ratio | 1.7 | 3.5 | 3.2 | 3.1 | 2.5 | 3.1 |
| Capital Expenditures | $409,260 | $374,374 | $319,676 | $295,804 | $429,545 | $523,082 |
| Long-Term Debt | $650,000 | $650,000 | $650,000 | $650,000 | $541,639 | $713,758 |
| Debt-to-Equity Ratio | 34% | 20% | 24% | 27% | 24% | 38% |
| Shareholders' Equity | $1,922,582 | $3,201,041 | $2,760,956 | $2,441,293 | $2,267,617 | $1,876,792 |
| Return on Average Shareholders' Equity | (d)16% | (d)10% | 17% | 17% | (d)22% | 23% |
| Comparable Store Sales Increase (Decrease) | 3% | (2%) | (3%) | (1%) | 2% | 3% |
| STORES AND ASSOCIATES AT END OF YEAR | | | | | | |
| Total Number of Stores Open | 5,633 | 5,298 | 4,867 | 4,623 | 4,425 | 4,194 |
| Selling Square Feet | 28,405,000 | 27,403,000 | 25,627,000 | 24,426,000 | 22,863,000 | 20,355,000 |
| Number of Associates | 123,100 | 106,900 | 105,600 | 97,500 | 100,700 | 83,800 |

| SUMMARY OF OPERATIONS | (b)1990 | (a,c)1989 | (b)1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| Net Sales | $5,253,509 | $4,647,916 | $4,070,777 | $3,527,941 | $3,142,696 |
| Gross Income | $1,630,439 | $1,446,635 | $1,214,703 | $992,775 | $961,827 |
| Operating Income | $697,537 | $625,254 | $467,418 | $408,872 | $438,229 |
| Operating Income as a Percentage of Sales | 13.3% | 13.5% | 11.5% | 11.6% | 13.9% |
| Income Before Income Taxes | $653,438 | $573,926 | $396,136 | $378,188 | $394,780 |
| Net Income | $398,438 | $346,926 | $245,136 | $235,188 | $227,780 |
| Net Income (Excluding Gain on Sale of Subsidiary Stock) | $398,438 | $346,926 | $245,136 | $235,188 | $227,780 |
| Net Income as a Percentage of Sales | 7.6% | 7.5% | 6.0% | 6.7% | 7.2% |
| PER SHARE RESULTS | | | | | |
| Net Income | $1.10 | $.96 | $.68 | $.62 | $.60 |
| Net Income (Excluding Gain on Sale of Subsidiary Stock) | $1.10 | $.96 | $.68 | $.62 | $.60 |
| Dividends | $.24 | $.16 | $.12 | $.12 | $.08 |
| Book Value | $4.33 | $3.45 | $2.64 | $2.04 | $2.07 |
| Weighted Average Shares Outstanding | 362,044 | 361,288 | 360,186 | 376,626 | 376,860 |
| OTHER FINANCIAL INFORMATION | | | | | |
| Total Assets | $2,871,878 | $2,418,486 | $2,145,506 | $1,929,477 | $1,726,544 |
| Return on Average Assets | 15% | 15% | 12% | 13% | 14% |
| Working Capital | $884,004 | $685,524 | $567,639 | $629,783 | $586,827 |
| Current Ratio | 2.8 | 2.4 | 2.2 | 2.9 | 2.7 |
| Capital Expenditures | $428,844 | $318,427 | $288,972 | $283,590 | $196,487 |
| Long-Term Debt | $540,446 | $445,674 | $517,952 | $681,000 | $417,420 |
| Debt-to-Equity Ratio | 35% | 36% | 55% | 93% | 53% |
| Shareholders' Equity | $1,560,052 | $1,240,454 | $946,207 | $729,171 | $781,542 |
| Return on Average Shareholders' Equity | 28% | 32% | 29% | 31% | 38% |
| Comparable Store Sales Increase (Decrease) | 3% | 9% | 8% | 3% | 18% |

| | | | | | |
|---|---|---|---|---|---|
| STORES AND ASSOCIATES AT END OF YEAR | | | | | |
| Total Number of Stores Open | 3,760 | 3,344 | 3,497 | 3,115 | 2,682 |
| Selling Square Feet | 17,008,000 | 14,374,000 | 14,296,000 | 12,795,000 | 11,320,000 |
| Number of Associates | 72,500 | 63,000 | 56,700 | 50,200 | 43,200 |

(a) Includes the results of companies disposed of up to the disposition date.

(b) Includes the results of companies acquired subsequent to the date of acquisition.

(c) Fifty-three-week fiscal year.

(d) Excludes the effect on net income of the gain on sale of subsidiary stock of $118,178 in 1996, $649,467 in 1995 and $9,117 in 1992.

financials

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### results of operations

Net sales for the thirteen-week fourth quarter of 1996 grew 7% to $2.966 billion from $2.771 billion for the fourteen-week fourth quarter a year ago. Net income was $213 million, and earnings per share increased 30% to $0.78 versus $0.60 on a pro-forma basis in 1995, excluding the 1995 gain on sale of subsidiary stock. In the fourth quarter of 1995, the Company recorded a gain on sale of subsidiary stock of $36.0 million, or $0.10 per share, resulting from the exercise of underwriters' over-allotment options on an additional 2.7 million shares over the original 40 million shares issued from the Intimate Brands, Inc. ("IBI") third quarter initial public offering.

Net sales for the fifty-two-week fiscal year ended February 1, 1997 increased 10% to $8.645 billion from sales of $7.881 billion for the fifty-three-week fiscal year ended February 3, 1996. Net income (excluding gains on sales of subsidiary stock) was $316 million, or $1.12 per share, compared to pro-forma $0.88 per share last year, an increase of 27%. The Company also recorded gains of $118.2 million and $649.5 million, or $0.42 and $1.81 per share, resulting from the initial public offerings of a 15.8% interest in Abercrombie & Fitch Co. ("A&F") and a 16.9% interest in IBI during the Fall seasons of 1996 and 1995, respectively.

Business highlights include the following:

- IBI, led by strong performances at Bath & Body Works and Victoria's Secret Stores, demonstrated market leadership with an earnings per share increase of 24% over last year's pro-forma results, excluding a $12 million special and nonrecurring charge for the 1997 sale of Penhaligon's.

- Lerner New York delivered a fivefold increase in operating income for the year, on a comparable store sales increase of 8%.

- Merchandise improvements and expense controls contributed to operating income gains at Limited Stores and Lane Bryant.

- A&F increased operating income by 93% for the year and 68% for the fourth quarter. Comparable store sales were up 13% for the year.

- Limited Too experienced a significant improvement in operating income and an 8% comparable store sales gain. It was also a dramatic turnaround year for Structure, which produced significant bottom-line improvement with comparable store sales up 7%.

The Company believes that the pro-forma financial information as displayed below provides a better comparison of financial results on a continuing basis. During the second half of 1995 and the first three quarters of 1996, the Company entered into a series of transactions: 1) the 1995 initial public offering of a 16.9% interest in IBI; 2) the fourth quarter 1995 sale of a 60% interest in the Company's previously wholly-owned credit card bank, World Financial Network National Bank ("WFNNB"); 3) a reduction in outstanding shares reflecting the Company's 85 million share repurchase via a self-tender consummated effective March 17, 1996; and 4) the initial public offering of a 15.8% interest of A&F during the third quarter of 1996. To aid in the analysis of fourth quarter and fiscal year 1996 financial information as compared to the respective periods in 1995, certain pro-forma adjustments, including the tax impact, have been made to 1995 results as follows: 1) the 1995 general, administrative and store operating expenses have been adjusted for the fourth quarter 1995 sale of a 60% interest in WFNNB, as if the sale had been consummated at the beginning of 1995; 2) the 1995 statement of income has been adjusted to reflect the minority interest arising from the IBI transaction as if it had occurred at the beginning of 1995; and 3) weighted average shares outstanding have been reduced to reflect the 85 million share repurchase as if it had occurred at the beginning of 1995.

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Summary income information is presented below (thousands except per share data):

| FOURTH QUARTER | 1995 PRO-FORMA SUMMARY<br>As Reported<br>February 3, 1996 | Pro-forma<br>Adjustments | Pro-forma<br>February 3, 1996 | 1996 AS REPORTED<br>February 1, 1997 |
|---|---|---|---|---|
| Net sales | $2,771,365 | -- | $2,771,365 | $2,966,261 |
| Gross income | 808,212 | -- | 808,212 | 979,755 |
| General, administrative and store operating expenses | (464,311) | (a)$(26,497) | (490,808) | (555,416) |
| Special and nonrecurring items, net | 1,314 | -- | 1,314 | (12,000) |
| Operating income | 345,215 | (26,497) | 318,718 | 412,339 |
| Interest expense | (18,276) | -- | (18,276) | (19,461) |
| Other income, net | 11,693 | -- | 11,693 | 11,138 |
| Minority interest | (22,374) | -- | (22,374) | (28,623) |
| Gain on sale of subsidiary stock | 35,967 | -- | 35,967 | -- |
| Income before income taxes | 352,225 | (26,497) | 325,728 | 375,393 |
| Provision for income taxes | 136,000 | (c)(11,000) | 125,000 | 162,000 |
| Net income | $ 216,225 | $(15,497) | $ 200,728 | $ 213,393 |

| | | | |
|---|---|---|---|
| Net income per share | $.60 | (d)$.74 | $.78 |
| Net income per share exclusive of gain on sale of subsidiary stock | $.50 | (d)$.60 | $.78 |
| Weighted average shares outstanding | 357,626 | (d)272,626 | 272,098 |

(Chart continued on next page)

| YEAR | 1995 PRO-FORMA SUMMARY As Reported February 3, 1996 | Pro-forma Adjustments | Pro-forma February 3, 1996 | 1996 AS REPORTED February 1, 1997 |
|---|---|---|---|---|
| Net sales | $7,881,437 | -- | $7,881,437 | $8,644,791 |
| Gross income | 2,087,532 | -- | 2,087,532 | 2,496,579 |
| General, administrative and store operating expenses | (1,475,497) | (a)$(102,910) | (1,578,407) | (1,848,512) |
| Special and nonrecurring items, net | 1,314 | -- | 1,314 | (12,000) |
| Operating income | 613,349 | (102,910) | 510,439 | 636,067 |
| Interest expense | (77,537) | -- | (77,537) | (75,363) |
| Other income, net | 21,606 | -- | 21,606 | 41,972 |
| Minority interest | (22,374) | (b)(12,264) | (34,638) | (45,646) |
| Gain on sale of subsidiary stock | 649,467 | -- | 649,467 | 118,178 |
| Income before income taxes | 1,184,511 | (115,174) | 1,069,337 | 675,208 |
| Provision for income taxes | 223,000 | (c)(44,000) | 179,000 | 241,000 |
| Net income | $961,511 | $(71,174) | $890,337 | $434,208 |
| Net income per share | $2.68 | | (d)$3.26 | $1.54 |
| Net income per share exclusive of gain on sale of subsidiary stock | $.87 | | (d)$.88 | $1.12 |
| Weighted average shares outstanding | 358,371 | | (d)273,371 | 282,053 |

(a) Sale of a 60% interest in WFNNB as if the sale was consummated at the beginning of 1995.

(b) Minority interest in IBI as if the transaction was consummated at the beginning of 1995.

(c) Tax effect of pro-forma adjustments.

(d) Net income per share and weighted average shares outstanding have been adjusted for the impact of the self-tender for 85 million shares effective March 17, 1996, as if it was consummated at the beginning of 1995.

net sales

Thirteen-week fourth quarter 1996 sales as compared to sales for the fourteen-week fourth quarter 1995 increased 7% to $2.966 billion due to a 9% increase in sales attributable to new and remodeled stores and a 3% increase in comparable store sales, offset by a 5% decrease due to the fifty-third week in 1995. Fourteen-week fourth quarter 1995 sales as compared to sales for the thirteen-week fourth quarter 1994 increased 9% to $2.771 billion due to a 9% increase in sales attributable to new and remodeled stores and a 4% increase due to the fifty-third week, offset by a 4% decrease in comparable store sales resulting from a very difficult Holiday and promotional retail environment.

The 1996 retail sales increase is attributable to an 8% increase in sales due to the net addition of new and remodeled stores and a 3% increase in comparable store sales, offset by a 1% decrease due to the fifty-third week in 1995. The Company added 470 new stores in 1996, remodeled 252 stores and closed 135 stores for a net addition of 335 stores representing over 1.0 million square feet of new retail selling space. Average sales productivity increased 5% to $285 per square foot.

In 1996, IBI accounted for 63% of the annual sales increase, posting a $480 million sales increase over the prior year due to the net addition of 316 stores representing over 817,000 selling square feet, a 7% increase in comparable store sales and an 11% increase in catalogues mailed by Victoria's Secret Catalogue. Sales at the women's businesses in 1996 were flat to 1995, primarily due to flat comparable store sales. Disappointing results at Express, which experienced a 6% decline in comparable store sales, were offset by improved results at Lerner New York and Limited Stores, which had 8% and 3% increases in comparable store sales.

In addition, the overall sales increase for the Company included strong sales increases at Structure, Abercrombie & Fitch Co. and Limited Too, which experienced 7%, 13% and 8% increases in comparable store sales.

The 1995 retail sales increase is attributable to a 9% increase in sales due to the net addition of new and remodeled stores and a 1% increase due to the fifty-third week, which was partially offset by a 2% decline in comparable store sales. The Company added 504 new stores in 1995, acquired 6 stores via the purchase of Galyan's Trading Company, Inc. ("Galyan's"), remodeled 284 stores and closed 79 stores for a net addition of 431 stores representing approximately 1.8 million square feet of new retail selling space. Average sales productivity increased slightly to $272 per square foot.

In 1995, $409 million, or 73%, of the sales increase came from the IBI businesses. These businesses added collectively 256 net new stores representing over 800,000 square feet and experienced a comparable store sales increase of 1%. Catalogue sales increased by $92 million, or 16%, due to a 25% increase in catalogue mailings. The balance of the sales increase came from Structure, Abercrombie & Fitch Co. and Limited Too, as sales from the women's businesses were essentially flat to 1994.

financials

The following summarized financial data compares 1996 to the comparable periods for 1995 and 1994:

| NET SALES (millions) | 1996 | 1995 | 1994 | % Change 1996-95 | % Change 1995-94 |
|---|---|---|---|---|---|
| Express | $ 1,386 | $ 1,445 | $ 1,387 | (4%) | 4% |
| Lerner New York | 1,045 | 1,005 | 1,019 | 4% | (1%) |
| Lane Bryant | 905 | 903 | 959 | -- | (6%) |
| Limited Stores | 855 | 850 | 869 | 1% | (2%) |
| Henri Bendel | 91 | 91 | 84 | -- | 8% |
| Total Women's Brands | $ 4,282 | $ 4,294 | $ 4,318 | -- | (1%) |
| Structure | 660 | 576 | 555 | 15% | 4% |
| Limited Too | 259 | 214 | 174 | 21% | 23% |
| Galyan's Trading Co. (since 7/2/95) | 108 | 45 | -- | -- | -- |
| Other | 4 | -- | -- | -- | -- |
| Total Emerging Brands | $ 1,031 | $ 835 | $ 729 | 23% | 15% |
| Victoria's Secret Stores | 1,450 | 1,286 | 1,181 | 13% | 9% |
| Victoria's Secret Catalogue | 684 | 661 | 569 | 3% | 16% |
| Bath & Body Works | 753 | 475 | 260 | 59% | 83% |
| Cacique | 88 | 80 | 92 | 10% | (13%) |
| Other | 22 | 15 | 6 | -- | -- |
| Total Intimate Brands, Inc. | $ 2,997 | $ 2,517 | $ 2,108 | 19% | 19% |
| Abercrombie & Fitch Co. | $ 335 | $ 235 | $ 166 | 43% | 42% |
| Total Net Sales | $ 8,645 | $ 7,881 | $ 7,321 | 10% | 8% |
| operating income (millions) | | | | | |
| Women's Brands | $ 64 | (a)$54 | $ 244 | 19% | (78%) |
| Emerging Brands and Other | 68 | (b)149 | (b)203 | (54%) | (27%) |
| Intimate Brands, Inc. | (c)458 | 386 | 338 | 19% | 14% |
| Abercrombie & Fitch Co. | 46 | 24 | 14 | 92% | 71% |
| Total Operating Income | $ 636 | $ 613 | $ 799 | 4% | (23%) |

(a) 1995 includes a special and nonrecurring charge of approximately $48 million, primarily for store closings and downsizings.

(b) 1995 and 1994 include 100% of WFNNB's operating income of $114 million and $107 million before interest expense versus $4 million, representing 40% of net income of $11 million in 1996; 1995 also includes an approximate gain of $73 million for the sale of a 60% interest in WFNNB, partially offset by $23 million of special and nonrecurring charges representing write-downs to net realizable value of certain assets.

(c) 1996 includes a special and nonrecurring charge of $12 million in connection with the sale of Penhaligon's in early 1997.

The following summarized financial data compares 1996 to the comparable periods for 1995 and 1994:

| COMPARABLE STORE SALES | 1996 | 1995 | 1994 | % Change 1996-95 | % Change 1995-94 |
|---|---|---|---|---|---|
| Express | (6%) | (2%) | (9%) | | |
| Lerner New York | 8% | (1%) | (10%) | | |
| Lane Bryant | 0% | (8%) | 2% | | |
| Limited Stores | 3% | (4%) | (21%) | | |
| Henri Bendel | (5%) | 6% | 4% | | |
| Total Women's Brands | 0% | (3%) | (9%) | | |
| Structure | 7% | (9%) | 5% | | |
| Limited Too | 8% | (4%) | 13% | | |
| Galyan's Trading Co. (since 7/2/96) | 12% | -- | -- | | |
| Total Emerging Brands | 7% | (8%) | 7% | | |
| Victoria's Secret Stores | 5% | (1%) | 12% | | |
| Bath & Body Works | 11% | 21% | 39% | | |
| Cacique | 8% | (20%) | (12%) | | |
| Total Intimate Brands, Inc. | 7% | 1% | 13% | | |
| Abercrombie & Fitch Co. | 13% | 5% | 15% | | |
| Total Comparable Store | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Sales Increase (Decrease) | 3% | (2%) | (3%) | | |
| STORE DATA | | | | | |
| Retail Sales Increase Attributable to New and Remodeled Stores | 8% | 9% | 6% | | |
| Retail Sales per Average Selling Square Foot | $ 285 | $ 272 | $ 270 | 5% | 1% |
| Retail Sales per Average Store (thousands) | $ 1,453 | $ 1,419 | $ 1,423 | 2% | -- |
| Average Store Size at End of Year (square feet) | 5,043 | 5,172 | 5,265 | (2%) | (2%) |
| Retail Selling Square Feet (thousands) | 28,405 | 27,403 | 25,627 | 4% | 7% |
| NUMBER OF STORES | | | | | |
| Beginning of Year | 5,298 | 4,867 | 4,623 | | |
| Opened | 470 | 504 | 358 | | |
| Acquired | -- | 6 | -- | | |
| Closed | (135) | (79) | (114) | | |
| End of Year | 5,633 | 5,298 | 4,867 | | |

gross income

Gross income increased as a percentage of sales to 33.0% for the fourth quarter 1996 from 29.2% for the fourth quarter 1995. The merchandise margin rate (representing gross income before deduction of buying and occupancy costs) increased 3.4%, expressed as a percentage of sales, due principally to improved initial markup and lower markdown rates, as the Company was less price promotional than a year ago. Buying and occupancy costs decreased .4%, expressed as a percentage of sales, primarily due to sales productivity associated with the 3% increase in comparable store sales.

Gross income decreased as a percentage of sales to 29.2% for the fourth quarter of 1995 from 32.8% for the fourth quarter in 1994. Merchandise margins, expressed as a percentage of sales, decreased 2.8%, due principally to higher markdowns in 1995, which were used to clear slow-moving inventories and to stimulate sales in a slow retail environment. Buying and occupancy costs rose .6% as a percentage of sales, primarily due to the lower sales productivity associated with the 5% decrease in comparable store sales at the women's businesses and a 10% comparable store sales decline in the men's and kids' businesses. In addition, higher catalogue costs due to significant price increases in paper and postage, along with increased mailings, exacerbated the buying and occupancy increase.

The Company's 1996 gross income rate increased 2.4% to 28.9% as compared to 1995. The merchandise margin rate increased 1.7% due principally to improved initial markup. Buying and occupancy costs decreased .7% as a percentage of sales, primarily due to sales productivity associated with the 3% increase in comparable store sales.

The 1995 gross income rate of 26.5% fell 2.4% below the rate for 1994. Merchandise margins, expressed as a percentage of sales, decreased 1.7%, due to higher 1995 markdowns principally in the Fall season for the reasons mentioned above. Buying and occupancy costs also increased .7% as a percentage of sales, primarily due to the lower sales productivity associated with the 3% decrease in comparable store sales in the women's businesses and a 5% decline in comparable store sales in the men's and kids' businesses. Again, an increase in paper prices and postage, along with increased catalogue mailings, also increased the buying and occupancy rate.

general, administrative and store operating expenses

General, administrative and store operating expenses increased as a percentage of sales to 18.7% in the fourth quarter of 1996 compared to 17.7% on a pro-forma basis in the fourth quarter of 1995. This increase as a percentage of sales was attributable to a 2.2% rate increase at the IBI businesses and the inability to leverage expenses due to disappointing sales performance at the women's businesses, particularly Express. IBI's increase is primarily the result of the growth of Bath & Body Works in the overall mix of net sales for the Company and investments made in store management and staffing for the Victoria's Secret Bath & Fragrance business. Due to the emphasis on point of sale marketing and sales floor coverage, these IBI businesses have higher general, administrative and store operating expenses as a percentage of net sales, which have been more than offset by higher gross margins. The Company anticipates that these expenses, expressed as a percentage of sales, will increase slightly in 1997, since the IBI businesses, in particular Bath & Body Works, will represent a greater portion of the total Company's sales.

General, administrative and store operating expenses, expressed as a percentage of sales, increased to 16.8% in the fourth quarter of 1995 from 15.4% in 1994, due principally to lower sales productivity.

General, administrative and store operating expenses increased as a percentage of sales to 21.4% in 1996 compared to 20.0% on a pro-forma basis in 1995. This increase was primarily due to the reasons discussed above for the 1996 fourth quarter. These costs, expressed as a percentage of sales and before pro-forma adjustments, increased to 18.7% in 1995 from 18.0% in 1994, due to lower sales productivity.

special and nonrecurring items

As described in Note 2 to the Consolidated Financial Statements, in 1996 the Company recorded a $12 million pre-tax, special and nonrecurring charge in connection with the early 1997 sale of Penhaligon's, a U.K.-based subsidiary of IBI.

In the fourth quarter of 1995, a sale of a 60% interest in the Company's wholly-owned credit card bank, WFNNB, to the New York investment firm of Welsh, Carson, Anderson & Stowe ("WCAS") was completed. The venture, which is 40% owned by the Company, focuses on providing private-label and bank card transaction processing and database management services to the Company's private-label credit card operations and other retailers. WCAS purchased its interest for $135 million and also made a $30 million capital contribution to the venture. The Company recognized a $73.2 million pre-tax gain from the sale of WFNNB.

In addition, WFNNB's outstanding debt to the Company of approximately $1.2 billion was repaid in January 1996 from the proceeds realized from the securitization of WFNNB's credit card receivables.

Along with the sale of the 60% interest in WFNNB, the Company recognized a special and nonrecurring charge during the fourth quarter of 1995 of approximately $71.9 million. Of this amount, $25.8 million was provided for the closing of 26 stores and $19.8 million was provided for the downsizing of 33 stores, primarily at Limited Stores and Lerner New York. These stores were identified based on store profit performance and assessment of the quality of the real estate. The provision included the net present value of rent payments through lease expiration, lease termination payments and approximately $15 million representing the net book value of fixed assets. The remaining charge of approximately $26.3 million represented the write-down to market or net realizable value of certain assets arising from nonoperating activities. The net pre-tax gain from these special and nonrecurring items was $1.3 million. At February 1, 1997, substantially all of the planned closings and downsizings were completed, with two closings and downsizings expected to be completed shortly.

operating income

Operating income, as a percentage of sales, was 7.4% in 1996, compared to 6.5% on a pro-forma basis in 1995. This increase was due to increases in gross income, which more than offset the general, administrative and store operating expense rate increase.

The operating income rate was 7.8% and 10.9% for 1995 and 1994. The 1995 rate decrease was due to lower merchandise margins resulting from higher markdowns and the inability to leverage both buying and occupancy costs and higher general, administrative and store operating expenses due to lower sales productivity.

interest expense

| | Fourth Quarter | | Year | | |
|---|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 | 1994 |
| Average Daily Borrowings (in millions) | $1,039.5 | $812.9 | $964.3 | $887.7 | $785.0 |
| Average Effective Interest Rate | 7.49% | 8.99% | 7.82% | 8.73% | 8.33% |

Interest expense increased by $1.2 million in the fourth quarter of 1996 and decreased by $2.2 million for the year. For the quarter, higher borrowing levels increased interest expense by $5.1 million, offset by a $3.9 million decrease in expense resulting from lower interest rates. For the year, lower interest rates decreased expense by $8.8 million, offset by increased expense of $6.6 million due to higher borrowing levels.

other income

The $20.4 million increase in other income for 1996 over 1995 is primarily attributable to the investment of $351.6 million in restricted cash. In addition, approximately $10.5 million of interest income arose from $1.615 billion of temporarily invested funds that were used to consummate the Company's self-tender in March of 1996.

financials

gain on sale of subsidiary stock

As discussed in Note 1 to the Consolidated Financial Statements, in 1996 the Company recognized a $118.2 million gain from the September 1996 initial public offering of a 15.8% interest (8.05 million shares) of A&F. In 1995 the Company recognized a $649.5 million gain which resulted from the initial public offering of 16.9% (42.7 million shares) of the stock of IBI. The gains recorded by the Company were not subject to tax.

acquisition

Effective July 2, 1995, the Company acquired all of the outstanding common stock of Galyan's for $18 million in cash and stock. The Company's financial statements include the results of operations of Galyan's since the acquisition date.

FINANCIAL CONDITION

The Company's balance sheet at February 1, 1997, provides continuing evidence of financial strength and flexibility. The Company's long-term debt-to-equity ratio declined to 34% at the end of 1996 from an adjusted 41% in 1995, and working capital increased 58% to $638 million over adjusted 1995. In March 1996, the Company utilized $1.615 billion of proceeds received from the initial public offering of IBI and the WFNNB transactions to repurchase 85 million shares of its common stock at $19.00 per share in a self-tender offer and set aside $351.6 million of restricted cash to satisfy obligations under the terms of the Contingent Stock Redemption Agreement with its largest shareholder, who did not participate in the self-tender (see Notes 6 and 9). A more detailed discussion of liquidity, capital resources and capital requirements follows.

liquidity and capital resources

Cash provided by operating activities, commercial paper backed by funds available under committed long-term credit agreements, and the Company's capital structure continue to provide the resources to support operations, projected growth, seasonal requirements and capital expenditures. Net cash provided by operating activities totaled $712.1 million, $356.7 million and $361.1 million for 1996, 1995 and 1994 and continued to serve as the Company's primary source of liquidity.

A summary of the Company's working capital position and capitalization follows (thousands):

| | 1996 | Adjusted 1995(a) | 1995 | 1994 |
|---|---|---|---|---|
| Cash Provided by Operating Activities | $ 712,069 | $ 356,732 | $ 356,732 | $ 361,078 |
| Working Capital | $ 638,204 | $ 403,960 | $2,018,960 | $1,750,111 |
| CAPITALIZATION: | | | | |
| Long-Term Debt | $ 650,000 | $ 650,000 | $ 650,000 | $ 650,000 |
| Deferred Income Taxes | 169,932 | 152,081 | 152,081 | 306,139 |
| Shareholders' Equity | 1,922,582 | 1,586,041 | 3,201,041 | 2,760,956 |
| Total Capitalization | $2,742,514 | $2,388,122 | $4,003,122 | $3,717,095 |
| Additional Amounts Available Under Long-Term Credit Agreements | $1,000,000 | $1,000,000 | $1,000,000 | $ 840,000 |

(a)Adjusted 1995 reflects the impact of the $1.615 billion repurchase of 85 million shares of common stock.

The Company considers the following to be several measures of liquidity and capital resources:

| | 1996 | Adjusted 1995(a) | 1995 | 1994 |
|---|---|---|---|---|
| Debt-to-Equity Ratio (Long-Term Debt Divided by Shareholders' Equity) | 34% | 41% | 20% | 24% |
| Debt-to-Capitalization Ratio (Long-Term Debt Divided by Total Capitalization) | 24% | 27% | 16% | 17% |
| Interest Coverage Ratio (Income, Excluding the Gain on Sale of Subsidiary Stock, Before Interest Expense, Depreciation, Amortization and Income Taxes Divided by Interest Expense) | 12x | 12x | 12x | 16x |

| | | | | |
|---|---|---|---|---|
| Cash Flow to Capital Investment (Net Cash Provided by Operating Activities Divided by Capital Expenditures) | 174% | 95% | 95% | 113% |

(a)Adjusted 1995 reflects the impact of the $1.615 billion repurchase of 85 million shares of common stock.

The increase in inventories in 1996 was funded principally from an increase in accounts payable and accrued expenses primarily attributable to an increase in merchandise payables. Cash requirements for inventories were lower in 1995 than 1994 due to higher markdowns taken in the Fall to clear slow-moving inventory and end the year with cleaner, fresher inventories. Cash requirements for accounts receivable were greater in 1995 and 1994 due to growth rates in the number of new proprietary credit card holders at WFNNB, a previously wholly-owned subsidiary. Payments approximating $74 million toward IRS assessments contributed to a decrease in income taxes in 1995, along with lower income tax provisions and payments associated with the 1995 earnings decrease (see Note 8).

Investing activities included capital expenditures, primarily for new and remodeled stores. In 1996, $41.3 million was invested in the Alliance Data Services (formerly WFNNB) credit card venture. 1995 reflects the acquisition of Galyan's, the proceeds from the securitization of WFNNB's credit card receivables of $1.2 billion (see Note 2) and the transfer of $351.6 million to a restricted cash account (see Note 6).

Financing activities in 1996 include proceeds from and repayment of $150 million in short-term debt borrowed by A&F and net proceeds of $118.2 million from A&F's initial public offering. Financing activities also included $1.615 billion used to repurchase 85 million shares of the Company's common stock via the self-tender consummated in March 1996. Cash dividends paid in 1996 and 1995 were $.40 per share.

Financing activities in 1995 include proceeds from and repayment of $250 million in short-term debt borrowed by IBI, net proceeds of $788.6 million from the IBI initial public offering and the sale of a 60% interest in WFNNB (see Notes 1 and 2). Financing activities in 1995 also included the repurchase of $55.2 million of the Company's common stock, representing 3.4 million shares. Cash dividends paid increased to $.40 per share in 1995 versus $.36 per share in 1994.

At February 1, 1997, the Company had available $1 billion under its long-term credit agreement. The Company also has the ability to offer up to $250 million of additional debt securities under its shelf registration statement authorization.

STORES AND SELLING OF SQUARE FEET

A summary of stores and selling square feet by business for 1995 and 1996 and goals for 1997 follows:

| | Goal-1997 | 1996 | 1995 | Change from 1997-96 | 1996-95 |
|---|---|---|---|---|---|
| EXPRESS | | | | | |
| Stores | 759 | 753 | 737 | 6 | 16 |
| Selling Sq. Ft. | 4,803,000 | 4,726,000 | 4,588,000 | 77,000 | 138,000 |
| LERNER NEW YORK | | | | | |
| Stores | 734 | 784 | 835 | (50) | (51) |
| Selling Sq. Ft. | 5,563,000 | 5,984,000 | 6,393,000 | (421,000) | (409,000) |
| LANE BRYANT | | | | | |
| Stores | 809 | 832 | 828 | (23) | 4 |
| Selling Sq. Ft. | 3,892,000 | 3,980,000 | 3,955,000 | (88,000) | 25,000 |
| LIMITED STORES | | | | | |
| Stores | 636 | 663 | 689 | (27) | (26) |
| Selling Sq. Ft. | 3,817,000 | 3,977,000 | 4,211,000 | (160,000) | (234,000) |
| HENRI BENDEL | | | | | |
| Stores | 6 | 6 | 4 | 0 | 2 |
| Selling Sq. Ft. | 113,000 | 113,000 | 88,000 | 0 | 25,000 |
| STRUCTURE | | | | | |
| Stores | 551 | 542 | 518 | 9 | 24 |
| Selling Sq. Ft. | 2,170,000 | 2,117,000 | 1,993,000 | 53,000 | 124,000 |
| LIMITED TOO | | | | | |
| Stores | 317 | 308 | 288 | 9 | 20 |
| Selling Sq. Ft. | 995,000 | 967,000 | 903,000 | 28,000 | 64,000 |
| GALYAN'S TRADING COMPANY | | | | | |
| Stores | 12 | 9 | 6 | 3 | 3 |
| Selling Sq. Ft. | 738,000 | 488,000 | 250,000 | 250,000 | 238,000 |
| VICTORIA'S SECRET STORES | | | | | |
| Stores | 801 | 736 | 671 | 65 | 65 |
| Selling Sq. Ft. | 3,615,000 | 3,326,000 | 3,014,000 | 289,000 | 312,000 |
| BATH & BODY WORKS | | | | | |
| Stores | 960 | 750 | 498 | 210 | 252 |
| Selling Sq. Ft. | 1,869,000 | 1,354,000 | 848,000 | 515,000 | 506,000 |
| CACIQUE | | | | | |
| Stores | 118 | 119 | 120 | (1) | (1) |
| Selling Sq. Ft. | 363,000 | 365,000 | 366,000 | (2,000) | (1,000) |
| PENHALIGON'S | | | | | |
| Stores | 0 | 4 | 4 | (4) | 0 |
| Selling Sq. Ft. | 0 | 2,000 | 2,000 | (2,000) | 0 |
| ABERCROMBIE & FITCH CO. | | | | | |
| Stores | 153 | 127 | 100 | 26 | 27 |
| Selling Sq. Ft. | 1,218,000 | 1,006,000 | 792,000 | 212,000 | 214,000 |
| TOTAL RETAIL BUSINESSES | | | | | |
| Stores | 5,856 | 5,633 | 5,298 | 223 | 335 |
| Selling Sq. Ft. | 29,156,000 | 28,405,000 | 27,403,000 | 751,000 | 1,002,000 |

capital expenditures

Capital expenditures amounted to $409.3 million, $374.4 million and $319.7 million for 1996, 1995 and 1994, respectively, of which $235.7 million, $274.5 million and $201.2 million was for new stores and remodeling and expanding existing stores. In addition, in 1996 the Company expended $42.1 million in connection with the Bath & Body Works distribution center (to be completed June 1997) and $53.1 million on land acquisition and development costs.

The Company anticipates spending $400-$430 million for capital expenditures in 1997, of which $240-$260 million will be for new stores, the remodeling of existing stores and related improvements for the retail businesses. The Company estimates it will spend the balance primarily on the completion of the Bath & Body Works distribution center and land acquisition and development. The Company expects that substantially all 1997 capital expenditures will be funded by net cash provided by operating activities.

The Company intends to add approximately 750,000 selling square feet in 1997, which represents a 3% increase over year-end 1996. It is anticipated that the increase will result from the net addition of approximately 220 stores and the remodeling of approximately 140 stores.

impact of inflation

The Company's results of operations and financial condition are presented based upon 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 that the effects of inflation, if any, on the results of operations and financial condition have been minor.

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, the Company's Form 10-K or made by management of the Company involve risks and uncertainties, and are subject to change based on various important factors. 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 1997 and beyond to differ materially from those expressed or implied in any such forward-looking statements: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, postal rate increases and charges, paper and printing costs, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Net Sales | $8,644,791 | $7,881,437 | $7,320,792 |
| Costs of Goods Sold, Occupancy and Buying Costs | (6,148,212) | (5,793,905) | (5,206,429) |
| Gross Income | 2,496,579 | 2,087,532 | 2,114,363 |
| General, Administrative and Store Operating Expenses | (1,848,512) | (1,475,497) | (1,315,374) |
| Special and Nonrecurring Items, Net | (12,000) | 1,314 | -- |
| Operating Income | 636,067 | 613,349 | 798,989 |
| Interest Expense | (75,363) | (77,537) | (65,381) |
| Other Income, Net | 41,972 | 21,606 | 10,735 |
| Minority Interest | (45,646) | (22,374) | -- |
| Gain on Sale of Subsidiary Stock | 118,178 | 649,467 | -- |
| Income Before Income Taxes | 675,208 | 1,184,511 | 744,343 |
| Provision for Income Taxes | 241,000 | 223,000 | 296,000 |
| Net Income | $434,208 | $961,511 | $448,343 |
| Net Income Per Share | $1.54 | $2.68 | $1.25 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

| | Common Stock Shares Outstanding | Common Stock Par Value | Paid-In Capital | Retained Earnings | Treasury Stock, at Cost | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance, January 29, 1994 | 357,801 | $189,727 | $128,906 | $2,397,112 | $(274,452) | $2,441,293 |
| Net Income | -- | -- | -- | 448,343 | -- | 448,343 |
| Cash Dividends | -- | -- | -- | (128,939) | -- | (128,939) |
| Purchase of Treasury Stock | (629) | -- | -- | -- | (11,382) | (11,382) |
| Exercise of Stock Options and Other | 432 | -- | 4,032 | -- | 7,609 | 11,641 |
| Balance, January 28, 1995 | 357,604 | $189,727 | $132,938 | $2,716,516 | $(278,225) | $2,760,956 |
| Net Income | -- | -- | -- | 961,511 | -- | 961,511 |
| Cash Dividends | -- | -- | -- | (143,091) | -- | (143,091) |
| Purchase of Treasury Stock | (3,361) | -- | -- | -- | (55,239) | (55,239) |
| Common Shares Subject to Contingent Stock Redemption Agreement | -- | (9,375) | (7,639) | (334,586) | -- | (351,600) |
| Stock Issued for Acquisition | 730 | -- | 7,769 | -- | 8,231 | 16,000 |
| Exercise of Stock Options and Other | 393 | -- | 4,066 | -- | 8,438 | 12,504 |
| Balance, February 3, 1996 | 355,366 | $180,352 | $137,134 | $3,200,350 | $(316,795) | $3,201,041 |
| Net Income | -- | -- | -- | 434,208 | -- | 434,208 |
| Cash Dividends | -- | -- | -- | (108,302) | -- | (108,302) |
| Purchase of Treasury Stock | (85,000) | -- | -- | -- | (1,615,000) | (1,615,000) |
| Exercise of Stock Options and Other | 705 | -- | 5,726 | -- | 4,909 | 10,635 |
| Balance, February 1, 1997 | 271,071 | $180,352 | $142,860 | $3,526,256 | $(1,926,886) | $1,922,582 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NET SALES [BAR GRAPHS APPEAR HERE]

NET INCOME PER SHARE [BAR GRAPH APPEARS HERE]

SHAREHOLDERS' EQUITY [BAR GRAPH APPEARS HERE]

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS)

(in thousands)

| ASSETS | Feb. 1, 1997 | Feb. 3, 1996 |
|---|---|---|
| Current Assets: | | |
| Cash and Equivalents | $ 312,796 | $1,645,731 |
| Accounts Receivable | 69,337 | 77,516 |
| Inventories | 1,007,303 | 958,953 |
| Store Supplies | 90,400 | 81,765 |
| Other | 65,261 | 70,346 |
| Total Current Assets | 1,545,097 | 2,834,311 |
| Property and Equipment, Net | 1,828,869 | 1,741,456 |
| Restricted Cash | 351,600 | 351,600 |
| Other Assets | 394,436 | 339,196 |
| Total Assets | $ 4,120,002 | $5,266,563 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | $ 307,841 | $ 280,659 |
| Accrued Expenses | 481,744 | 388,818 |
| Income Taxes | 117,308 | 145,874 |
| Total Current Liabilities | 906,893 | 815,351 |
| Long-Term Debt | 650,000 | 650,000 |
| Deferred Income Taxes | 169,932 | 152,081 |
| Other Long-Term Liabilities | 51,659 | 50,791 |
| Minority Interest | 67,336 | 45,699 |
| Contingent Stock Redemption Agreement | 351,600 | 351,600 |
| Shareholders' Equity: | | |
| Common Stock | 180,352 | 180,352 |
| Paid-In Capital | 142,860 | 137,134 |
| Retained Earnings | 3,526,256 | 3,200,350 |
| | 3,849,468 | 3,517,836 |
| Less: Treasury Stock, at Cost | (1,926,886) | (316,795) |
| Total Shareholders' Equity | 1,922,582 | 3,201,041 |
| Total Liabilities and Shareholders' Equity | $ 4,120,002 | $5,266,563 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | 1996 | 1995 | 1994 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net Income | $434,208 | $961,511 | $448,343 |
| impact of other operating activities on cash flows | | | |
| Depreciation and Amortization | 289,643 | 285,889 | 267,888 |
| Minority Interest, Net of Dividends Paid | 21,637 | 17,250 | -- |
| Special and Nonrecurring Items, Net | 12,000 | (1,314) | -- |
| Gain on Sale of Subsidiary Stock | (118,178) | (649,467) | -- |
| CHANGE IN ASSETS AND LIABILITIES | | | |
| Accounts Receivable | 8,179 | (104,121) | (235,488) |
| Inventories | (48,350) | (70,813) | (136,740) |
| Accounts Payable and Accrued Expenses | 116,599 | 50,883 | 49,724 |
| Income Taxes | (10,715) | (132,560) | 61,925 |
| Other Assets and Liabilities | 7,046 | (526) | (94,574) |
| Net Cash Provided by Operating Activities | 712,069 | 356,732 | 361,078 |
| **INVESTING ACTIVITIES** | | | |
| Capital Expenditures | (409,260) | (374,374) | (319,676) |
| Businesses Acquired | (41,255) | (18,000) | -- |
| Increase in Restricted Cash | -- | (351,600) | -- |
| Proceeds from Credit Card Securitization | -- | 1,212,630 | -- |
| Net Cash Provided by (Used for) Investing Activities | (450,515) | 468,656 | (319,676) |
| **FINANCING ACTIVITIES** | | | |
| Net Proceeds (Repayments) of Commercial Paper Borrowings and Certificates of Deposit | -- | (25,200) | 9,500 |
| Proceeds from Short-Term Borrowings | 150,000 | 250,000 | -- |
| Repayment of Short-Term Borrowings | (150,000) | (250,000) | -- |
| Net Proceeds from Issuance and Sale of Subsidiary Stock | 118,178 | 788,589 | -- |
| Dividends Paid | (108,302) | (143,091) | (128,939) |
| Purchase of Treasury Stock | (1,615,000) | (55,239) | (11,382) |
| Stock Options and Other | 10,635 | 12,504 | 11,641 |
| Net Cash Provided by (Used for) Financing Activities | (1,594,489) | 577,563 | (119,180) |
| Net Increase (Decrease) in Cash and Equivalents | (1,332,935) | 1,402,951 | (77,778) |
| Cash and Equivalents, Beginning of Year | 1,645,731 | 242,780 | 320,558 |
| Cash and Equivalents, End of Year | $312,796 | $1,645,731 | $242,780 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WORKING CAPITAL [BAR GRAPH APPEARS HERE]

CAPITAL EXPENDITURES [BAR GRAPH APPEARS HERE]

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
1. summary of significant accounting policies principles of consolidation

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

Investments in other entities (including joint ventures) which are more than 20% owned are accounted for on the equity method.

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 1996 and 1994 represent the fifty-two-week periods ended February 1, 1997, and January 28, 1995. The results for fiscal year 1995 represent the fifty-three-week period ended February 3, 1996.

cash and equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

store supplies

The initial inventory of supplies for new stores including, but not limited to, hangers, signage, security tags and point-of-sale supplies are capitalized at the store opening date. Subsequent shipments are expensed except for new merchandise presentation programs which are capitalized.

property and equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-30 years for buildings and improvements and 3-10 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 which extend service lives are capitalized. Long-lived assets are reviewed for impairment whenever events or changes indicate that full recoverability is questionable. Factors used in the valuation include, but are not limited to, management's plans for future operations, recent operating results and projected cash flows.

goodwill amortization

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis principally over 30 years.

catalogue costs and advertising

Catalogue costs, primarily consisting of catalogue production and mailing costs, are amortized over the expected future revenue stream, which is principally from three to six months from the date catalogues are mailed. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to $242 million, $237 million and $179 million in 1996, 1995 and 1994.

interest rate swap agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement. Gains and losses from the disposition of swap agreements are deferred and amortized over the term of the related agreements.

income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." 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 in which those temporary differences are expected to reverse. Under SFAS 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

shareholders' equity

Five hundred million shares of $.50 par value common stock are authorized, of which 271.1 million and 355.4 million were outstanding, net of 108.4 million shares and 24.1 million shares held in treasury at February 1, 1997 and February 3, 1996. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

On March 17, 1996, the Company completed the repurchase of 85 million shares of its common stock under a self-tender offer at $19.00 per share. Approximately $1.615 billion was paid in exchange for the outstanding shares which was funded with funds made available from a series of transactions that included 1) the initial public offering of a 16.9% interest in Intimate Brands, Inc. ("IBI"), 2) the securitization of World Financial Network National Bank ("WFNNB") credit card receivables and 3) the sale of a 60% interest in WFNNB.

net income per share

Net income per share is computed based upon the weighted average number of outstanding common shares, including the effect of stock options. There were 282.1 million, 358.4 million and 358.6 million weighted average outstanding shares for 1996, 1995 and 1994.

issuance of subsidiary stock

Gains or losses resulting from stock issued by a subsidiary of the Company are recognized in current year's income. In 1996, the Company recognized a $118.2 million gain from the initial public offering of a 15.8% interest (8.05 million shares) of Abercrombie & Fitch Co. ("A&F"). In 1995, the Company recognized a $649.5 million gain which resulted from the initial public offering of a 16.9% interest (42.7 million shares) of IBI. IBI consists of the Victoria's Secret Stores, Victoria's Secret Catalogue, Bath & Body Works, Cacique and Gryphon businesses. The gains recorded by the Company were not subject to tax.

Minority interest of $67.3 million at February 1, 1997 represents a 16.9% interest in the net equity of IBI and a 15.8% interest in the net equity of A&F. A more detailed discussion of these matters is included under the heading "Gain on Sale of Subsidiary Stock" in Management's Discussion and Analysis on page 32 of this Annual Report.

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. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

2. special and nonrecurring items

In 1996, IBI recorded a $12 million special and nonrecurring charge in connection with the sale of Penhaligon's, a U.K.-based subsidiary of IBI, in early 1997.

In the fourth quarter of 1995, a sale of a 60% interest in the Company's wholly-owned credit card bank, WFNNB, to the New York investment firm of Welsh, Carson, Anderson & Stowe ("WCAS") was completed. The transaction resulted in the formation of a venture which will focus on providing private-label and bank card transaction processing and database management services to retailers, including the Company's private-label credit card operations. WCAS purchased its interest from the Company for $135 million and also made a $30 million capital contribution to the venture. As a result of these transactions, the Company recognized a $73.2 million pre-tax gain from the sale of WFNNB.

During the fourth quarter of 1995, the Company elected to use $45.6 million of the proceeds to provide for the accelerated closing and downsizing of stores in 1996, primarily at Limited Stores and Lerner New York, and provided approximately $26.3 million for the write-down to net realizable value of certain assets, including joint venture and other investments and receivables arising from nonoperating activities. The sale of a 60% interest in WFNNB, together with the aforementioned real estate charges and the revaluation of certain assets, resulted in a special and nonrecurring net pre-tax gain of $1.3 million. At February 1, 1997, substantially all of the planned closings and downsizings were completed, with two closings and downsizings expected to be completed shortly.

A further discussion of these matters is included under the heading "Special and Nonrecurring Items" in Management's Discussion and Analysis on page 31 of this Annual Report.

3. accounts receivable

As discussed in Note 2, the sale of a 60% interest in WFNNB was completed in the fourth quarter of 1995. In addition, WFNNB's outstanding debt to the Company of approximately $1.2 billion was repaid from the proceeds realized from the securitization of WFNNB's credit card receivables.

As a result of the sale of WFNNB and the securitization of the credit card receivables, a substantial portion of the deferred payment accounts was transferred to a special-purpose entity which facilitated the asset securitization, and any remaining deferred payment accounts, net of an allowance for uncollectible accounts, were held by the WFNNB venture.

Finance charge revenue on the deferred payment accounts amounted to $235.6 million and $223.9 million in 1995 and 1994, and the provision for uncollectible accounts amounted to $91.4 million and $72.7 million in 1995 and 1994. These amounts are classified as components of the cost to administer the deferred payment program and are included in the Company's general, administrative and store operating expenses.

4. property and equipment

Property and equipment, at cost, consisted of (thousands):

| | 1996 | 1995 |
|---|---|---|
| Land, Buildings and Improvements | $ 530,259 | $ 535,061 |
| Furniture, Fixtures and Equipment | 1,929,951 | 1,794,612 |
| Leaseholds and Improvements | 641,200 | 609,253 |
| Construction in Progress | 188,834 | 79,831 |
| Total | 3,290,244 | 3,018,757 |
| Less: Accumulated Depreciation and Amortization | 1,461,375 | 1,277,301 |
| Property and Equipment, Net | $1,828,869 | $1,741,456 |

## 5. leased facilities and commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

A summary of rent expense for 1996, 1995 and 1994 follows (thousands):

| STORE RENT | 1996 | 1995 | 1994 |
|---|---|---|---|
| Fixed Minimum | $689,319 | $643,200 | $586,437 |
| Contingent | 23,117 | 18,812 | 17,522 |
| Total Store Rent | 712,436 | 662,012 | 603,959 |
| Equipment and Other | 25,163 | 26,101 | 27,710 |
| Total Rent Expense | $737,599 | $688,113 | $631,669 |

At February 1, 1997, the Company was committed to noncancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years, with options to renew at varying terms. Accrued rent expense was $123.4 million and $102.2 million at February 1, 1997 and February 3, 1996.

A summary of minimum rent commitments under noncancelable leases follows (thousands):

| | |
|---|---|
| 1997 | $ 684,617 |
| 1998 | 667,259 |
| 1999 | 642,397 |
| 2000 | 625,563 |
| 2001 | 598,166 |
| Thereafter | $2,485,018 |

6. restricted cash

At February 1, 1997, Special Funding, Inc., a wholly-owned subsidiary of the Company, had $351.6 million of restricted cash invested in short-term, highly liquid securities. This amount is classified as a noncurrent asset, since it has been reserved for use in the event that The Wexner Children's Trust, established by Leslie H. Wexner, the Company's principal shareholder, exercises its opportunity to require the Company to redeem, or the Company exercises its opportunity to redeem from the Trust, shares of The Limited, Inc. common stock in accordance with the terms of the Contingent Stock Redemption Agreement (see Note 9). Interest earnings of $17.9 million in 1996 on the segregated cash accrued to the Company.

7. long-term debt

Unsecured long-term debt consisted of (thousands):

| | 1996 | 1995 |
|---|---|---|
| 7 1/2% Debentures due March 2023 | $250,000 | $250,000 |
| 7 4/5% Notes due May 2002 | 150,000 | 150,000 |
| 9 1/8% Notes due February 2001 | 150,000 | 150,000 |
| 8 7/8% Notes due August 1999 | 100,000 | 100,000 |
| Total | $650,000 | $650,000 |

The Company maintains a $1 billion unsecured credit agreement (the "Agreement") established on December 15, 1995 (the "Effective Date"). Borrowings outstanding under the Agreement are due December 14, 2000. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the Effective Date, subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates which are based on either the lender's "Base Rate," as defined, LIBOR, CD based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate 1/8% of the committed amount per annum. The Agreement contains covenants relating to the Company's working capital, debt and net worth. No amounts were outstanding under the Agreement at February 1, 1997.

The Agreement supports the Company's commercial paper program which is used from time to time to fund working capital and other general corporate requirements. No commercial paper was outstanding at February 1, 1997.

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

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate exposure. At February 1, 1997, the Company had an interest rate swap position of $100 million notional principal amount outstanding. This contract effectively changed the Company's interest rate exposure on $100 million of variable rate debt to a fixed rate of 8.09% through July 2000.

Long-term debt maturities within the next five years consist of $100 million which matures August 15, 1999 and $150 million which matures February 1, 2001. Interest paid approximated $65.5 million, $88.4 million and $64.7 million in 1996, 1995 and 1994.

8. income taxes

The provision for income taxes consisted of (thousands):

| CURRENTLY PAYABLE | 1996 | 1995 | 1994 |
|---|---|---|---|
| Federal | $210,400 | $190,900 | $231,000 |
| State | 34,000 | 24,700 | 32,000 |
| Foreign | 2,400 | 4,500 | 4,100 |
| Total | 246,800 | 220,100 | 267,100 |
| DEFERRED | | | |
| Federal | (13,800) | (9,400) | 12,900 |

| | | | |
|---|---|---|---|
| State | 8,000 | 12,300 | 16,000 |
| Total | (5,800) | 2,900 | 28,900 |
| Total Provision | $241,000 | $223,000 | $296,000 |

The foreign component of pre-tax income, arising principally from overseas sourcing operations, was $45.9 million, $60.8 million and $40.9 million in 1996, 1995 and 1994.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate on pre-tax earnings excluding the nontaxable gain from sale of subsidiary stock and minority interest follows:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Federal Income Tax Rate | 35.0% | 35.0% | 35.0% |
| State Income Tax, Net of Federal Income Tax Effect | 4.5 | 4.5 | 4.2 |
| Other Items, Net | .5 | .7 | .6 |
| Total | 40.0% | 40.2% | 39.8% |

financials

Income taxes payable included net current deferred tax assets of $0.3 million and $10.7 million at February 1, 1997 and February 3, 1996.

The effect of temporary differences which give rise to deferred income tax balances was as follows (thousands):

| | 1996 Assets | 1996 Liabilities | 1996 Total | 1995 Assets | 1995 Liabilities | 1995 Total |
|---|---|---|---|---|---|---|
| Excess of Tax Over Book Depreciation | -- | $ (19,951) | $ (19,951) | -- | $ (39,190) | $ (39,190) |
| Undistributed Earnings of Foreign Affiliates | -- | (116,562) | (116,562) | -- | (125,511) | (125,511) |
| Investment in Affiliates | -- | (53,989) | (53,989) | -- | (37,115) | (37,115) |
| State Income Taxes | $ 9,599 | -- | 9,599 | $22,875 | -- | 22,875 |
| Special and Nonrecurring Items | 24,145 | -- | 24,145 | 28,919 | -- | 28,919 |
| Other | 19,537 | (32,449) | (12,912) | 28,571 | (19,876) | 8,695 |
| Total Deferred Income Taxes | $53,281 | $ (222,951) | $(169,670) | $80,365 | $ (221,692) | $(141,327) |

Income tax payments approximated $233.8 million, $306.1 million and $230.9 million for 1996, 1995 and 1994.

The Internal Revenue Service has assessed the Company for additional taxes and interest for years 1989-1992. The assessment was based primarily on the treatment of transactions involving the Company's construction allowances and foreign operations. The Company believes that deposits already made will mitigate any further assessments arising from construction allowances. The Company strongly disagrees with the foreign operations assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

## 9. contingent stock redemption agreement

In connection with the reconfiguration of its business, the Company purchased from shareholders via a self-tender offer, 85 million shares of The Limited, Inc. common stock for approximately $1.615 billion on March 17, 1996. Leslie H. Wexner, Chairman and CEO of the Company, as well as the Company's founder and principal shareholder, did not participate in the self-tender. However, the Company entered into an agreement, as amended in 1996, which provides The Wexner Children's Trust the opportunity, commencing on February 1, 1998, and for a period of eight years thereafter (the exercise period), to require the Company to redeem up to 18.75 million shares for a price per share equal to $18.75 (a price equal to the price per share paid in the self-tender less $.25 per share). Under certain circumstances, lenders to the Trust, if any, may exercise this opportunity, beginning February 1, 1997. The Company received the opportunity to redeem an equivalent number of shares from the Trust at $25.07 per share for a period beginning on July 31, 2006, and for six months thereafter. As a result of these events, the Company has transferred $351.6 million to temporary equity identified as Contingent Stock Redemption Agreement in the Consolidated Balance Sheets. In addition, approximately $351.6 million has been designated as restricted cash to consummate either of the above rights (see Note 6). The terms of this agreement were approved by the Company's Board of Directors.

## 10. stock options and restricted stock

Under the Company's stock plans, officers, directors and key associates may be granted options to purchase the Company's common stock at the market price on the date of grant. The options generally vest 25% per year over the first four years of the grant and have a maximum term of ten years. Additionally, the Company grants restricted stock to officers and key associates that generally vest either on a graduated scale over four years or 100% at the end of a fixed vesting period, principally five years. A maximum of 17.3 million shares may be granted under the plans.

The Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," effective with the 1996 financial statements, but elected to continue to measure compensation expense in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense for stock options has been recognized. If compensation expense had been determined based on the estimated fair value of options granted in 1995 and 1996, consistent with the methodology in SFAS 123, the pro-forma effects on the Company's net income and net income per share would have been immaterial. The pro-forma effect on net income for 1996 would not be representative of the pro-forma effect on net income in future years because it does not take into consideration grants made prior to 1995.

In 1996, 1995 and 1994, approximately 468,000, 569,000 and 848,000 restricted shares of the Company's common stock were granted to certain officers and key associates. The market value of the shares at the date of grant amounted to $8.3 million in 1996, $10.0 million in 1995 and $16.7 million in 1994 and is being amortized on a straight-line basis as compensation expense over the vesting period. In 1995, 129,000 restricted shares which had been granted to IBI associates were canceled and exchanged, on a fair value basis, for IBI restricted stock. The compensation expense charged against income for restricted stock grants amounted to $9.1 million in 1996 and 1995, and $7.3 million in 1994.

The following table summarizes information about stock options outstanding at February 1, 1997:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding at 2/1/97 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at 2/1/97 | Weighted Average Exercisable Price |
| $15-$17 | 1,647,000 | 7.0 years | $16 | 493,000 | $15 |
| $17-$18 | 2,713,000 | 7.4 years | $17 | 1,077,000 | $17 |
| $20-$22 | 2,341,000 | 5.6 years | $21 | 1,794,000 | $21 |
| $24-$27 | 905,000 | 5.0 years | $24 | 905,000 | $24 |
| $9-$31 | 1,593,000 | 6.5 years | $19 | 980,000 | $20 |
| $9-$31 | 9,199,000 | 6.5 years | $19 | 5,249,000 | $20 |

A summary of option activity for 1994, 1995 and 1996 follows:

| 1994 | Number of Shares | Weighted Average Option Price Per Share |
|---|---|---|
| Outstanding at Beginning of Year | 7,183,000 | $19.87 |
| Granted | 2,122,000 | 17.19 |
| Exercised | (393,000) | 11.44 |
| Canceled | (498,000) | 21.49 |
| Outstanding at End of Year | 8,414,000 | $19.56 |
| Options Exercisable at Year-End | 4,100,000 | |
| 1995 | | |
| Outstanding at Beginning of Year | 8,414,000 | $19.56 |
| Granted | 2,196,000 | 17.81 |
| Exercised | (280,000) | 12.43 |
| Canceled | (1,188,000) | 19.90 |
| Outstanding at End of Year | 9,142,000 | $19.32 |
| Options Exercisable at Year-End | 4,800,000 | |
| 1996 | | |
| Outstanding at Beginning of Year | 9,142,000 | $19.32 |
| Granted | 1,899,000 | 17.30 |
| Exercised | (531,000) | 14.89 |
| Canceled | (1,311,000) | 19.45 |
| Outstanding at End of Year | 9,199,000 | $19.14 |
| Options Exercisable at Year-End | 5,249,000 | |

In 1995, the Company established a stock option plan for officers and key associates of IBI. In connection with the IBI initial public offering, associates of IBI were permitted to exchange on a fair value basis 1995 stock options of The Limited, Inc., for stock options granted by IBI. Cancellations during 1995 included 347,500 shares granted to IBI associates which were exchanged for options of IBI common stock.

## 11. retirement benefits

The Company sponsors a defined contribution retirement plan. Participation in this plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Company contributions to this plan are based on a percentage of associates' annual compensation. The cost of this plan was $33.1 million in 1996, $30.5 million in 1995 and $26.7 million in 1994.

## 12. fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

### current assets, current liabilities and restricted cash

The carrying value of cash equivalents, restricted cash, accounts payable and accrued expenses approximates fair value because of their short maturity.

### long-term debt

The fair value of the Company's 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.

### interest rate swap agreement

The fair value of the interest rate swap is the estimated amount that the Company would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty.

The estimated fair values of the Company's financial instruments are as follows (thousands):

| | 1996 | | 1995 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-Term Debt | $(650,000) | $(638,798) | $(650,000) | $(645,180) |
| Interest Rate Swaps | $(351) | $(5,267) | $(793) | $(10,194) |

13. quarterly financial data (unaudited)

Summarized quarterly financial results for 1996 and 1995 follow (thousands except per share amounts):

| 1996 QUARTER | First | Second | Third | Fourth |
|---|---|---|---|---|
| Net Sales | $1,787,943 | $1,895,601 | $1,994,986 | $2,966,261 |
| Gross Income | 469,541 | 491,909 | 555,374 | 979,755 |
| Net Income | 28,152 | 33,150 | 159,513 | 213,393 |
| Net Income Per Share | 0.09 | 0.12 | 0.59 | 0.78 |
| Net Income Per Share (Excluding Gain on Sale of Subsidiary Stock) | $0.09 | $0.12 | $0.15 | $0.78 |
| 1995 QUARTER | | | | |
| Net Sales | $1,588,134 | $1,718,643 | $1,803,295 | $2,771,365 |
| Gross Income | 402,666 | 423,696 | 452,958 | 808,212 |
| Net Income | 39,211 | 48,762 | 657,313 | 216,225 |
| Net Income Per Share | 0.11 | 0.14 | 1.83 | 0.60 |
| Net Income Per Share (Excluding Gain on Sale of Subsidiary Stock) | $0.11 | $0.14 | $0.12 | $0.50 |

## MARKET PRICE AND DIVIDEND INFORMATION

| FISCAL YEAR END 1996 | Market Price High | Market Price Low | Cash Dividend Per Share |
|---|---|---|---|
| 4th Quarter | $20 1/8 | $16 5/8 | $.10 |
| 3rd Quarter | 20 1/4 | 17 3/4 | .10 |
| 2nd Quarter | 22 | 18 1/4 | .10 |
| 1st Quarter | $20 3/4 | $16 5/8 | $.10 |
| FISCAL YEAR END 1995 | | | |
| 4th Quarter | $19 1/2 | $15 1/4 | $.10 |
| 3rd Quarter | 21 1/2 | 17 7/8 | .10 |
| 2nd Quarter | 22 7/8 | 20 | .10 |
| 1st Quarter | $23 1/4 | $16 5/8 | $.10 |

The Company's common stock is traded on the New York Stock Exchange ("LTD") and the London Stock Exchange. On February 1, 1997, there were 75,484 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 at approximately 117,000.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of The Limited, Inc.

We have audited the accompanying consolidated balance sheets of The Limited, Inc. and subsidiaries as of February 1, 1997 and February 3, 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three fiscal years in the period ended February 1, 1997 (on pages 34-41). 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 in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of February 1, 1997 and February 3, 1996 and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended February 1, 1997 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.
Columbus, Ohio
February 24, 1997

EXHIBIT 21

# SUBSIDIARIES OF THE REGISTRANT

| Subsidiaries (a) | Jurisdiction of Incorporation |
|---|---|
| Express, Inc. (b) | Delaware |
| Lerner New York, Inc. (c) | Delaware |
| Lane Bryant, Inc. (d) | Delaware |
| The Limited Stores, Inc. (e) | Delaware |
| Henri Bendel, Inc. (f) | Delaware |
| Structure, Inc. (g) | Delaware |
| Limited Too, Inc. (h) | Delaware |
| Galyan's Trading Company, Inc. (i) | Indiana |
| Mast Industries, Inc. (j) | Delaware |
| Mast Industries (Far East) Limited (k) | Hong Kong |
| Limited Distribution Services, Inc. (l) | Delaware |
| Limited Service Corporation (m) | Delaware |
| Womanco Service Corporation (n) | Delaware |
| Victoria's Secret Stores, Inc. (o) | Delaware |
| Victoria's Secret Catalogue , Inc. (p) | Delaware |
| Bath & Body Works, Inc. (q) | Delaware |
| Cacique, Inc. (r) | Delaware |
| Gryphon Development, Inc. (s) | Delaware |
| Intimate Brands, Inc. Service Corporation (t) | Delaware |
| Intimate Brands, Inc. (u) | Delaware |
| Abercrombie & Fitch Stores, Inc. (u) | Delaware |
| Abercrombie & Fitch Co. Service Corporation (w) | Delaware |
| Abercrombie & Fitch Co. (x) | Delaware |

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(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, 1997.

(b) Express, Inc. is a wholly-owned subsidiary of Express (Delaware) Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(c) Lerner New York, Inc. is a wholly-owned subsidiary of Lerner Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(d) Lane Bryant, Inc. is a wholly-owned subsidiary of Lane Bryant (Delaware) Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(e) The Limited Stores, Inc. is a wholly-owned subsidiary of LIM Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(f) Henri Bendel, Inc. is a wholly-owned subsidiary of Henri Bendel Holding Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(g) Structure, Inc. is a wholly-owned subsidiary of Structure Holding Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(h) Limited Too, Inc. is a wholly-owned subsidiary of Limited Too Holding Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(i) Galyan's Trading Company, Inc. is a wholly-owned subsidiary of Galyan's Holding Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.

(j) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(k) 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.

(l) Limited Distribution Services, Inc. is a wholly-owned subsidiary of LTDSP, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(m) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.

(n) Womanco Service Corporation is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation which is a wholly-owned subsidiary of the registrant.

(o) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Victoria's Secret Stores Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(p) Victoria's Secret Catalogue, Inc. is a wholly-owned subsidiary of Victoria's Secret Catalogue Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(q) Bath & Body Works, Inc. is a wholly-owned subsidiary of Bath & Body Works Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(r) Cacique, Inc. is a wholly-owned subsidiary of Cacique Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(s) Gryphon Development, Inc. is a wholly-owned subsidiary of Gryphon Holding Corporation., a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(t) Intimate Brands Service Corporation is a wholly-owned subsidiary of the Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.

(u) Intimate Brands, Inc. is a majority owned subsidiary of the registrant.

(v) Abercrombie & Fitch Stores, Inc. is a wholly-owned subsidiary of Abercrombie & Fitch Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Abercrombie & Fitch Co., a Delaware corporation and a majority owned subsidiary of the registrant.

(w) Abercrombie & Fitch Co. Service Corporation is a wholly-owned subsidiary of Abercrombie & Fitch Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Abercrombie & Fitch Co., a Delaware corporation and a majority owned subsidiary of the registrant.

(x) Abercrombie & Fitch Co. is a majority owned subsidiary of the registrant.

[LETTERHEAD OF COOPERS & LYBRAND APPEARS HERE] EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of The Limited, Inc. on Form S-8, Registration Nos. 33-18533, 33-25005, 2-92277, 33-24829, 33-24507, 33-24828, 2-95788, 2-88919, 33-24518, 33-6965, 33-14049, 33-22844, 33-44041, 33-49871, 333-04927, 333-04941 and the registration statements on Form S-3, Registration Nos. 33-20788, 33-31540, 33-42832 and 33-53366 of our report dated February 24, 1997, on our audits of the consolidated financial statements of The Limited, Inc. and Subsidiaries as of February 1, 1997, and February 3, 1996, and for the fiscal years ended February 1, 1997, February 3, 1996, and January 28, 1995, and the financial statement schedule of The Limited, Inc. and Subsidiaries for each of the two fiscal years in the period ended February 3, 1996, which report is included in this Annual Report on Form 10-K.

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

COOPERS & LYBRAND L.L.P.

Columbus, Ohio
April 25, 1997

EXHIBIT 24

# POWER OF ATTORNEY
# OFFICERS AND DIRECTORS OF
# THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ KENNETH B. GILMAN
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Kenneth B. Gilman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ BELLA WEXNER
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Bella Wexner

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ MARTIN TRUST
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Martin Trust

# POWER OF ATTORNEY
# OFFICERS AND DIRECTORS OF
# THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ EUGENE M. FREEDMAN
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Eugene M. Freedman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ E. GORDON GEE

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E. Gordon Gee

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ DAVID T. KOLLAT
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David T. Kollat

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ CLAUDINE MALONE
-------------------
Claudine Malone

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ LEONARD A. SCHLESINGER
--------------------------
Leonard A. Schlesinger

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ DONALD B. SHACKELFORD
-------------------------
Donald B. Shackelford

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ ALLAN R. TESSLER
--------------------
Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1996 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, 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 24th day of January, 1997.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

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

1,000

YEAR
FEB-01-1997
FEB-04-1996
FEB-01-1997
312,796
0
69,337
0
1,007,303
1,545,097
3,290,244
1,461,375
4,120,002
906,893
650,000
0
0
180,352
1,742,230
4,120,002
8,644,791
8,644,791
6,148,212
6,148,212
1,848,512
0
75,363
675,208
241,000
434,208
0
0
0
434,208
1.54
1.54

EXHIBIT 99

[LETTERHEAD OF ARY, EARMAN AND ROEPCKE APPEARS HERE]

# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Plan Administrator of The Limited,
Inc. Savings and Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of The Limited, Inc. Savings and Retirement Plan (the "Plan") as of December 31, 1996 and 1995, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1996 and 1995, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ary, Earman and Roepcke

Columbus, Ohio,
March 20, 1997.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1996

| ASSETS | TOTAL | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|---|---|---|---|---|
| Investments, at Fair Value: | | | | |
| Determined by Quoted Market Price: | | | | |
| Common Stock: | | | | |
| The Limited, Inc. (Cost $34,108,707) | $ 60,824,705 | $60,824,705 | $ - | $ - |
| Intimate Brands, Inc. (Cost $1,037,101) | 976,468 | - | - | - |
| Shares of Registered Investment Company: | | | | |
| Vanguard Investment Contract Trust (Cost $82,389,513) | 82,389,513 | - | 82,389,513 | - |
| Vanguard Index Trust - 500 Portfolio (Cost $38,949,927) | 53,136,984 | - | - | 53,136,984 |
| Vanguard U.S. Growth Portfolio (Cost $36,722,202) | 46,268,660 | - | - | - |
| Vanguard Wellington Fund (Cost $9,986,245) | 10,453,023 | - | - | - |
| Temporary Investments (Cost Approximates Fair Value) | 30,946 | 873 | 18,039 | 5,684 |
| Total Investments | 254,080,299 | 60,825,578 | 82,407,552 | 53,142,668 |
| Contribution Receivable from Employers | 20,704,066 | 2,147,770 | 7,190,373 | 5,136,265 |
| Receivable from Employers for Withheld Participants' Contributions | 1,183,352 | 118,433 | 391,432 | 298,971 |
| Due from Brokers | 311,530 | 311,530 | - | - |
| Interfund Transfers | - | 4,686 | (12,473) | 12,645 |
| Accrued Interest and Dividends | 4,553 | 1,089 | 1,772 | 847 |
| Total Assets | 276,283,800 | 63,409,086 | 89,978,656 | 58,591,396 |
| LIABILITIES | | | | |
| Due to Brokers | 122,686 | - | - | - |
| Administrative Fees Payable | 278,885 | 114,176 | 29,286 | 15,828 |
| Total Liabilities | 401,571 | 114,176 | 29,286 | 15,828 |
| NET ASSETS AVAILABLE FOR BENEFITS | $275,882,229 | $63,294,910 | $89,949,370 | $58,575,568 |

| ASSETS | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund |
|---|---|---|---|
| Investments, at Fair Value: | | | |
| Determined by Quoted Market Price: | | | |
| Common Stock: | | | |
| The Limited, Inc. (Cost $34,108,707) | $ - | $ - | $ - |
| Intimate Brands, Inc. (Cost $1,037,101) | - | - | 976,468 |
| Shares of Registered Investment Company: | | | |
| Vanguard Investment Contract Trust (Cost $82,389,513) | - | - | - |
| Vanguard Index Trust - 500 Portfolio (Cost $38,949,927) | - | - | - |
| Vanguard U.S. Growth Portfolio (Cost $36,722,202) | 46,268,660 | - | - |
| Vanguard Wellington Fund (Cost $9,986,245) | - | 10,453,023 | - |
| Temporary Investments (Cost Approximates Fair Value) | 3,824 | 329 | 2,197 |

| | | | |
|---|---|---|---|
| Total Investments | 46,272,484 | 10,453,352 | 978,665 |
| Contribution Receivable from Employers | 4,396,598 | 1,667,242 | 165,818 |
| Receivable from Employers for Withheld Participants' Contributions | 255,519 | 108,647 | 10,350 |
| Due from Brokers | - | - | - |
| Interfund Transfers | (4,213) | (2,507) | 1,862 |
| Accrued Interest and Dividends | 682 | 131 | 32 |
| Total Assets | 50,921,070 | 12,226,865 | 1,156,727 |
| **LIABILITIES** | | | |
| Due to Brokers | - | - | 122,686 |
| Administrative Fees Payable | 109,033 | 10,562 | - |
| Total Liabilities | 109,033 | 10,562 | 122,686 |
| NET ASSETS AVAILABLE FOR BENEFITS | $50,812,037 | $12,216,303 | $ 1,034,041 |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1995

| | TOTAL | Limited Stock Fund | Fixed Income Fund | Index-500 Fund | U.S. Growth Fund | Wellington Fund |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Investments, at Fair Value: | | | | | | |
| Determined by Quoted Market Price: | | | | | | |
| Common Stock: | | | | | | |
| The Limited, Inc. (Cost $36,237,327) | $ 69,418,465 | $ 69,418,465 | $ - | $ - | $ - | $ - |
| Shares of Registered Investment Company: | | | | | | |
| Vanguard Investment Contract Trust (Cost $70,972,869) | 70,972,869 | - | 70,972,869 | - | - | - |
| Vanguard Index - 500 Portfolio (Cost $28,215,245) | 36,781,237 | - | - | 36,781,237 | - | - |
| Vanguard U.S. Growth Portfolio (Cost $22,450,170) | 28,568,077 | - | - | - | 28,568,077 | - |
| Vanguard Wellington Fund (Cost $2,688,763) | 2,810,545 | - | - | - | - | 2,810,545 |
| Determined By Contract Value: | | | | | | |
| Guaranteed Investment Contracts: | | | | | | |
| Metropolitan Life Insurance | 7,064,772 | - | 7,064,772 | - | - | - |
| Temporary Investments (Cost Approximates Fair Value) | 29,917 | 209 | 29,708 | - | - | - |
| Total Investments | 215,645,882 | 69,418,674 | 78,067,349 | 36,781,237 | 28,568,077 | 2,810,545 |
| Contribution Receivable from Employers | 21,814,605 | 3,121,459 | 10,109,934 | 4,317,439 | 3,491,987 | 773,786 |
| Receivable from Employers for Withheld Participants' Contributions | 1,417,497 | 227,262 | 522,163 | 331,820 | 263,791 | 72,461 |
| Due from Brokers | 46,096 | 46,096 | - | - | - | - |
| Interfund Transfers | - | (122,205) | (6,207) | (50,186) | 33,824 | 144,774 |
| Accrued Interest and Dividends | 3,174 | 541 | 1,760 | 421 | 418 | 34 |
| Other Assets | 976 | - | - | 424 | 483 | 69 |
| Total Assets | 238,928,230 | 72,691,827 | 88,694,999 | 41,381,155 | 32,358,580 | 3,801,669 |
| **LIABILITIES** | | | | | | |
| Other Liabilities | 26,894 | - | 26,894 | - | - | - |
| Administrative Fees Payable | 392,065 | 129,381 | 141,144 | 66,651 | 50,968 | 3,921 |
| Total Liabilities | 418,959 | 129,381 | 168,038 | 66,651 | 50,968 | 3,921 |
| NET ASSETS AVAILABLE FOR BENEFITS | $238,509,271 | $ 72,562,446 | $ 88,526,961 | $ 41,314,504 | $ 32,307,612 | $ 3,797,748 |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1996

| | Total | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|---|---|---|---|---|
| Investment Income: | | | | |
| Increase (Decrease) in Net Unrealized Appreciation | $ 5,826,139 | $(3,507,840) | $ - | $ 5,621,065 |
| Realized Gain on Sale of Securities | 14,208,839 | 9,385,783 | - | 2,732,990 |
| Interest | 4,977,925 | 17,980 | 4,888,501 | 6,109 |
| Dividends | 1,400,891 | 1,395,032 | - | - |
| Mutual Funds' Earnings | 5,229,593 | - | - | 1,139,142 |
| Total Investment Income (Loss) | 31,643,387 | 7,290,955 | 4,888,501 | 9,499,306 |
| Contributions: | | | | |
| Employers | 30,145,525 | 3,087,453 | 10,664,673 | 7,443,415 |
| Participants | 16,172,183 | 1,802,993 | 5,382,468 | 4,063,595 |
| Total Contributions | 46,317,708 | 4,890,446 | 16,047,141 | 11,507,010 |
| Interfund Transfers | - | (13,040,074) | (3,485,681) | 5,016,481 |
| Transfer of Participants' Account Balances to Former Affiliate's Plan | (10,235,572) | (2,073,801) | (2,722,848) | (3,193,351) |
| Administrative Expense | (935,202) | (258,452) | (320,918) | (125,949) |
| Benefits to Participants | (29,417,363) | (6,076,610) | (12,983,786) | (5,442,433) |
| Increase (Decrease) in Net Assets Available for Benefits | 37,372,958 | (9,267,536) | 1,422,409 | 17,261,064 |
| Beginning Net Assets Available for Benefits | 238,509,271 | 72,562,446 | 88,526,961 | 41,314,504 |
| Ending Net Assets Available for Benefits | $275,882,229 | $63,294,910 | $89,949,370 | $58,575,568 |

| | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund |
|---|---|---|---|
| Investment Income: | | | |
| Increase (Decrease) in Net Unrealized Appreciation | $ 3,428,551 | $ 344,996 | $ (60,633) |
| Realized Gain on Sale of Securities | 2,001,323 | 90,165 | (1,422) |
| Interest | 4,933 | 60,295 | 107 |
| Dividends | - | - | 5,859 |
| Mutual Funds' Earnings | 3,420,290 | 670,161 | - |
| Total Investment Income (Loss) | 8,855,097 | 1,165,617 | (56,089) |
| Contributions: | | | |
| Employers | 6,287,166 | 2,489,055 | 173,763 |
| Participants | 3,449,162 | 1,412,169 | 61,796 |
| Total Contributions | 9,736,328 | 3,901,224 | 235,559 |
| Interfund Transfers | 6,476,961 | 4,164,295 | 868,018 |
| Transfer of Participants' Account Balances to Former Affiliate's Plan | (2,040,825) | (204,747) | - |

| | | | |
|---|---|---|---|
| Administrative Expense | (207,292) | (22,591) | - |
| Benefits to Participants | (4,315,844) | (585,243) | (13,447) |
| Increase (Decrease) in Net Assets Available for Benefits | 18,504,425 | 8,418,555 | 1,034,041 |
| Beginning Net Assets Available for Benefits | 32,307,612 | 3,797,748 | - |
| Ending Net Assets Available for Benefits | $50,812,037 | $12,216,303 | $ 1,034,041 |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1995

| | Total | Limited Stock Fund | Fixed Income Fund | Index-500 Fund | U.S. Growth Fund | Wellington Fund |
|---|---|---|---|---|---|---|
| Investment Income: | | | | | | |
| Increase (Decrease) in Net Unrealized Appreciation | $ 7,426,953 | $ (5,714,880) | $ - | $ 7,535,683 | $ 5,484,368 | $ 121,782 |
| Realized Gain on Sale of Securities | 3,567,665 | 1,581,946 | - | 1,096,390 | 877,023 | 12,306 |
| Interest | 4,771,693 | 10,190 | 4,752,866 | 4,761 | 3,726 | 150 |
| Dividends | 1,632,728 | 1,632,728 | - | - | - | - |
| Mutual Funds' Earnings | 2,054,249 | - | - | 832,487 | 1,151,646 | 70,116 |
| Total Investment Income (Loss) | 19,453,288 | (2,490,016) | 4,752,866 | 9,469,321 | 7,516,763 | 204,354 |
| Contributions: | | | | | | |
| Employers | 29,943,002 | 4,142,615 | 13,472,869 | 6,246,002 | 4,928,087 | 1,153,429 |
| Participants | 13,909,162 | 2,380,938 | 4,899,509 | 3,466,763 | 2,694,626 | 467,326 |
| Total Contributions | 43,852,164 | 6,523,553 | 18,372,378 | 9,712,765 | 7,622,713 | 1,620,755 |
| Interfund Transfers | - | (775,658) | (1,604,380) | (28,051) | 378,900 | 2,029,189 |
| Administrative Expense | (1,017,651) | (384,338) | (357,753) | (153,254) | (117,880) | (4,426) |
| Benefits to Participants | (24,679,806) | (7,721,019) | (9,758,147) | (3,959,696) | (3,188,820) | (52,124) |
| Increase (Decrease) in Net Assets Available for Benefits | 37,607,995 | (4,847,478) | 11,404,964 | 15,041,085 | 12,211,676 | 3,797,748 |
| Beginning Net Assets Available for Benefits | 200,901,276 | 77,409,924 | 77,121,997 | 26,273,419 | 20,095,936 | - |
| Ending Net Assets Available for Benefits | $238,509,271 | $ 72,562,446 | $ 88,526,961 | $ 41,314,504 | $ 32,307,612 | $ 3,797,748 |

The accompanying notes are an integral part of this financial statement.

# THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

### FOR THE YEAR ENDED DECEMBER 31, 1994

| | Total | Limited Stock Fund | Fixed Income Fund | Index-500 Fund | U.S. Growth Fund |
|---|---|---|---|---|---|
| Investment Income: | | | | | |
| Increase (Decrease) in Net Unrealized Appreciation | $ 1,716,786 | $ 1,918,510 | $ - | $ (568,121) | $ 366,397 |
| Realized Gain on Sale of Securities | 3,033,768 | 2,781,458 | - | 206,695 | 45,615 |
| Interest | 4,123,855 | 9,181 | 4,110,632 | 2,223 | 1,819 |
| Dividends | 1,575,897 | 1,575,897 | - | - | - |
| Mutual Funds' Earnings | 864,642 | - | - | 661,477 | 203,165 |
| Total Investment Income | 11,314,948 | 6,285,046 | 4,110,632 | 302,274 | 616,996 |
| Contributions: | | | | | |
| Employers | 23,236,673 | 4,220,346 | 11,221,074 | 4,509,396 | 3,285,857 |
| Participants | 10,745,605 | 2,466,228 | 3,919,556 | 2,532,832 | 1,826,989 |
| Total Contributions | 33,982,278 | 6,686,574 | 15,140,630 | 7,042,228 | 5,112,846 |
| Transfer of Participants' Account Balances to Former Affiliate's Plan | (37,482) | (14) | (37,468) | - | - |
| Interfund Transfers | - | (1,149,559) | 231,825 | 879,225 | 38,509 |
| Administrative Expense | (755,565) | (335,032) | (270,359) | (84,273) | (65,901) |
| Benefits to Participants | (29,091,678) | (13,430,138) | (11,480,188) | (2,305,551) | (1,875,801) |
| Increase (Decrease) in Net Assets Available for Benefits | 15,412,501 | (1,943,123) | 7,695,072 | 5,833,903 | 3,826,649 |
| Beginning Net Assets Available for Benefits | 185,488,775 | 79,353,047 | 69,426,925 | 20,439,516 | 16,269,287 |
| Ending Net Assets Available for Benefits | $200,901,276 | $ 77,409,924 | $ 77,121,997 | $ 26,273,419 | $ 20,095,936 |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

## (1) DESCRIPTION OF THE PLAN

### General

The Limited, Inc. Savings and Retirement Plan (the "Plan") is a defined contribution plan covering certain employees of The Limited, Inc. and its affiliates (the "Employers") who are at least 21 years of age and have completed 1,000 or more hours of service during their first consecutive twelve months of employ ment or any calendar year beginning in or after their first consecutive twelve months of employment. Certain employees of the Employers, who are covered by a collective bargaining agreement, are not eligible to participate in the Plan. At December 31, 1996, there were 25,392 participants in the Plan.

On August 31, 1993, The Limited, Inc. sold 60% of its interest in Brylane, Inc. and transferred the assets and liabilities allocated to the employees of Brylane, Inc. and its affiliates to the Brylane L.P. Savings and Retirement Plan.

On January 31, 1996, The Limited, Inc. sold 60% of its interest in World Finan cial Network National Bank and transferred the assets and liabilities allo cated to the employees of World Financial Network National Bank and its affiliates to the World Financial Network National Bank Savings and Retirement Plan.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

### Amendments

During 1994, the Plan was amended and restated effective as of January 1, 1992 to, among other things, (1) make certain changes in the design of the Plan to comply with the Internal Revenue code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended and (2) incorporate amendments previously made.

### Contributions

Employer Contributions:

The Employers may provide a non-service related retirement contribution of 4% of annual compensation up to the Social Security wage base and 7% of annual compensation after that and a service related retirement contribution of 1% of annual compensation for participants who have completed five or more years of vesting service as of the last day of the Plan year. Participants who complete 500 hours of service during the Plan year and are participants on the last day of the Plan year are eligible. The annual compensation of each participant taken into account under the Plan is limited to the maximum amount permitted under Section 401(a)(17) of the Internal Revenue Code. The annual compensation limit for the Plan year ended December 31, 1996, was $150,000. The limit increases to $160,000 for 1997.

The Employers may provide a matching contribution of 100% of the participant's voluntary contributions up to 3% of the participant's total annual compensa tion.

Participant Voluntary Contributions:

A participant may elect to make a voluntary tax-deferred contribution of 1% to 6% of his or her annual compensation up to the maximum permitted under Section 402(g) of the Internal Revenue Code adjusted annually ($9,500 at December 31, 1996). This voluntary tax-deferred contribution may be limited by Section 401(k) of the Internal Revenue Code.

A participant earning annually more than $66,000 for the years ended December 31, 1996, 1995 and 1994, respectively, may be limited to voluntary contributions to the Plan of less than 6% due to requirements of Section 401(k) of the Internal Revenue Code based on the current levels of participant voluntary contributions.

## Vesting

A participant is fully and immediately vested for voluntary and rollover contributions. A summary of vesting percentages in the Employers' contributions follows:

| Years of Vested Service | Percentage |
|---|---|
| Less than 3 years | 0% |
| 3 years | 20 |
| 4 years | 40 |
| 5 years | 60 |
| 6 years | 80 |
| 7 years | 100 |

## Payment Of Benefits

The full value of participants' accounts becomes payable upon retirement, disability, or death. Upon termination of employment for any other reason participants' accounts, to the extent vested, become payable. Those partici pants with vested account balances greater than $3,500 have the option of leaving their accounts invested in the Plan until age 65. All benefits will be paid as a lump-sum distribution. Those participants holding between five and one hundred shares of Employer Securities will have the option to receive such amount in whole shares of Employer Securities and cash for any fractional shares. Those participants holding more than one hundred shares of Employer Securities will receive whole shares of Employer securities and cash for any fractional shares. Participants have the option of having their benefit paid directly to an eligible retirement plan specified by the participant.

A participant who is fully vested in his or her account and who has participated in the Plan for at least five years may obtain an in-service withdrawal from their account based on the percentage amounts designated by the Plan. A participant may also request a hardship distribution due to an immediate and heavy financial need based on the terms of the Plan.

## Amounts Allocated Participants Withdrawn from the Plan

The vested portion of net assets available for benefits allocated to participants withdrawn from the plan as of December 31, 1996 and 1995, is set forth below:

| | 1996 | 1995 |
|---|---|---|
| Limited Stock Fund | $ 914,636 | $ 54,393 |
| Fixed Income Fund | 1,171,143 | 301,337 |
| Index-500 Fund | 371,539 | 128,645 |
| U.S. Growth Fund | 338,708 | 138,247 |
| Wellington Fund | 77,814 | 11,908 |
| Intimate Brands Stock Fund | 165 | - |
| | $2,874,005 | $634,530 |

### Forfeitures

Forfeitures are used to reduce the Employers' required contributions. Utilized forfeitures for 1996, 1995 and 1994, are set forth below:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Limited Stock Fund | $ 309,429 | $ 268,411 | $ 536,323 |
| Fixed Income Fund | 3,178,025 | 1,691,327 | 2,804,818 |
| Index-500 Fund | 743,916 | 352,056 | 268,212 |
| U.S. Growth Fund | 692,299 | 295,948 | 241,890 |
| Wellington Fund | 36,468 | - | - |
| Intimate Brands Stock Fund | - | - | - |
| | $4,960,137 | $2,607,742 | $3,851,243 |

### Expenses

Brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Plan's assets will be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. Administrative expenses of the Plan will be paid from the Plan from earnings not allocated to partici pants' accounts. The remainder will be paid by the Employers, unless the Employers elect to pay more or all of such costs.

### Tax Determination

The Plan obtained its latest determination letter on January 30, 1995, in which the Internal Revenue Service stated that the Plan, as amended and restated January 1, 1992 was in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, the following Federal income tax rules will apply to the Plan:

Voluntary tax-deferred contributions made under the Plan by a participant and contributions made by the Employers to participant accounts are generally not taxable until such amounts are distributed.

The participants are not subject to Federal income tax on interest, divi dends, or gains in their particular accounts until distributed.

The foregoing is only a brief summary of certain tax implications and applies only to Federal tax regulations currently in effect.

## (2) SUMMARY OF ACCOUNTING POLICIES

The Plan's financial statements are prepared on the accrual basis of accounting. Assets of the Plan are valued at fair value. If available, quoted market prices are used to value investments. The amounts for investments that have no quoted market price are shown at their estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturi ty, quality, and type as obtained from market makers. Guaranteed investment contracts issued by insurance companies are valued at contract value. Contract value represents contributions made under the contract, and interest at the contract rate, less Plan withdrawals and administration expenses charged by the insurance companies.

Realized gains or losses on the distribution or sale of securities represent the difference between the average cost of such securities held and the fair value on the date of distribution or sale.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

## INVESTMENTS

Net unrealized appreciation, equal to the difference between cost and fair value of all investments held at the applicable valuation dates, is recognized in determining the value of each fund. The unrealized appreciation (depreciation) as of December 31, 1996, 1995 and 1994 is set forth below:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Limited Stock Fund | $26,715,998 | $33,181,138 | $42,740,905 |
| Fixed Income Fund | - | - | - |
| Index-500 Fund | 14,187,057 | 8,565,992 | 1,030,309 |
| U.S. Growth Fund | 9,546,458 | 6,117,907 | 633,539 |
| Wellington Fund | 466,778 | 121,782 | - |
| Intimate Brands Stock Fund | (60,633) | - | - |
| | $50,855,658 | $47,986,819 | $44,404,753 |

The following is a summary of the net gain (loss) on securities sold during the periods ended December 31, 1996, 1995 and 1994:

| | Proceeds | Cost | Realized Gain (Loss) |
|---|---|---|---|
| Period Ended December 31, 1996 | | | |
| Limited Stock Fund | $18,722,433 | $ 9,336,650 | $ 9,385,783 |
| Fixed Income Fund | 31,802,226 | 31,802,226 | - |
| Index-500 Fund | 11,800,336 | 9,067,346 | 2,732,990 |
| U.S. Growth Fund | 8,582,452 | 6,581,129 | 2,001,323 |
| Wellington Fund | 1,842,744 | 1,752,579 | 90,165 |
| Intimate Brands Stock Fund | 11,229 | 12,651 | (1,422) |
| | $72,761,420 | $58,552,581 | $14,208,839 |
| Period Ended December 31, 1995 | | | |
| Limited Stock Fund | $ 2,804,851 | $ 1,222,905 | $ 1,581,946 |
| Fixed Income Fund | 21,155,451 | 21,155,451 | - |
| Index-500 Fund | 6,616,037 | 5,519,647 | 1,096,390 |
| U.S. Growth Fund | 4,986,144 | 4,109,121 | 877,023 |
| Wellington Fund | 266,558 | 254,252 | 12,306 |
| | $35,829,041 | $32,261,376 | $ 3,567,665 |
| Period Ended December 31, 1994 | | | |
| Limited Stock Fund | $ 4,926,530 | $ 2,145,072 | $ 2,781,458 |
| Fixed Income Fund | 14,779,530 | 14,779,530 | - |
| Index-500 Fund | 3,511,736 | 3,305,041 | 206,695 |
| U.S. Growth Fund | 3,139,753 | 3,094,138 | 45,615 |
| | $26,357,549 | $23,323,781 | $ 3,033,768 |

Contributions under the Plan are invested in one of six investment funds: (1) The Limited Stock Fund, consisting of common stock of The Limited, Inc., a Delaware corporation (the "Issuer") and parent company of the Employers, (2) the Fixed Income Fund, which is invested in the Vanguard Investment Contract Trust, and prior to January 1996, was also invested in other guaranteed investment con tracts issued by insurance companies, (3) the Index-500 Fund, which is invested in the Vanguard Index - 500 Portfolio, (4) the U.S. Growth Fund, which is invested in the Vanguard U.S. Growth Portfolio, (5) the Wellington Fund, which is invested in the Vanguard Wellington Fund. Prior to July 1, 1995 the Wellington Fund was not an investment option, and (6) the Intimate Brands Stock Fund, consisting of common stock of Intimate Brands, Inc., a Delaware corpora tion and an eighty-three percent owned subsidiary of The Limited, Inc. Prior to October 1, 1996 the Intimate Brands Stock Fund was not an investment option.

Participants' voluntary and Employers' contributions may be invested in any one or more of the funds, at the election of the participant. There are 5,584 partic ipants in the Limited Stock Fund, 17,644 in the Fixed Income Fund, 8,941 in the Index-500 Fund, 8,160 in the U.S. Growth Fund, 5,350 in the Wellington Fund, and 641 in the Intimate Brands Stock Fund at December 31, 1996.

(4) PLAN ADMINISTRATION

The Plan is administered by a Committee, the members of which are appointed by the Board of Directors of the Employers.

(5) PLAN TERMINATION

Although the Employers have not expressed any intent to do so, the Employers have the right under the Plan to discontinue their contributions at any time. The Limited, Inc. has the right at any time, by action of its Board of Directors, to terminate the Plan subject to provisions of ERISA. Upon Plan termination or partial termination, participants will become fully vested in their accounts.