

Headnote

Mutual Reliance Review System for Exemptive Relief Applications -- take-over bid -- relief from the prohibition against collateral benefits -- target company amending, at the request of the bidder, the employment agreements of executives and employees of the target company who are also security holders -- amendments negotiated at arm's length and on commercially reasonable terms and conditions -- agreements entered into for reasons other than to increase the value of the consideration paid to the selling security holder for his shares -- agreements may be amended despite the prohibition against collateral benefits.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 97(2), 104(2)(a).

January 2, 2007

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, MANITOBA,
SASKATCHEWAN, ONTARIO, QUEBEC,
NOVA SCOTIA, NEW BRUNSWICK AND
NEWFOUNDLAND AND LABRADOR
(the "Jurisdictions")**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
MOS MAPLE ACQUISITION CORP. (the "Filer"),
LIMITED BRANDS INC. ("Limited Brands") AND
LA SENZA CORPORATION (the "Offeree")**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Amended Management Agreements (as defined below) and the Employment Agreements (as defined below) may be entered into notwithstanding the provisions of the Legislation that prohibit an offeror who makes or intends

to make a take-over bid from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Requested Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Nova Scotia Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer and Limited Brands:

1. The Filer was incorporated under the Companies Act (Nova Scotia) on November 14, 2006 and is an indirect wholly-owned subsidiary of Limited Brands. The Filer carries on no business other than in respect of the Offer (as defined below). The registered office of the Filer is located at 1959 Upper Water Street, Suite 900, Halifax, Nova Scotia.
2. Limited Brands is a corporation organized under the laws of Delaware, with its principal office at Three Limited Parkway, Columbus, Ohio 43230 U.S.A. Limited Brands sells women's intimate apparel, personal care and beauty products and women's and men's apparel through its primarily mall based retail stores and through direct response channels, such as catalogues and e-commerce. Limited Brands conducts its business in three primary segments, including the Victoria's Secret segment which derives its revenues from sales of women's intimate and other apparel, beauty products and accessories marketed primarily under the Victoria's Secret brand name. Limited Brands' common shares trade on the New York Stock Exchange under the symbol "LTD".
3. Neither the Filer nor Limited Brands is a reporting issuer or equivalent in any of the Jurisdictions.
4. The Offeree was incorporated under the Canada Business Corporations Act on May 5, 1982. The Offeree's articles were amended several times to effect changes to its corporate name, its authorized capital and other provisions. On June 18, 2001, the name of the Offeree was changed to La Senza. The registered office of the Offeree is located at 1608 St. Regis Blvd., Dorval, Québec H9P 1H6.

5. The Offeree is a reporting issuer or equivalent in each of the Jurisdictions.
6. The Filer has offered to purchase for cash (the "Offer") all of the issued and outstanding subordinate voting shares (the "SV Shares") (including SV Shares issuable upon the exercise of outstanding options (the "Options") and upon the conversion of all the outstanding multiple voting shares (the "MV Shares", and together with the SV Shares the "Shares") in the capital of the Offeree.
7. The Offer and accompanying circular (the "Circular") were mailed to the shareholders of the Offeree (the "Shareholders") on November 27, 2006. The Offer is open for acceptance until 10:00 p.m. (Toronto time) on January 12, 2007, unless extended, accelerated or withdrawn by the Filer.
8. As at November 10, 2006, 8,950,116 SV Shares and 4,942,569 MV Shares, and no other shares in the capital of the Offeree, were issued and outstanding. In addition, as at November 15, 2006 there were outstanding Options providing for the issuance of an aggregate of 818,350 SV Shares upon the exercise thereof. The SV Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "LSZ".
9. On November 15, 2006, the Offeree entered into a support agreement (the "Support Agreement") with Limited Brands and the Filer. The Support Agreement sets forth the terms and conditions upon which the Offer is to be made. Pursuant to the Support Agreement, the Offeree agreed to a "non-solicitation" covenant and to support the Offer, subject to the terms and conditions of the agreement.
10. On November 15, 2006, Limited Brands and the Filer entered into a lock-up agreement (the "Lock-Up Agreement") with Irving Teitelbaum, Stephen Gross, Laurence Lewin, Caroline Sacchetti and GTLSC Limited Partnership ("GTLSC LP") (collectively, the "Supporting Shareholders"). Pursuant to the Lock-Up Agreement, the Supporting Shareholders have agreed to support the Offer and irrevocably agreed to deposit or cause to be deposited under the Offer all the Shares beneficially owned by them (directly or indirectly through companies controlled by them) on the terms set out in the Lock-Up Agreement, namely, in aggregate: (a) 4,942,569 MV Shares (representing 100% of the issued and outstanding MV Shares, and 4,942,569 SV Shares, in aggregate, upon conversion thereof); and (b) 1,835,316 SV Shares, including 352,400 SV Shares, in aggregate, issuable upon exercise of Options by the Supporting Shareholders. These 1,835,316 SV Shares, together with the 4,942,569 SV Shares issuable on the conversion of the MV Shares, represent approximately 48% of the SV Shares (on a fully diluted basis assuming conversion into SV Shares of all MV Shares).
11. On November 15, 2006, the executive committee of the board of directors of Limited Brands approved the Support Agreement and the Lock-Up Agreement. On November 15, 2006, the board of directors of the Offeree having received the

fairness opinion of Scotia Capital Inc., approved the Support Agreement and the making of a recommendation that Shareholders (other than the Supporting Shareholders) accept and deposit their Shares to the Offer.

12. Limited Brands, the Filer, the Supporting Shareholders and Computershare Investor Services, Inc., acting as escrow agent, have entered into an escrow agreement (the "Escrow Agreement") with regard to the MV Shares and a portion of the other locked up Shares under the Lock-Up Agreement. The Escrow Agreement provides that, upon receipt by the escrow agent of a certificate from Limited Brands and the Filer, confirming that: (a) certain of the conditions of the Offer have been satisfied or waived; and (b) the funds required to purchase all of the SV Shares validly deposited in the Offer have been deposited with the depository (the "Depository") under the Offer with irrevocable written instructions to take up and pay for all such SV Shares in accordance with the provisions of the Support Agreement, the escrow agent has irrevocable instructions to convert all of the MV Shares into SV Shares and to tender and deposit with the Depository all of the escrowed shares.

13. It is Limited Brands' current intention that if it takes up and pays for SV Shares deposited pursuant to the Offer, it will enter into one or more transactions to enable the Filer to acquire all SV Shares not acquired pursuant to the Offer.

14. The Offeree has existing management agreements dated January 30, 2005 (each a "Management Agreement" and collectively the "Management Agreements") with three management companies (each a "Management Company" and collectively the "Management Companies") related to Irving Teitelbaum, Stephen Gross and Laurence Lewin, who are the Chairman of the Board and Chief Executive Officer; Vice Chairman, Secretary and Treasurer; and President and Chief Operating Officer of the Offeree, respectively (collectively, the "Executives"). Under the Management Agreements, the Executives have agreed to provide their services and those of 21 other executives and employees, in the aggregate, to the Offeree and its subsidiaries. Such services are rendered on a full-time, albeit non-exclusive basis.

15. At the request of Limited Brands, each of the Management Companies has entered into an amended management agreement dated as of November 15, 2006 (each an "Amended Management Agreement" collectively the "Amended Management Agreements") with the Offeree, whereby the Offeree continues to engage and retain the Management Companies to supply services to the Offeree, with a new initial term and certain amendments to the existing terms of the contract (e.g. in respect of base management fee, bonus entitlement, equity compensation entitlement, reimbursement of certain financial planning costs and business expenses, and certain severance modifications (and related indemnity in relation thereto by Limited Brands)). Such services will be rendered on a full-time, albeit non-exclusive basis, consistent with current and prior practice. The Amended Management Agreements are conditional upon the Filer taking up all of

the issued and outstanding SV Shares (including SV Shares issuable upon the exercise of outstanding Options and upon the conversion of all outstanding MV Shares) under the Offer. The purchase price under which the Offeree was prepared to provide diligence access to Limited Brands (which is in fact the purchase price under the Offer) was fixed prior to preparation of the Amended Management Agreements. Each of the Amended Management Agreements will be for a period of three years and will be renewed automatically for successive periods of one year in the case of Messrs. Teitelbaum and Gross and three years in the case of Mr. Lewin.

16. The Amended Management Agreement with the Management Company related to Mr. Teitelbaum provides that the following amounts will be paid to the Management Company in consideration for the services performed in relation to Mr. Teitelbaum:

(a) an annual management fee of \$842,700 (subject to annual review commencing April 2008);

(b) a seasonal bonus paid at the end of Spring and Fall based on achievement of performance goals (based on operating income), with an aggregate annual target of \$927,000 and actual bonus payment ranging from 0% -200% of target (but capped at 200%); and

(c) an annual stock option grant of options to acquire 7,500 shares in the capital of Limited Brands and an additional performance based restricted stock grant to acquire 7,500 shares in the capital of Limited Brands at target, with the actual performance based payment ranging from 0%-200% of target (but capped at 200%).

17. The management fee paid to the Management Company related to Mr. Teitelbaum under the Management Agreement for the fiscal year ended January 28, 2006 (the "2005 Fiscal Year") was \$195,683 (\$204,000 for the current year) and a bonus of \$1,142,462 was also paid based on a fixed formula. Based on the interim financial statements of the Offeree for the six months ended July 29, 2006, the bonus for the current year is expected to be at least \$1,560,000 and since the bonus component of the payment is based on a fixed percentage of operating income, if operating income subsequent to that time has increased further (as is anticipated), then the bonus payable would be correspondingly higher. Mr. Teitelbaum was also granted 25,000 Options in the 2005 Fiscal Year.

18. The Offeree has informed the Filer that Mr. Teitelbaum owns or controls companies which own 3,024,752 limited partnership interests (out of a total of 6,078,633 limited partnership interests) in GTLSC LP, a partnership which indirectly owns an aggregate of 4,838,067 MV Shares and 1,240,566 SV Shares (being a total of 6,078,633 Shares). He also owns directly one MV Share, 2,850

SV Shares and Options to acquire an additional 72,000 Shares. Mr. Teitelbaum and Mr. Gross also own an equal number of common shares in 4316975 Canada Inc., the general partner of GTLSC LP. All of the limited partnership units in GTLSC LP are owned by companies owned or controlled by Mr. Teitelbaum, Mr. Gross and Mr. Lewin. Mr. Teitelbaum has the ability to donate up to 208,000 SV Shares to charity prior to the completion of the Offer in certain circumstances.

19. The Shares beneficially owned by Mr. Teitelbaum, through the GTLSC LP (attributing for the purpose of this calculation one SV Share per limited partnership interest beneficially owned by Mr. Teitelbaum or companies controlled by him, on the basis set forth in paragraph 18 above), and directly, represent in the aggregate approximately 21.1% of the SV Shares (on a fully-diluted basis assuming conversion into SV Shares of all MV Shares).

20. The Amended Management Agreement with the Management Company related to Mr. Lewin provides that the following amounts will be paid to the Management Company in consideration for the services performed in relation to Mr. Lewin:

(a) an annual management fee of \$900,000 (subject to annual review commencing April 2008);

(b) a seasonal bonus paid at the end of Spring and Fall based on the achievement or performance goals (based on operating income), with an aggregate annual target of \$900,000 and actual bonus payment ranging from 0% -200% of target (but capped at 200%); and

(c) an annual stock option grant of options to acquire 15,000 shares in the capital of Limited Brands and an additional performance based restricted stock grant to acquire 15,000 shares in the capital of Limited Brands at target, with the actual performance based payment ranging from 0% - 200% of target (but capped at 200%).

21. The management fee paid to the Management Company related to Mr. Lewin under the Management Agreement for the 2005 Fiscal Year was \$473,500 and a bonus of \$1,159,792 was also paid based on a fixed formula. Based on the interim financial statements of the Offeree for the six months ended July 29, 2006, the bonus for the current year is expected to be at least \$1,208,000 and since the bonus component of the payment is based on a fixed percentage of operating income, if operating income subsequent to that time has increased further (as is anticipated), then the bonus payable would be correspondingly higher. Mr. Lewin was also granted 60,000 Options in the 2005 Fiscal Year.

22. The Offeree has informed the Filer that Mr. Lewin owns or controls companies which own 209,000 limited partnership interests (out of a total of

6,078,633 limited partnership interests) in GTLSC LP. He also owns directly 1,900 SV Shares and 180,000 Options to acquire an additional 72,000 Shares.

23. The Shares beneficially owned by Mr. Lewin, through the GTLSC LP (attributing for the purpose of this calculation one SV Share per limited partnership interest beneficially owned by Mr. Lewin or companies controlled by him, on the basis set forth in paragraph 22 above), and directly, represent in the aggregate approximately 1.9% of the SV Shares (on a fully-diluted basis assuming conversion into SV Shares of all MV Shares).

24. The Amended Management Agreement with the Management Company related to Mr. Gross provides for an annual management fee of \$436,000 (subject to annual review commencing April 2008).

25. The management fee paid to the Management Company related to Mr. Gross under the Management Agreement for the 2005 Fiscal Year was \$218,152 and a bonus of \$552,804 was paid, based on a fixed formula. Based on the interim financial statements of the Offeree for the six months ended July 29, 2006, the bonus for the current year is expected to be at least \$755,000 and since the bonus component of the payment is based on a fixed percentage of operating income, if operating income subsequent to that time has increased further (as is anticipated), then the bonus payable would be correspondingly higher. Mr. Gross was also granted 25,000 Options in the 2005 Fiscal Year.

26. The Offeree has informed the Filer that Mr. Gross owns or controls companies which own 2,844,881 limited partnership interests (out of a total of 6,078,633 limited partnership interests) in GTLSC LP. He also owns directly one MV Share, 2,000 SV Shares and Options to acquire an additional 72,000 Shares. Mr. Gross has the ability to donate up to 375,000 SV Shares to charity prior to the completion of the Offer in certain circumstances.

27. The Shares beneficially owned by Mr. Gross, through the GTLSC LP (attributing for the purpose of this calculation one SV Share per limited partnership interest beneficially owned by Mr. Gross or companies controlled by him, on the basis set forth in paragraph 26 above), and directly, represent in the aggregate approximately 19.9% of the SV Shares (on a fully-diluted basis assuming conversion into SV Shares of all MV Shares).

28. Each of the Amended Management Agreements provides that if the Offeree terminates the agreement without cause after the initial term, the Offeree shall pay as an indemnity in lieu of notice and severance to the Management Company on the first day of the month, the amounts representing the basic annual management fee and the incentive compensation target applicable at the time of termination of the agreement for a period of thirty-six (36) months in the case of Messrs. Teitelbaum and Lewin, and twenty-four (24) months in the case of Mr. Gross. The Offeree has agreed that it is not entitled to terminate the Amended Management

Agreements during the initial term other than for cause and that if there is a constructive dismissal of the relevant individual (if such individual was in fact employed by the Offeree) at any time during the initial term the Offeree shall pay to the corresponding Management Company the severance amounts outlined above until the expiry of the initial term plus the applicable severance amounts.

29. The Management Agreements for the Management Companies related to Messrs. Teitelbaum and Gross do not provide for a specific indemnity in lieu of notice and severance, and do not specifically address termination, except by reason of death, disability or cause. Accordingly, in a situation of termination without cause, damages would be awarded under applicable law.

30. The Management Agreement for the Management Company related to Mr. Lewin is for a three (3) year term and renewable for successive periods of three (3) years each. Either party can terminate the agreement by giving to the other party a notice in writing of at least three (3) years prior to the end of any such three (3) year period (the "Termination Date"). In the event of a termination of the agreement on the initiative of the Offeree for any reason, except death, disability or cause, and subject to Mr. Lewin respecting certain obligations, the Offeree would pay as indemnity in lieu of notice and severance to the Management Company the management fee which would otherwise have been payable to the Management Company at the Termination Date, up to an aggregate amount not to exceed the equivalent of three (3) years remuneration. The amounts payable to the Management Company under this contract would be subject to mitigation in the event Mr. Lewin obtained employment with a third party.

31. Since each of the Management Agreements provides for a bonus which is based on a fixed percentage of operating income and the Amended Management Agreements are based on a target bonus structure (subject to a cap), the bonus payable under the Amended Management Agreements may be better, worse or the same as the bonus payable under the Management Agreements depending on the operating results of the Offeree.

32. It is proposed that the Offeree or the relevant Management Company, as the case may be, will also enter into employment agreements (each an "Employment Agreement" and collectively the "Employment Agreements") with 18 key employees (the "Key Employees") of the Offeree or of the Management Companies and who provide services to the Offeree, which employees do not presently have any written employment contracts. The Employment Agreements would set out the terms and conditions of the Key Employees' continued employment, for an initial term of three years and for an indefinite term thereafter, and would generally otherwise reflect the existing terms of their employment, but for the addition of a non-competition and non-solicitation covenant on the part of the Key Employee, and in consideration thereof, a guaranteed severance payment in the event of termination of employment. The term of the non-competition and non-solicitation covenants in the Employment

Agreements is six months and the severance arrangements provide that each Key Employee will be entitled to receive, in the event of termination without cause, a severance payment equal to base salary and bonus for the greater of (i) the balance of the initial term of the Employment Agreement, (ii) one month per year of service up to a maximum of 24 months, or (iii) 12 months. In addition, in the case of the Employment Agreements with Joel Teitelbaum and Carole Teitelbaum, Limited Brands has determined that it is appropriate for the total compensation payable under their employment arrangements to be increased, at target, in the case of Joel Teitelbaum from approximately \$314,560 to \$520,000 and in the case of Carole Teitelbaum from approximately \$284,520 to \$484,700. The Employment Agreements with Joel Teitelbaum and Carole Teitelbaum will also provide that (i) if their positions are eliminated, they will be offered a comparable position in the Montreal area, and (ii) their severance payment will not be less than their compensation at target as set out in the Employment Agreements.

33. Each Key Employee individually, together with its associated entities, beneficially owns or exercises control or direction over less than 1% of the issued and outstanding SV Shares on a fully-diluted basis and no MV Shares.

34. The purpose of the benefits under the Amended Management Agreements and the Employment Agreements is to provide an incentive to the Executives and Key Employees to continue their involvement with the Offeree and to increase the performance of the Offeree. The Filer believes that these individuals have been important to the development of the business of the Offeree to date and they are important to the relationship between the Offeree and many of its principal clients. The Filer believes that it is important to the long-term success and growth of the Offeree that each of the Executives and the Key Employees be retained as an employee.

35. The Amended Management Agreements and the Employment Agreements have been or will be negotiated with each of the Executives and the Key Employees at arm's length and have been or will be made on terms and conditions that are commercially reasonable.

36. The Amended Management Agreements and the Employment Agreements have been or will be entered into for valid business purposes that are unrelated to the holdings of the Shares and Options of the Executives and the Key Employees. The benefits of the Amended Management Agreements and the Employment Agreements are being received by the Executives and Key Employees solely in connection with their services as an employee or consultant of the Offeree and such benefits are not being conferred for the purpose, in whole or in part, of increasing the value of the consideration to be paid to the Executives and the Key Employees for Shares tendered under the Offer or providing an incentive to tender their Shares to the Offer. The benefits conferred under the Amended Management

Agreements and the Employment Agreements are not, by their terms, conditional on the Executives and the Key Employees supporting the Offer in any manner.

37. It is anticipated that the terms of the Amended Management Agreements will provide the Executives with incentives to support and grow the business and to assist with the transition of the business to new ownership.

38. The compensation or the proposed compensation for each of the Executives and Key Employees is consistent with the internal compensation structure applied by Limited Brands (which, for example, places a greater emphasis on base pay in relation to bonus than in the existing agreements) and is commensurate with the compensation that employees of Limited Brands with similar levels of responsibility are receiving.

39. Limited Brands believes that the compensation to be received by each of the Executives and Key Employees is reasonable in light of the services to be rendered following completion of the Offer.

40. Limited Brands has provided similar performance bonuses and long term compensation awards in comparable transactions it has undertaken to ensure management continuity so as to preserve and grow the value of the acquired business. Limited Brands believes that performance bonuses and equity compensation awards are customary in the industry. Furthermore, the performance bonuses and long term compensation awards are consistent with performance bonuses and long term compensation awards made available to similarly situated Limited Brands employees.

41. The terms of the Amended Management Agreements were proposed and approved by the Filer and Limited Brands, and were approved by those members of the board of directors of the Offeree entitled to vote.

42. Full particulars of the benefits under each of the Amended Management Agreements are disclosed in the Offeree directors' circular (the "Directors' Circular").

43. The Executives have disclosed to an independent committee of the Offeree (the "Independent Committee") the amount of consideration each Executive expects he will be beneficially entitled to receive under the terms of the Offer, in exchange for the Shares and Options he holds.

44. The Independent Committee has determined, acting in good faith, that the value of any benefit that each of the Executives would receive under the Amended Management Agreements, net of any offsetting costs, would represent less than 5% of the value of the consideration that each expects he will be beneficially entitled to receive, directly or indirectly, under the Offer.

45. The Independent Committee's determination is disclosed in the Directors' Circular.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

"H. Leslie O'Brien"

Chairman

Nova Scotia Securities Commission

"R. Daren Baxter"

Vice-Chairman

Nova Scotia Securities Commission