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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

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FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED APRIL 3, 1999

OR

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

COMMISSION FILE NUMBER 001-13057

POLO RALPH LAUREN CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-2622036
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
650 MADISON AVENUE, NEW YORK, NEW YORK (Address of principal executive offices)	10022 (Zip Code)

212-318-7000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Common Stock, $.01 par value	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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /.

Indicate 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. / /

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately $644,680,000 at June 22, 1999.

At June 22, 1999, 33,602,889 shares of the registrant's Class A Common Stock, $.01 par value, and 43,280,021 shares of the registrant's Class B Common Stock, $.01 par value and 22,720,979 shares of the registrant's Class C Common Stock, $.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	WHERE INCORPORATED
Proxy Statement for Annual Meeting of Stockholders to be held August 19, 1999	Part III

PART I

ITEM 1. BUSINESS.

Unless the context requires otherwise, references to the "Company" or to "Polo" are to Polo Ralph Lauren Corporation and its subsidiaries. Due to the collaborative and ongoing nature of the Company's relationships with its licensees, such licensees are referred to in this Form 10-K as "licensing partners" and the relationships between the Company and such licensees are referred to in this Form 10-K as "licensing alliances." Notwithstanding these references, however, the legal relationship between the Company and its licensees is one of licensor and licensee, and not one of partnership.

Polo is a leader in the design, marketing and distribution of premium lifestyle products. For more than 30 years, Polo's reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. The Company's brand names, which include "Polo," "Polo by Ralph Lauren," "Polo Sport," "Ralph Lauren," "RALPH," "Lauren," "Polo Jeans Co.," "RL" and "Chaps," among others, constitute one of the world's most widely recognized families of consumer brands. Directed by Ralph Lauren, the internationally renowned designer, the Company believes it has influenced the manner in which people dress and live in contemporary society, reflecting an American perspective and lifestyle uniquely associated with Polo and Ralph Lauren.

Polo combines its consumer insight and design, marketing and imaging skills to offer, along with its licensing partners, broad lifestyle product collections in four categories: apparel, home, accessories and fragrance. Apparel products include extensive collections of menswear, womenswear and children's clothing. The Ralph Lauren Home Collection offers coordinated products for the home including bedding and bath products, interior decor and

tabletop and gift items. Accessories encompass a broad range of products such as footwear, eyewear, jewelry and leather goods (including handbags and luggage). Fragrance and skin care products are sold under the Company's Polo, Lauren, Safari and Polo Sport brands, among others.

On May 3, 1999, a wholly owned subsidiary of the Company completed its acquisition, through a tender offer followed by a statutory compulsory acquisition, of all of the outstanding shares of Club Monaco Inc., a corporation organized under the laws of the Province of Ontario, Canada. Founded in 1985, Club Monaco Inc. is an international specialty retailer of casual apparel and other accessories for men, women and children under the brand name "Club Monaco" and a number of associated trademarks. For purposes of the following description of Polo's business, the activities of Club Monaco Inc. are not included.

OPERATIONS

Polo's business consists of three integrated operations: wholesale, retail and licensing. Each is driven by the Company's guiding philosophy of style, innovation and quality.

Details of the Company's net revenues are shown in the table below.

	FISCAL YEAR			PRO FORMA FISCAL 1997(1)
	1999	1998	1997	(UNAUDITED)
	(IN THOUSANDS)			
Wholesale sales	$ 845,704	$ 733,065	$ 663,358	$ 623,041
Retail sales	659,352	570,751	379,972	508,645
Net sales	1,505,056	1,303,816	1,043,330	1,131,686
Licensing revenue .	208,009	167,119	137,113	137,113
Other income	13,794	9,609	7,774	7,774
Net revenues	$1,726,859	$1,480,544	$1,188,217	$1,276,573

(1) In February 1993, the Company entered into a joint venture to combine certain of its retail operations with those of its joint venture partner, Perkins Shearer Venture, to form Polo Retail Corporation ("PRC"). On March 21, 1997, the Company entered into an agreement, effective April 3, 1997, to acquire the 50% interest it did not own from its joint venture partner (the "PRC Acquisition"). Prior to the PRC Acquisition, the Company accounted for its interest in PRC under the equity method. Effective April 3, 1997, the Company consolidated the operations of PRC in fiscal 1998 and accounted for the transaction under the purchase method. On a pro forma basis for fiscal 1997, wholesale net sales by the Company to PRC are eliminated and PRC net revenues are reflected as retail sales.

WHOLESALE

During fiscal 1999, as part of a Company-wide restructuring, Polo realigned its wholesale operations. Polo's wholesale business is now subdivided into two new groups: Polo Brands and Collection Brands. The Company believes this realignment will allow it to better service its customers by focusing each business on its particular channel of distribution and further developing the brands. In both of its wholesale groups, the Company offers several discrete brand offerings. See "- Domestic Customers and Services."

POLO BRANDS

The Polo Brands Group sources, markets and distributes products under the Polo by Ralph Lauren and Polo Sport men's brands, the Ralph Lauren Polo Sport women's brand and the RLX Polo Sport and Polo Golf brands for men and women. Representatives from each of the Company's design, merchandising, sales and production staffs work together to conceive, develop and sell product groupings organized to convey a variety of design concepts.

POLO BY RALPH LAUREN. The Polo by Ralph Lauren menswear collection is a complete men's wardrobe consisting of products related by theme, style, color and fabric. Polo by Ralph Lauren menswear is generally priced at a range of price points within the men's

premium, ready-to-wear, apparel market. This line is currently sold through approximately 1,875 department store, specialty store and Polo store doors in the United States, including approximately 1,300 department store shop-within-shops.

POLO SPORT. The Polo Sport line of men's activewear and sportswear is designed to meet the growing consumer demand for apparel for the active lifestyle. Polo Sport is offered at a range of price points generally consistent with prices for the Polo by Ralph Lauren line, and is distributed through the same channels as Polo by Ralph Lauren.

RALPH LAUREN POLO SPORT. Similar to its menswear counterpart, the Ralph Lauren Polo Sport line for women includes activewear, as well as weekend sportswear. The Ralph Lauren Polo Sport line is currently carried by approximately 365 doors in the United States, including approximately 160 shop-within-shops, and sells at a wide range of bridge prices.

RLX POLO SPORT. Introduced in Spring 1999, the RLX Polo Sport line of menswear and womenswear consists of functional sport and outdoor apparel for running, cross-training, skiing, snowboarding, cycling and tennis. RLX Polo Sport is presently sold in the United States through approximately 470 athletic specialty stores, in addition to limited department and Polo stores, at price points competitive with those charged by other authentic sports apparel companies.

POLO GOLF. The Polo Golf line of men's and women's golf apparel is targeted at the golf and resort markets. Price points are similar to those charged for products in the Polo Sport line. The Polo Golf line is presently sold in the United States through approximately 2000 leading golf clubs, pro shops and resorts, in addition to department, specialty and Polo stores.

COLLECTION BRANDS

The Collection Brands Group sources, markets and distributes products under the Women's Ralph Lauren Collection, Ralph Lauren Black Label and Ralph RL Lauren brands and the Men's Ralph Lauren/Purple Label Collection Brand. Each line is directed by teams consisting of design, merchandising, sales and production staff who work together to conceive, develop and merchandise product groupings organized to convey a variety of design concepts.

RALPH LAUREN COLLECTION AND RALPH LAUREN BLACK LABEL. The Ralph Lauren Collection, sold under the purple label and the Custom Collection Label (the "Collection"), expresses the Company's up-to-the-moment fashion vision for women. Ralph Lauren Black Label includes timeless versions of the Company's most successful Collection styles, as well as newly-designed classic signature styles which tend to remain in a women's wardrobe for several seasons. Collection and Black Label are offered for limited distribution to premier fashion retailers and through Polo stores. Price points are at the upper end or luxury ranges. The lines are currently sold through over 80 doors in the United States by the Company and over 270 international doors by the Company and its licensing

partners.

RALPH RL LAUREN. The RALPH/Ralph Lauren brand was established in 1994 to present a distinct and more casual fashion identity for the bridge market, while retaining

a strong association with the Ralph Lauren Collection designer image. In Fall 1999, this line will be renamed Ralph RL Lauren and the RALPH/Ralph Lauren brand will be relaunched and used in connection with a newly licensed young women's (ages 16-24) line. The line is sold through approximately 150 doors in the United States by the Company and over 360 doors internationally by the Company and its licensing partners.

RALPH LAUREN/PURPLE LABEL COLLECTION. In Fall 1995, the Company introduced its Purple Label Collection of men's tailored clothing and, in Fall 1997, to complement the tailored clothing line, the Company launched its Purple Label sportswear line. Purple Label Collection tailored clothing is manufactured and distributed by a licensee, and dress shirts and ties and sportswear are sourced and distributed by the Company. The Purple Label lines are sold through a limited number of premier fashion retailers, currently numbering 47 doors in the United States and nine internationally.

DOMESTIC CUSTOMERS AND SERVICE

GENERAL. Consistent with the appeal and distinctive image of its products and brands, the Company sells its menswear, womenswear and home furnishings products primarily to leading upscale department stores, specialty stores, golf and pro shops and Polo stores located throughout the United States which have the reputation and merchandising expertise required for the effective presentation of Polo products. See " -- Licensing Alliances - Home Collection."

The Company's wholesale and home furnishings products are distributed through the primary distribution channels listed in the table below. In addition, the Company also sells excess and out-of-season products through secondary distribution channels.

	APPROXIMATE NUMBER OF DOORS AS OF APRIL 3, 1999		
	POLO BRANDS	COLLECTION BRANDS	HOME COLLECTION
Department Stores .	1,550	350	1,295
Specialty Stores ..	755	70	20
Polo Stores	40	60	35
Golf & Pro Shops ..	2,000	--	--

Department stores represent the largest customer group of each wholesale group and of Home Collection. Major department store customers include Federated Department Stores, Inc., Dillard Department Stores, Inc. and The May Department Stores Company. During fiscal 1999, Federated Department Stores, Inc., Dillard Department Stores, Inc. and The May Department Stores Company accounted for 18.4%, 17.9% and 15.1%, respectively, of the Company's wholesale net sales.

Collection and Polo Brands and Home Collection products are primarily sold through their respective sales forces aggregating approximately 157 salespersons employed by Polo. The Polo Brands Group maintains its primary showroom at Polo's New York City executive headquarters. Regional showrooms for Polo Brands are located in Atlanta, Chicago, Dallas and Los Angeles. An independent sales

representative promotes sales to U.S. military exchanges. The Collection Brands Group and Home Collection division also maintain their primary showrooms in New York City. Regional sales representatives for

the Home Collection are located in the Company's showrooms in Atlanta, Chicago, Dallas and Los Angeles. The Company also operates a separate tabletop showroom in New York City.

SHOP-WITHIN-SHOPS. As a critical element of its distribution to department stores, the Company and its licensing partners utilize shop-within-shops to enhance brand recognition, permit more complete merchandising of the Company's lines and differentiate the presentation of products. The Company intends to add approximately 270 shop-within-shops and refurbish approximately 150 shop-within-shops in fiscal 1999. At April 3, 1999, department store customers in the United States had installed over 2,000 shop-within-shops dedicated to the Company's products and over 1,800 shops-within-shops dedicated to Polo's licensed products. The size of Polo shop-within-shops (excluding significantly larger shop-within-shops in key department store locations) typically ranges from approximately 1,000 to 1,500 square feet for Polo Brands, from approximately 800 to 1,200 square feet for Collection Brands, and from approximately 800 to 1,200 square feet for home furnishings. The Company estimates that, in total, approximately 2.0 million square feet of department store space in the United States is dedicated to Polo shop-within-shops. In addition to shop-within-shops, the Company utilizes exclusively fixtured areas in department stores.

BASIC STOCK REPLENISHMENT PROGRAM. Basic products such as knit shirts, chino pants, oxford cloth shirts and navy blazers can be ordered at any time through Polo's basic stock replenishment programs. For customers who reorder basic products, Polo generally ships these products within one to five days of order receipt. These products accounted for approximately 16.0% of wholesale net sales in fiscal 1999. The Company has also implemented a seasonal quick response program to allow replenishment of products which can be ordered for only a portion of each year. Certain Home Collection licensing partners also offer a basic stock replenishment program which includes towels, bedding and tabletop products. Basic stock products accounted for approximately 75% of net sales of Home Collection licensing partners in fiscal 1999.

DIRECT RETAILING

The Company operates retail stores dedicated to the sale of Polo products. Located in prime retail areas, the Company's 33 Polo stores operate under the Polo Ralph Lauren, Polo Sport and Polo Jeans Co. names. The Company's 99 outlet stores are generally located in outlet malls and operate under the Polo Ralph Lauren Factory Store, Polo Jeans Co. Factory Store and Lauren Ralph Lauren Factory Store names.

In addition to its own retail operations, the Company has granted licenses to independent parties to operate nine stores in the United States and 83 stores internationally. The Company receives the proceeds from the sale of its Polo Brands and Collection Brands products, which are included in wholesale net sales, to these stores and also receives royalties, which are included in licensing revenue, from its licensing partners who sell to these stores. The Company generally does not receive any other compensation from these licensed store operators. See "- Licensing Alliances."

POLO STORES

In addition to generating sales of Polo Ralph Lauren products, Polo stores set, reinforce and capitalize on the image of Polo's brands. The Company's five

flagship stores, consisting of its two flagship stores located on Madison Avenue in New York City, one flagship store located on Rodeo Drive in Beverly Hills, one flagship store located on Michigan Avenue in Chicago and one flagship store located on New Bond Street in London which opened on May 5, 1999, showcase Polo products and demonstrate Polo's most refined merchandising techniques. In addition to its flagship stores, Polo operates 29 other Polo stores. Ranging in size from approximately 2,000 to over 15,000 square feet, the non-flagship stores are situated in upscale regional malls and major high street locations generally in the largest urban markets in the United States. In aggregate, on April 3, 1999 the Company operated 26 Polo Ralph Lauren stores, two Polo Sport stores, four Polo Jeans Co. stores and one Polo Country store (offering primarily leisure and weekend apparel). Stores are generally leased for initial periods ranging from five to fifteen years with renewal options.

In fiscal 1999, Polo Ralph Lauren stores were opened in Chicago, Illinois and Palm Beach, Florida, and Polo Jeans Co. stores were opened in Orlando, Florida and Houston, Texas. In addition, in fiscal 1999, Polo converted its Polo Ralph Lauren store in Santa Clara, California to a Polo Jeans Co. store. New Polo Jeans Co. stores are planned for Burlingame, California, Miami, Florida, McLean, Virginia, Bellevue, Washington and Beverly Hills, California. A new Polo Sport store is planned to open in fiscal 2000 in the Soho district of New York City. In addition, during fiscal 2000, Polo plans to convert two Polo Ralph Lauren stores to new concepts that are expected to be more productive.

Effective March 31, 1997, the Company entered into a joint venture agreement with a nonaffiliated partner to acquire real property in New York City. The Company and its partner are discussing possible concepts for such location. Concurrent with the signing of the agreement, the Company made an initial contribution for its 50% interest in the joint venture in the amount of $5.0 million. On December 16, 1997, the Company entered into another joint venture agreement with this nonaffiliated partner. The entity formed through this joint venture entered into a long-term lease of a building located in the Soho District of New York City, where the Polo Sport store planned to open in fiscal 2000 will be located.

OUTLET STORES

Polo extends its reach to additional consumer groups through its 75 Polo Ralph Lauren Factory Stores and its 24 factory outlet concept stores, consisting, as of April 3, 1999, of 14 Polo Jeans Co. Factory Stores and 10 Lauren Ralph Lauren Factory Stores. Polo Ralph Lauren Factory Stores offer selections of the Company's menswear, womenswear, children's apparel, accessories, home furnishings and fragrances. Ranging in size from 5,000 to 13,000 square feet, with an average of approximately 8,000 square feet, the stores are generally located in major outlet centers in 34 states and Puerto Rico. Polo Jeans Co. Factory Stores carry all classifications within the Polo Jeans Co. line, including denim, knit and woven tops, sweaters, outerwear, casual bottoms and accessories. Polo Jeans Co. Factory Stores range in size from 3,000 to 4,500 square feet, with an average of 3,300 square feet, and are generally located in major outlet centers in 11 states. Lauren Ralph Lauren Factory Stores offer both basic key items and fashion

items from the Lauren line with coordinated accessories. Ranging in size from 3,200 to 4,100 square feet, with an average of 3,500 square feet, the Lauren Ralph Lauren Factory Stores are generally located in major outlet centers in 10 states.

Outlet stores purchase products from Polo, its licensing partners and its suppliers and from Polo stores in the United States. Outlet stores purchase products from Polo generally at cost and from Polo's domestic product licensing partners and Polo stores at negotiated prices. Outlet stores also source basic products and styles directly from the Company's suppliers. In fiscal 1999, the outlet stores purchased approximately 24%, 44% and 32% of products from the Company, licensing partners and other suppliers, respectively.

The Company plans to add approximately 50 new outlet stores (net of anticipated store closings) over the next three years including approximately 30 factory outlet concept stores (net of anticipated store closings).

LICENSING ALLIANCES

Through licensing alliances, Polo combines its consumer insight and design, marketing and imaging skills with the specific product or geographic competencies of its licensing partners to create and build new businesses. The Company's licensing partners, who are often leaders in their respective markets, generally contribute the majority of product development costs, provide the operational infrastructure required to support the business and own the inventory.

Product and international licensing partners are granted the right to manufacture and sell at wholesale specified products under one or more of Polo's trademarks. International licensing partners produce and source products independently and in conjunction with the Company and its product licensing partners. As compensation for the Company's contributions under these agreements, each licensing partner pays royalties to the Company based upon its sales of Polo Ralph Lauren products, subject generally, to payment of a minimum royalty. With the exception of Home Collection licenses, these payments generally range from five to eight percent of the licensing partners's sales of the licensed products. See "- Home Collection" for a description of royalty arrangements for Home Collection products. In addition, licensing partners are required to allocate between two and four percent of their sales to advertise Polo products. Larger allocations are required in connection with launches of new products or in new territories.

Polo works in close collaboration with its licensing partners to ensure that products are developed, marketed and distributed to address the intended market opportunity and present consistently to consumers worldwide the distinctive perspective and lifestyle associated with the Company's brands. Virtually all aspects of the design, production quality, packaging, merchandising, distribution, advertising and promotion of Polo products are subject to the Company's prior approval and ongoing oversight. The result is a consistent identity for Polo products across product categories and international markets.

Polo has 20 product and 11 international licensing partners. A substantial portion of the Company's net income is derived from licensing revenue received from its licensing partners. The Company's largest licensing partners by licensing revenue, Jones Apparel Group, Inc., Seibu Department Stores, Ltd., WestPoint Stevens, Inc. and Warnaco, Inc.

accounted for 20%, 12.6%, 11.7% and 11.1%, respectively, of licensing revenue in fiscal 1999.

PRODUCT LICENSING ALLIANCES

Polo has agreements with 20 product licensing partners relating to men's and women's sportswear, men's tailored clothing, children's apparel, personalwear, accessories and fragrances. The products offered by the Company's product licensing partners as of April 3, 1999 are listed below.

LICENSING PARTNER	LICENSED PRODUCT CATEGORY
Warnaco, Inc.	Men's Chaps Sportswear

Sun Apparel, Inc., a subsidiary of Jones Apparel Group, Inc.	Men's & Women's Polo Jeans Co. Casual Apparel & Sportswear
Jones Apparel Group, Inc.	Women's Lauren Better Sportswear
Chester Barrie, Ltd.	Men's Purple Label Tailored Clothing
Pietrafesa Co.	Men's Polo Tailored Clothing
Peerless Inc.	Men's Chaps and Lauren Tailored Clothing
Oxford Industries, Inc.	Boys Apparel
S. Schwab Company, Inc.	Infants, Toddlers & Girls Apparel
Sara Lee Corporation	Men's & Women's Personal Wear Apparel
Ralph Lauren Footwear, Inc., a subsidiary of Reebok International Ltd.	Men's & Women's Dress, Casual and Performance Athletic Footwear
Wathne, Inc.	Handbags & Luggage
Hot Sox, Inc.	Men's, Women's & Children's Hosiery
New Campaign, Inc.	Belts & other Small Leather Goods
Echo Scarves, Inc.	Scarves for Men & Women
Carolee, Inc.	Jewelry
Swany, Inc.	Men's, Women's & Children's Gloves
L'Oreal S.A./Cosmair, Inc.	Men's & Women's Fragrances and skin care products
Authentic Fitness Products, Inc.	Women's & Girls' Swimwear
Burton Golf, Inc.	Golf bags
Safilo USA, Inc.	Eyewear
Pennaco, Inc.	Sheer Hosiery

HOME COLLECTION

With the introduction of the Ralph Lauren Home Collection in 1983, Polo became one of the first major apparel designers to extend its design principles and brands to a complete line of home furnishings. Today, in conjunction with its licensing partners, Polo offers an extensive collection of home products which both draw upon, and add to, the design themes of the Company's other product lines, contributing to Polo's complete

lifestyle concept. Products are sold under the Ralph Lauren Home Collection brands in three primary categories: bedding and bath, interior decor, tabletop and giftware.

In addition to developing the Home Collection, Polo acts as sales and marketing agent for its domestic Home Collection licensing partners. Together with its eight domestic home product licensing partners, representatives of the Company's design, merchandising, product development and sales staffs collaborate to conceive, develop and merchandise the various products as a complete home furnishing collection. Polo's personnel market and sell the products to domestic customers and certain international accounts. Polo's licensing partners, many of which are leaders in their particular product category, manufacture, own the inventory and ship the products. As compared to its other licensing alliances, Polo performs a broader range of services for its Home Collection licensing partners, which, in addition to sales and marketing, include operating showrooms and incurring advertising expenses. Consequently, Polo receives a higher royalty rate from its Home Collection licensing partners,

which rates typically range from 15% to 20%. Home Collection licensing alliances generally have three to five-year terms and often grant the licensee conditional renewal options.

Home Collection products are positioned at the upper tiers of their respective markets and are offered at a range of price levels.

The Company's home furnishings products generally are distributed through department stores, specialty furniture stores, interior design showrooms, customer catalogs and home centers. As with its other products, the use of shop-within-shops is central to the Company's distribution strategy. Certain licensing partners, including those selling furniture, wall coverings, blankets, bed pillows, tabletop, flatware, home fragrance and paint, also sell their products directly through their own staffs to reach additional customer markets.

The home furnishings products offered by the Company and its domestic licensing partners are listed below.

CATEGORY	PRODUCT	LICENSING PARTNER
Bedding and Bath	Towels, sheets, pillowcases and matching bedding accessories	WestPoint Stevens, Inc.
	Blankets, bed pillows, comforters and other decorative bedding accessories excluding those matched to sheets, and bath rugs	Pillowtex Corporation
Interior Decor	Upholstered furniture and case goods	Henredon Furniture Industries, Inc.
	Interior paints, special finishes, and paint applications	The Sherwin-Williams Company
	Fabric and wallpaper	P. Kaufmann, Inc.

Table and Giftware	Sterling, silverplate and stainless steel flatware and picture frames	Reed and Barton Corporation
	Crystal and glass tableware and giftware, ceramic dinnerware and giftware and home fragrances (potpourri, scented candles, etc.)	RJS Scientific, Inc.
	Placemats, tablecloths, napkins	Designers Collection, Inc.

The Company's three most significant Home Collection licensing partners based on aggregate licensing revenue paid to the Company are WestPoint Stevens, Inc., Pillowtex Corporation and Henredon Furniture Industries, Inc. WestPoint Stevens, Inc. accounted for approximately 48% of Home Collection licensing revenue in fiscal 1999.

INTERNATIONAL LICENSING ALLIANCES

The Company believes that international markets offer additional opportunities for Polo's quintessential American designs and lifestyle image and

is committed to the global development of its businesses. International expansion opportunities may include the roll out of new products and brands following their launch in the U.S., the introduction of additional product lines, the entrance into new international markets and the addition of Polo stores in these markets. For example, following the successful launch of Polo Jeans Co. in the U.S. in Fall 1996, the Company launched the line in Canada, the U.K., Germany, Spain, Japan, Israel, Hong Kong, Singapore and Taiwan. Polo works with its 11 international licensing partners to facilitate this international expansion. International licensing partners also operate 83 stores, including 70 Polo Ralph Lauren stores, five Polo Sport stores and 8 Polo Jeans Co. stores.

In fiscal 1999, the Company added five new Polo Ralph Lauren stores in international markets, including one in each of Australia, Hong Kong and Mexico and two in Japan. In addition, in fiscal 1999, one new Polo Jeans Co. store was added in each of St. Martin and Hong Kong. In May 1999, the Company added one Polo Ralph Lauren store in Argentina. Additional stores are planned to open in fiscal 2000 including two Polo Ralph Lauren stores in Australia and one Polo Jeans Co. store in Mexico.

International licensing partners acquire the right to source, produce, market and/or sell some or all Polo products in a given geographical area. Economic arrangements are similar to those of domestic product licensing partners. Licensed products are designed by the Company, either alone or in collaboration with its domestic licensing partners. Domestic licensees generally provide international licensing partners with product or patterns, piece goods, manufacturing locations and other information and assistance necessary to achieve product uniformity, for which they are, in many cases, compensated.

The most significant international licensing partners by licensing revenue in fiscal 1999 were Seibu Department Stores, Ltd., which oversees distribution of virtually all of the Company's products in Japan, Poloco, S.A., which distributes men's and boys' Polo apparel, men's and women's Polo Jeans Co. apparel and certain accessories in Europe and L'Oreal S.A., which distributes fragrances and toiletries outside of the United States. The Company's ability to maintain and increase licensing revenue under foreign licenses is dependent upon certain factors not within the Company's control, including fluctuating currency

rates, currency controls, withholding requirements levied on royalty payments, governmental restrictions on royalty rates, political instability and local market conditions.

DESIGN

The Company's products reflect a timeless and innovative American style associated with and defined by Polo and Ralph Lauren. The Company's consistent emphasis on innovative and distinctive design has been an important contributor to the prominence, strength and reputation of the Polo Ralph Lauren brands. For more than 30 years, the Company's designers have influenced, anticipated and responded to evolving consumer tastes within the context of Polo's defining aesthetic principles. Mr. Lauren, supported by Polo's design staff, has won numerous awards for Polo's designs including the prestigious 1996 Menswear Designer of the Year award and 1995 Womenswear Designer of the Year award, both of which were awarded by the Council of Fashion Designers of America (the "CFDA"). In addition, Mr. Lauren was honored with the CFDA Lifetime Achievement Award in 1991 and the CFDA Award for Humanitarian Leadership in 1998, and is the only person to have won all four of these awards.

Design teams are formed around the Company's brands and product categories to develop concepts, themes and products for each of Polo's businesses. These teams work in close collaboration with merchandising, sales and production staff and licensing partners in order to gain market and other input.

All Polo Ralph Lauren products are designed by or under the direction of Mr. Ralph Lauren and the Company's design staff, which is divided into three

departments: Menswear, Womenswear and Home Collection.

The Company operates a research, development and testing facility in Greensboro, North Carolina, testing labs in New Jersey and Singapore and pattern rooms in New York, New Jersey and Singapore.

MARKETING

Polo's marketing program communicates the themes and images of the Polo Ralph Lauren brands and is an integral feature of its product offering. Worldwide marketing is managed on a centralized basis through the Company's advertising and public relations departments in order to ensure consistency of presentation.

The Company creates the distinctive image advertising for all Polo Ralph Lauren products, conveying the particular message of each brand within the context of Polo's core themes. Advertisements generally portray a lifestyle rather than a specific item and often include a variety of Polo products offered by both the Company and its licensing partners. Polo's primary advertising medium is print, with multiple page advertisements appearing regularly in a range of fashion, lifestyle and general interest magazines including Elle, Esquire, Forbes, GQ, Harper's Bazaar, The New York Times Magazine, Town and Country, Vanity Fair and Vogue. Major print advertising campaigns are conducted during the Fall and Spring retail seasons with additions throughout the year to coincide with product deliveries. In addition to print, certain product categories utilize television and outdoor media in their marketing programs.

The Company's licensing partners contribute a percentage (usually between three and four percent) of their sales of Polo products for advertising. The Company directly coordinates advertising placement for domestic product licensing partners. During fiscal 1999, Polo and its licensing partners collectively spent more than $178.2 million worldwide to advertise and promote Polo products.

Polo conducts a variety of public relations activities. Each of the Spring and Fall womenswear collections is introduced at major fashion shows in New York which generate extensive domestic and international media coverage. In recognition of the increasing role menswear plays in the fashion industry, each of the Spring and Fall menswear collections is introduced at presentations organized for the fashion press. In addition, Polo sponsors professional golfers, organizes in-store appearances by its models and sponsors downhill skiers, snowboarders, triathletes and sports teams.

SOURCING, PRODUCTION AND QUALITY

The Company's apparel products are produced for the Company by approximately 180 different manufacturers worldwide. The Company contracts for the manufacture of its products and does not own or operate any production facilities. During fiscal 1999, approximately 39% (by dollar volume) of men's and women's products were produced in the United States and its territories and approximately 61% (by dollar volume) of such products were produced in Hong Kong, Thailand and other foreign countries. Three manufacturers engaged by the Company accounted for approximately 15%, 7% and 7%, respectively, of the Company's total production during fiscal 1999. The primary production facilities of these three manufacturers are located in: Hong Kong and Saipan, in the case of the manufacturer that accounted for approximately 15% of the Company's total production during fiscal 1999; in Hong Kong, in the case of the manufacturer that accounted for approximately 7% of the Company's total production during fiscal 1999; and in Malaysia, Hong Kong and Mauritius, in the case of the other manufacturer that accounted for approximately 7% of the Company's total production during fiscal 1999. No other manufacturer accounted for more than five percent of the Company's total production in fiscal 1999.

Production is divided broadly into purchases of finished products, where the supplier is responsible for the purchasing and carrying of raw materials, and cut, make and trim ("CMT") purchasing, where the Company is responsible for the purchasing and movement of raw materials to finished product assemblers located throughout the world. CMT arrangements typically allow the Company more latitude to incorporate unique detailing elements and to develop specialty items. The Company uses a variety of raw materials, principally consisting of woven and knitted fabrics and yarns.

The Company must commit to manufacture the majority of its garments before it receives customer orders. In addition, the Company must commit to purchase fabric from mills well in advance of its sales. If the Company overestimates the demand for a particular product which it cannot sell to its primary customers, it may use the excess for distribution in its outlet stores or sell the product through secondary distribution channels. If the Company overestimates the need for a particular fabric or yarn, that fabric or yarn can be used in garments made for subsequent seasons or made into past season's styles for distribution in its outlet stores.

The Company has been working closely with suppliers in recent years to reduce lead times to maximize fulfillment (i.e., shipment) of orders and to permit re-orders of successful programs. In particular, the Company has increased the number of deliveries within certain brands each season so that merchandise is kept fresh at the retail level.

Suppliers operate under the close supervision of Polo's product management department in the United States, and in the Far East under that of a wholly owned subsidiary which performs buying agent functions for the Company and third parties. All garments are produced according to Polo's specifications. Production and quality control staff in the United States and in the Far East monitor manufacturing at supplier facilities in order to correct problems prior to shipment of the final product to Polo. While final quality control is performed at Polo's distribution centers, procedures have been implemented under Polo's vendor certification program, so that quality assurance is focused as early as possible in the production process, allowing merchandise to be received at the distribution facilities and shipped to customers with minimal interruption.

The Company retains independent buying agents in Europe and South America to assist the Company in selecting and overseeing independent third-party manufacturers, sourcing fabric and other products and materials, monitoring quota and other trade regulations, as well as performing some quality control functions.

COMPETITION

Competition is strong in the segments of the fashion and consumer product industries in which the Company operates. The Company competes with numerous designers and manufacturers of apparel and accessories, fragrances and home furnishing products, domestic and foreign, some of which may be significantly larger and have substantially greater resources than the Company. The Company competes primarily on the basis of fashion, quality, and service. The Company's business depends on its ability to shape, stimulate and respond to changing consumer tastes and demands by producing innovative, attractive, and exciting products, brands and marketing, as well as on its ability to remain competitive in the areas of quality and price.

DISTRIBUTION

To facilitate distribution, men's products are shipped from manufacturers to the Company's distribution center in Greensboro, North Carolina for inspection, sorting, packing and shipment to retail customers. The Company's distribution/customer service facility is designed to allow for high density cube storage and utilizes bar code technology to provide inventory management

and carton controls. Product traffic management is coordinated from this facility in conjunction with the Company's product management and buying agent staffs. During fiscal 1999, womenswear distribution was provided by a "pick and pack" facility under a warehousing distribution agreement with an unaffiliated third party. This agreement provides that the warehouse distributor will perform storage, quality control and shipping services for the Company. In return, the Company must pay the warehouse distributor a per unit rate and special processing charges for services such as ticketing, bagging and steaming. The initial term of this agreement is through December 1, 2000 and is thereafter renewable annually. Outlet store distribution and warehousing is principally handled through the Greensboro distribution center as well as

satellite facilities also located in North Carolina. Polo store distribution is provided by a facility in Columbus, Ohio and a facility in New Jersey which services the Company's stores in New York City and East Hampton, New York. During fiscal 2000 the Company plans to complete a significant expansion of its Greensboro facility to handle increased volume and reduce reliance upon satellite facilities. The Company's licensing partners are responsible for the distribution of licensed products, including Home Collection products. The Company continually evaluates the adequacy of its warehousing and distribution facilities.

MANAGEMENT INFORMATION SYSTEM

The Company's management information system is designed to provide, among other things, comprehensive order processing, production, accounting and management information for the marketing, manufacturing, importing and distribution functions of the Company's business. The Company has installed sophisticated point-of-sale registers in its Polo stores and outlet stores that enable it to track inventory from store receipt to final sale on a real-time basis. The Company believes its merchandising and financial system, coupled with its point-of-sale registers and software programs, allow for rapid stock replenishment, concise merchandise planning and real-time inventory accounting practices.

In addition, the Company utilizes an electronic data interchange ("EDI") system to facilitate the processing of replenishment and fashion orders from its wholesale customers, the movement of goods through distribution channels, and the collection of information for planning and forecasting. The Company has EDI relationships with customers who represent a significant majority of its wholesale business and is working to expand its EDI capabilities to include most of its suppliers. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Impact of the Year 2000 Issue."

CREDIT CONTROL

The Company manages its own credit and collection functions. The Company sells its merchandise primarily to major department stores across the United States and extends credit based on an evaluation of the customer's financial condition, usually without requiring collateral. The Company monitors credit levels and the financial condition of its customers on a continuing basis to minimize credit risk. The Company does not factor its accounts receivables or maintain credit insurance to manage the risks of bad debts. The Company's bad debt write-offs were less than 1% of net revenues for fiscal 1999.

BACKLOG

The Company generally receives wholesale orders for apparel products approximately three to five months prior to the time the products are delivered to stores. All such orders are subject to cancellation for late delivery. At April 3, 1999, Summer and Fall backlog was $379.4 million and $21.1 million, as compared to $351.1 million and $20.5 million at March 28, 1998 for Polo Brands and Collection Brands, respectively. The Company's backlog depends upon a number of factors, including the timing of the market weeks for its particular lines,

during which a significant percentage of the Company's orders are received, and the timing of shipments. As a consequence, a comparison of backlog from

period to period is not necessarily meaningful and may not be indicative of eventual shipments.

TRADEMARKS

The Company is the owner of the "Polo," "Ralph Lauren" and the famous polo player astride a horse trademarks in the United States. Additional trademarks owned by the Company include, among others, "Chaps," "Polo Sport," "Lauren/Ralph Lauren," "RALPH" and "RRL"and certain trademarks pertaining to fragrances and cosmetics. In connection with the adoption of the "RRL" trademarks by the Company, pursuant to an agreement with the Company, Mr. Lauren retained the royalty-free right to use as trademarks "Ralph Lauren," "Double RL" and "RRL" in perpetuity in connection with, among other things, beef and living animals. The trademarks "Double RL" and "RRL" are currently used by the Double RL Company, an entity wholly owned by Mr. Lauren. In addition, Mr. Lauren engages in personal projects involving non-Company related film or theatrical productions through RRL Productions, Inc., a Company wholly owned by Mr. Lauren.

The Company's trademarks are the subject of registrations and pending applications throughout the world for use on a variety of items of apparel, apparel-related products, home furnishings and beauty products, as well as in connection with retail services, and the Company continues to expand its worldwide usage and registration of related trademarks. The Company regards the license to use the trademarks and its other proprietary rights in and to the trademarks as valuable assets in the marketing of its products and, on a worldwide basis, vigorously seeks to protect them against infringement. As a result of the appeal of its trademarks, Polo's products have been the object of counterfeiting. The Company has a broad enforcement program which has been generally effective in controlling the sale of counterfeit products in the United States and in major markets abroad.

In markets outside of the United States, the Company's rights to some or all of its trademarks may not be clearly established. In the course of its international expansion, the Company has experienced conflicts with various third parties which have acquired ownership rights in certain trademarks which include "Polo" and/or a representation of a polo player astride a horse which would have impeded the Company's use and registration of its principal trademarks. While such conflicts are common and may arise again from time to time as the Company continues its international expansion, the Company has in the past successfully resolved such conflicts through both legal action and negotiated settlements with third-party owners of such conflicting marks.

Two agreements by which the Company resolved conflicts with third-party owners of other trademarks impose current restrictions or monetary obligations on the Company. In one, the Company reached an agreement with a third party which owned competing registrations in numerous European and South American countries for the trademark "Polo" and a symbol of a polo player astride a horse. By virtue of the agreement, Polo has acquired that third party's portfolio of trademark registrations, in consideration of the payment (capped as set forth below) of 30% of the Company's European and Mexican royalties and 50% of its South American royalties (solely in respect of the Company's use of trademarks which include "Polo" and the polo player symbol, and not, for example, "Ralph Lauren" alone, "Lauren/Ralph Lauren," "RRL," etc.). Remittances to this third

party are not reflected in licensing revenue in the Company's financial statements and will cease no later than 2008, or sooner, when the remittances

with respect to Europe and Mexico to this third party aggregate $15.0 million. As of April 3, 1999, the Company has paid approximately $12.0 million to this third party. The Company's obligation to share royalties with respect to Central and South America and parts of the Caribbean expires in 2013, but the Company also has the right to terminate this obligation at any time by paying $3.0 million. The second agreement was reached with a third party which owned conflicting registrations of the trademarks "Polo" and a polo player astride a horse in the U.K., Hong Kong, and South Africa. Pursuant to the agreement, the third party retains the right to use its "Polo" and polo player symbol marks in South Africa and certain other African countries, and the Company agreed to restrict use of those Polo marks in those countries to fragrances and cosmetics (as to which the Company's use is unlimited) and to the use of the Ralph (polo player symbol) Lauren mark on women's and girls' apparel and accessories. By agreeing to those restrictions, the Company secured the unlimited right to use its trademarks (without payment of any kind) in the United Kingdom and Hong Kong, and the third party is prohibited from distributing products under those trademarks in those countries.

GOVERNMENT REGULATION

The Company's import operations are subject to constraints imposed by bilateral textile agreements between the United States and a number of foreign countries. These agreements, which have been negotiated bilaterally either under the framework established by the Arrangement Regarding International Trade in Textiles, known as the Multifiber Agreement, or other applicable statutes, impose quotas on the amounts and types of merchandise which may be imported into the United States from these countries. These agreements also allow the signatories to adjust the quantity of imports for categories of merchandise that, under the terms of the agreements, are not currently subject to specific limits. The Company's imported products are also subject to United States customs duties which comprise a material portion of the cost of the merchandise.

Apparel products are subject to regulation by the Federal Trade Commission in the United States. Regulations relate principally to the labeling of the Company's products. The Company believes that it is in substantial compliance with such regulations, as well as applicable Federal, state, local, and foreign rules and regulations governing the discharge of materials hazardous to the environment. There are no significant capital expenditures for environmental control matters either estimated in the current year or expected in the near future. The Company's licensed products and licensing partners are, in addition, subject to additional regulation. The Company's agreements require its licensing partners to operate in compliance with all laws and regulations, and the Company is not aware of any violations which could reasonably be expected to have a material adverse effect on the Company's business.

Although the Company has not in the past suffered any material inhibition from doing business in desirable markets, there can be no assurance that significant impediments will not arise in the future as it expands product offerings and additional trademarks to new markets.

CERTAIN RISKS

The Company believes that its success depends in substantial part on its ability to originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that the Company will continue to be successful in this regard. If the Company misjudges the market for its products, it may be faced with significant excess inventories for some products and missed opportunities with others. In addition, weak sales and resulting markdown requests from customers could have a material adverse effect on the Company's business, results of operations and financial condition.

The industries in which the Company operates are cyclical. Purchases of apparel and related merchandise and home products tend to decline during

recessionary periods and also may decline at other times. While the Company has fared well in recent years in a difficult retail environment, there can be no assurance that the Company will be able to maintain its historical rate of growth in revenues and earnings, or remain profitable in the future. Further, uncertainties regarding future economic prospects could affect consumer spending habits and have an adverse effect on the Company's results of operations.

The Company is dependent on Mr. Ralph Lauren and other key personnel. Mr. Lauren's leadership in the design, marketing and operational areas has been a critical element of the Company's success. The loss of the services of Mr. Lauren and any negative market or industry perception arising from such loss could have a material adverse effect on the Company. The Company's other executive officers have substantial experience and expertise in the Company's business and have made significant contributions to its growth and success. The unexpected loss of services of one or more of these individuals could adversely affect the Company. The Company is not protected by a material amount of key-man or similar life insurance for Mr. Lauren or any of its other executive officers.

In addition to the factors described above, the Company's business, including its revenues and profitability, is influenced by and subject to a number of factors including, among others: risks associated with the Company's dependence on sales to a limited number of large department store customers, including risks related to extending credit to customers; risks associated with the Company's dependence on its licensing partners for a substantial portion of its net income and risks associated with the Company's lack of operational and financial control over its licensed businesses; risks associated with consolidations, restructurings and other ownership changes in the retail industry; risks associated with competition in the segments of the fashion and consumer product industries in which the Company operates, including the Company's ability to shape, stimulate and respond to changing consumer tastes and demands by producing attractive products, brands and marketing, and its ability to remain competitive in the areas of quality and price; risks associated with uncertainty relating to the Company's ability to implement its growth strategies; risks associated with the ability of the Company's third party customers and suppliers and government agencies to timely and adequately remedy any Year 2000 issues (for a discussion of the Company's efforts to assure Year 2000 compliance, and the risks associated with such efforts, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of the Year 2000 Issue."; risks associated with the possible adverse impact of the Company's unaffiliated manufacturers' inability to manufacture in a timely manner, to meet quality

standards or to use acceptable labor practices; risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing and the possible adverse impact of changes in import restrictions; risks related to the Company's ability to establish and protect its trademarks and other proprietary rights; risks related to fluctuations in foreign currency as the Company's international licensing revenue generally is derived from sales in foreign currencies including the Japanese yen and the French franc, and, in addition, changes in currency exchange rates may also affect the relative prices at which the Company and foreign competitors sell their products in the same market; and, risks associated with the Company's control by Lauren family members and the anti-takeover effect of multiple classes of stock.

The Company from time to time reviews its possible entry into new markets, either through internal development activities or through acquisitions. The entry into new markets (including the development and launch of new product categories), such as the Company's entry into the technical sportswear market, and the acquisition of businesses, such as the Company's acquisition of Club Monaco Inc., is accompanied by risks inherent in any new business venture and may require methods of operations and market strategies different from those employed in the Company's other businesses. Certain new businesses may be lower margin businesses and may require the Company to achieve significant cost efficiencies. In addition, new markets may involve buyers, store customers

and/or competitors different from the Company's historical buyers, customers and competitors. Furthermore, the Company's acquisition of other businesses entails the normal risks inherent in such transactions, including without limitation, possible difficulties, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of the acquired entity; risks that projected or satisfactory level of sales, profits and/or return on investment will not be generated; risks that expenditures required for capital items or working capital will be higher than anticipated; risks involving the Company's ability to retain and appropriately motivate key personnel of the acquired business; and risks associated with unanticipated events and unknown or uncertain liabilities.

EMPLOYEES

As of April 3, 1999, the Company had approximately 6,800 employees, including 6,500 in the United States and 300 in foreign countries. Approximately 30 of the Company's United States production and distribution employees in the womenswear business are members of the Union of Needletrades, Industrial & Textile Employees under an industry association collective bargaining agreement which the Company's womenswear subsidiary has adopted. This contract was renegotiated in fiscal 1998 and extended to May 31, 2000. The Company considers its relations with both its union and non-union employees to be good.

ITEM 2. PROPERTIES

The Company does not own any real property except for its distribution facility in Greensboro, North Carolina, the parcel of land adjacent to its Greensboro, North Carolina distribution facility (upon which the expansion of the distribution facility is being constructed) and a 50% joint venture interest in a 44,000 square foot building located in the Soho district of New York City. Certain information concerning the Company's

principal facilities in excess of 100,000 rentable square feet and of its existing flagship stores of 20,000 rentable square feet or more, all of which are leased, is set forth below:

LOCATION	USE	APPROXIMATE SQ. FT.	CURRENT LEASE TERM EXPIRATION
650 Madison Avenue, NYC	Executive, corporate and design offices, men's showrooms	206,000	December 31, 2009
Lyndhurst, N.J.	Corporate and retail administrative offices	162,000	February 28, 2008
Winston-Salem, N.C.	Distribution	115,000	June 30, 2000
202-A No. Chimney Rock Road, Greensboro, N.C.	Interim warehouse and office space	100,000	April 14, 2000
750 North Michigan Avenue, Chicago, IL	Direct retail and restaurant	36,000	November 14, 2017
867 Madison Avenue, NYC	Direct retail	27,000	December 31, 2004
1-5 New Bond Street, London	Direct retail and corporate and retail administrative offices	29,000	July 4, 2021
1980 Northern Boulevard, Manhasset, N.Y.	Direct retail	26,000	September 30, 2011

During fiscal 1999, the Company entered into a lease agreement for an interim distribution facility in Greensboro, North Carolina.

The leases for the Company's non-retail facilities (approximately 28 in all) provide for aggregate annual rentals of $17.8 million in fiscal 1999. The Company anticipates that it will be able to extend those leases which expire in the near future on terms satisfactory to the Company or, if necessary, locate substitute facilities on acceptable terms.

As of April 3, 1999, the Company operated 33 Polo stores and 99 outlet stores in leased premises. Aggregate annual rent paid for retail space by the Company in fiscal 1999 totaled $35.7 million. Except for approximately two stores for which the Company will not seek renewal upon lease expiration, the Company anticipates that it will be able to extend those leases which expire in the near future on satisfactory terms or to relocate to more desirable locations.

The Company is currently re-evaluating its warehousing and distribution needs for its retail operations. The Company believes that its existing facilities are well maintained and in good operating condition, and plans to expand its warehousing and distribution capacity over the next fiscal year.

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in a purported national class action lawsuit filed in the Delaware Supreme Court in July 1997. The plaintiff has brought the action allegedly on behalf of a class of persons who purchased products at the Company's outlet stores throughout the United States at any time since July 15, 1991. The complaint alleges that advertising and marketing practices used by the Company in connection with the sales of its products at its outlet stores violate guidelines established by the Federal Trade Commission and the consumer protection statutes of Delaware and other states with statutes similar to Delaware's Consumer Fraud Act and Delaware's Consumer Contracts Act. The lawsuit seeks, on behalf of the class, compensatory and punitive damages as well as attorneys' fees. The Company answered the complaint and filed a motion for judgment on the pleadings. At a hearing on that motion on March 5, 1999, the Court ruled that the plaintiff must file an amended complaint within 30 days in order to avoid dismissal. The plaintiff has filed an amended complaint, essentially containing the same allegations as the initial complaint, which the Company has answered. The Company intends to continue to vigorously defend this lawsuit and believes that it has substantial and meritorious defenses.

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based companies that source apparel garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationships with the factories, have violated various Federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising and seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in Federal court for the Central District of California, is brought on behalf of a purported class consisting of the Saipan factory workers. It alleges claims under the Federal civil RICO statute, Federal peonage and involuntary servitude laws, the Alien Tort Claims Act, and state tort law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorneys' fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of Federal and local wage and employment laws. The Company has not been named as a defendant in any of these suits, but the

Company sources products in Saipan and counsel for the plaintiffs in these actions has informed the Company that it is a potential defendant in these or similar actions. The Company has denied any liability and is not at this preliminary stage in a position to evaluate the likelihood of a favorable or unfavorable outcome if it were named in any such suit.

The Company is involved from time to time in legal claims involving trademark and intellectual property, licensing, employee relations and other matters incidental to its business. See "Item 1. Business - Trademarks." In the opinion of the Company's management, the resolution of any matter currently pending will not have a material adverse effect on the Company's financial condition or results of operations.

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

No matters were submitted to a vote of security holders during the quarter ended April 3, 1999.

PART II

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

The Company's Class A Common Stock is publicly traded on the New York Stock Exchange under the symbol "RL." The following table sets forth the high and low closing sales prices for each quarterly period from June 11, 1997 (i.e., the day the Class A Common Stock was priced in the initial public offering) through April 1, 1999 as reported on the New York Stock Exchange Composite Tape. The Company did not declare any cash dividends during fiscal 1998 and fiscal 1999 on its Common Stock other than dividends declared in fiscal 1998 in the amount of $27.4 million and paid to holders of Class B Common Stock and Class C Common Stock in connection with the Company's reorganization just prior to its initial public offering on June 11, 1997.

	Market Price of Class A Common Stock	
	HIGH	LOW
Fiscal 1999:		
First Quarter.....	$31	$26.9375
Second Quarter	29.6875	20.1250
Third Quarter.....	24	16
Fourth Quarter.....	24.8750	18.1250
Fiscal 1998:		
First Quarter (since June 11, 1997)	$32.375	$26
Second Quarter	28.0625	23.0625
Third Quarter.....	28.75	22.3125
Fourth Quarter.....	30.8125	21.9375

The Company anticipates that all of its earnings in the foreseeable future will be retained to finance the continued growth and expansion of its business and has no current intention to pay cash dividends on its Common Stock.

As of June 22, 1999, there were approximately 1,215 record holders of

Class A Common Stock, four record holders of Class B Common Stock and five record holders of Class C Common Stock.

ITEM 6. SELECTED FINANCIAL DATA.

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended April 3, 1999 have been derived from the Company's audited Consolidated Financial Statements. The following table also includes unaudited pro forma statements of income for fiscal 1998 and fiscal 1997 which give effect to the Reorganization, the initial public offering and the PRC Acquisition as if they had occurred on March 31, 1996. The financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

	FISCAL YEAR ENDED				
	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996	APRIL 1, 1995
	(IN THOUSANDS, EXCEPT SHARE DATA)				
STATEMENTS OF INCOME:					
Net sales	$ 1,505,056	$ 1,303,816	$ 1,043,330	$ 909,720	$ 746,595
Licensing revenue	208,009	167,119	137,113	110,153	100,040
Other income	13,794	9,609	7,774	6,210	5,446
Net revenues	1,726,859	1,480,544	1,188,217	1,026,083	852,081
Cost of goods sold	904,586	759,988	652,000	586,273	477,357
Gross profit	822,273	720,556	536,217	439,810	374,724
Selling, general and administrative expenses	608,128	520,801	378,854	312,690	264,594
Restructuring charge	58,560	--	--	--	--
Income from operations	155,585	199,755	157,363	127,120	110,130
Interest expense	2,759	159	13,660	16,287	16,450
Equity in net loss of joint venture	--	--	3,599	1,101	262
Income before income taxes	152,826	199,596	140,104	109,732	93,418
Provision for income taxes	62,276	52,025	22,804	10,925	13,244
Net income	$ 90,550	$ 147,571	$ 117,300	$ 98,807	$ 80,174
Net income per share-Basic and Diluted	$ 0.91				
Common shares outstanding - Basic	99,813,328				
Common shares outstanding - Diluted	99,972,152				
PRO FORMA STATEMENTS OF INCOME (UNAUDITED) (1):					
Net sales		$ 1,303,816	$ 1,131,686		
Licensing revenue		167,119	137,113		
Other Income		9,609	7,774		
Net revenues		1,480,544	1,276,573		
Cost of goods sold		759,988	690,406		
Gross profit		720,556	586,167		
Selling, general and administrative expenses		520,801	433,534		
Income from operations		199,755	152,633		
Interest income		3,003	1,629		
Income before income taxes		202,758	154,262		
Provisions for income taxes		82,631	64,790		
Net income		$ 120,127	$ 89,472		
Net income per share - Basic and Diluted		$ 1.20	$ 0.89		
Common shares outstanding - Basic and Diluted		100,222,444	100,222,444		

26

	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996	APRIL 1, 1995
			(IN THOUSANDS)		
BALANCE SHEET DATA:					
Working capital	$ 331,482	$ 354,206	$ 209,038	$ 262,844	$ 221,050
Inventories	376,860	298,485	222,147	269,113	271,220
Total assets	1,104,584	825,130	588,758	563,673	487,547
Total debt	159,717	337	140,900	199,645	186,361
Stockholders' equity and partners' capital	658,905	584,326	260,685	237,653	188,579

(1) The pro forma statements of income present the effects on the historical financial statements of certain transactions as if they had occurred at the beginning of the period. These statements reflect adjustments for: (i) income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes calculated using a pro forma effective tax rate of approximately 40.8% and 42.0% for the year ended March 28, 1998 and March 29, 1997, respectively; (ii) the reduction of interest expense resulting from the application of the net proceeds from the initial public offering to outstanding indebtedness; and (iii) the PRC Acquisition, including the consolidation of PRC's operations, the amortization of goodwill over 25 years associated with the acquisition and the elimination of the Company's equity in the net loss of PRC for the year ended March 29, 1997.

27

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

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes thereto which are included herein. The Company utilizes a 52-53 week fiscal year ending on the Saturday nearest March 31. Accordingly, fiscal years 1999, 1998, 1997, 1996 and 1995 ended on April 3, 1999, March 28, 1998, March 29, 1997, March 30, 1996 and April 1, 1995, respectively. Fiscal 1999 reflects a 53 week period.

Certain statements in this Form 10-K and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, and in oral statements made by or with the approval of authorized personnel constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "project," "expect," "we believe," "is or remains optimistic," "currently envisions" and similar words or phrases and involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: risks associated with changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors; changes in global economic conditions; risks associated with the Company's dependence on sales to a limited number of large department store customers, including risks related to extending credit to customers; risks associated with the Company's dependence on its licensing partners for a substantial portion of its net income and risks associated with the Company's lack of operational and financial control over its licensed businesses; risks associated with consolidations, restructurings and other ownership changes in the retail industry; risks associated with competition in

the segments of the fashion and consumer product industries in which the Company operates, including the Company's ability to shape, stimulate and respond to changing consumer tastes and demands by producing attractive products, brands and marketing, and its ability to remain competitive in the areas of quality and price; risks associated with uncertainty relating to the Company's ability to implement its growth strategies; risks associated with the ability of the Company's third party customers and suppliers and government agencies to timely and adequately remedy any Year 2000 issues; risks associated with the possible adverse impact of the Company's unaffiliated manufacturers' inability to manufacture in a timely manner, to meet quality standards or to use acceptable labor practices; risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing and the possible adverse impact of changes in import restrictions; risks related to the Company's ability to establish and protect its trademarks and other proprietary rights; risks related to fluctuations in foreign currency as the Company's international licensing revenue generally is derived from sales in foreign currencies including the Japanese yen and the French franc, and, in addition, changes in currency exchange rates may also affect the relative prices at which the Company and foreign competitors sell their products in the same market; and, risks associated with the Company's control by Lauren family members and the anti-takeover effect of multiple classes of stock. The Company undertakes no obligation

to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

The Company began operations in 1968 as a designer and marketer of premium quality men's clothing and sportswear. Since inception, the Company, through internal operations and in conjunction with its licensing partners, has grown through increased sales of existing product lines, the introduction of new brands and products, expansion into international markets and development of its retail operations. Over the last five years, net revenues have more than doubled to $1.7 billion in fiscal 1999 from $852.1 million in fiscal 1995, while income from operations has grown to $214.1 million in fiscal 1999, excluding the restructuring charge, from $110.1 million in fiscal 1995. The Company's net revenues are generated from its three integrated operations: wholesale, direct retail and licensing. The following table sets forth net revenues for the last five fiscal years:

	FISCAL YEAR					PRO FORMA FISCAL 1997 (3)
	1999	1998	1997	1996	1995	(UNAUDITED)
	(IN THOUSANDS)					
Wholesale sales (1)(2)	$ 845,704	$ 733,065	$ 663,358	$ 606,022	$ 496,876	$ 623,041
Retail sales (2)	659,352	570,751	379,972	303,698	249,719	508,645
Net sales	1,505,056	1,303,816	1,043,330	909,720	746,595	1,131,686
Licensing revenue (1)	208,009	167,119	137,113	110,153	100,040	137,113
Other income	13,794	9,609	7,774	6,210	5,446	7,774
Net revenues	$1,726,859	$1,480,544	$1,188,217	$1,026,083	$ 852,081	$1,276,573

(1) The Company purchased certain of the assets of its former womenswear licensing partner in October 1995. The fiscal 1999, fiscal 1998, fiscal 1997 and fiscal 1996 net revenues reflect the inclusion of womenswear wholesale net sales of $127.1 million, $98.4 million, $98.8 million and $36.7 million, respectively, and an elimination of licensing revenue associated with the operations of the womenswear business after the

acquisition.

(2) In February 1993, the Company entered into a joint venture to combine certain of its retail operations with those of its joint venture partner, Perkins Shearer Venture, to form Polo Retail Corporation ("PRC"). On March 21, 1997, the Company entered into an agreement, effective April 3, 1997, to acquire the 50% interest it did not own from its joint venture partner (the "PRC Acquisition"). Prior to the PRC Acquisition, the Company accounted for its interest in PRC under the equity method. Effective April 3, 1997, the Company consolidated the operations of PRC in fiscal 1998 and accounted for the transaction under the purchase method. On a pro forma basis for fiscal 1997, wholesale net sales by the Company to PRC are eliminated and PRC net revenues are reflected as retail sales.

(3) Pro forma financial information presented above gives effect to the PRC Acquisition as if it had occurred on March 31, 1996, the first day of fiscal 1997. Pro forma fiscal 1997 net revenues reflect the inclusion of womenswear wholesale net sales of $79.6 million, and an elimination of licensing revenue associated with the operations of the womenswear business after the acquisition.

Wholesale net sales result from the sale by the Company of men's and women's apparel to wholesale customers, principally to major department stores, specialty stores and non-Company operated Polo stores located throughout the United States. Net sales for the wholesale division have increased to $845.7 million in fiscal 1999 from $496.9

million in fiscal 1995. This increase is primarily a result of growth in sales of the Company's menswear and womenswear products driven by the introduction of new brands and growth in sales of products under existing brands.

Polo's retail sales are generated from the Polo stores and outlet stores operated by the Company. Since the beginning of fiscal 1995, the Company has added 30 Polo stores (net of store closings, including 21 Polo stores acquired in connection with the PRC Acquisition), and 52 outlet stores (net of store closings). At April 3, 1999, the Company operated 33 Polo stores and 99 outlet stores. Retail sales have grown to $659.4 million in fiscal 1999 from $249.7 million in fiscal 1995.

On May 3, 1999, a wholly owned subsidiary of the Company acquired, through a tender offer and subsequent statutory compulsory acquisition, all of the outstanding shares of Club Monaco Inc. ("Club Monaco"), a corporation organized under the laws of the Province of Ontario, Canada. Founded in 1985, Club Monaco is an international specialty retailer of casual apparel and other accessories which are sold under the "Club Monaco" brand name and associated trademarks. As of April 3, 1999, Club Monaco operated 57 freestanding stores in Canada and 13 in the United States. In addition, Club Monaco franchises three freestanding stores in Canada, four freestanding stores and 20 shop-within-shops in Japan and 25 shop-within-shops in Korea and other parts of Asia. Club Monaco has also granted licenses for the manufacture and distribution of silver jewelry and eyewear in Canada and the United States. The Company used its new 1999 Credit Facility (as defined) to finance this acquisition. See "-- Liquidity and Capital Resources."

Licensing revenue consists of royalties paid to the Company under its licensing alliances. In fiscal 1999, Product, International and Home Collection licensing alliances accounted for 50.4%, 25.0% and 24.6% of total licensing revenue, respectively. Through these alliances, Polo combines its core skills with the product or geographic competencies of its licensing partners to create and develop specific businesses. The growth of existing and development of new businesses under licensing alliances has resulted in an increase in licensing revenue to $208.0 million in fiscal 1999 from $100.0 million in fiscal 1995.

During the fourth quarter of fiscal 1999, the Company formalized its plans

to streamline operations within its wholesale and retail operations and reduce its overall cost structure (the "Restructuring Plan"). The major initiatives of the Restructuring Plan include the following: (1) an evaluation of the Company's retail operations and site locations; (2) the realignment and operational integration of the Company's wholesale operating units; and (3) the realignment and consolidation of corporate strategic business functions and internal processes.

In an effort to improve the overall profitability of its retail operations, in fiscal 2000 the Company plans to close three Polo stores and three outlet stores that were not performing at an acceptable level. Additionally, the Company will convert two Polo stores and five outlet stores to new concepts that are expected to be more productive. Costs associated with this aspect of the Restructuring Plan include lease and contract termination costs, store fixed asset (primarily leasehold improvements) and intangible asset write downs and severance and termination benefits.

The Company's wholesale operations were realigned into two new operating units: Polo Brands and Collection Brands. Aspects of this realignment included: (i) the reorganization of the sales force and retail development areas; (ii) the streamlining of the design and development process; and (iii) the consolidation of the customer service departments. Additionally, the Company is in the process of integrating the production and sourcing of its Polo Brands, outlet store and licensees' products into one consolidated unit. Costs associated with the wholesale realignment consist primarily of severance and termination benefits and lease termination costs.

The Company's review of its corporate business functions and internal processes resulted in a new management structure designed to better align businesses with similar

functions and the identification and elimination of duplicative processes. Costs associated with the corporate realignment consist primarily of severance and termination benefits and lease termination costs.

In connection with the implementation of the Restructuring Plan, the Company recorded a restructuring charge of $58.6 million on a pre-tax basis in its fourth quarter of fiscal 1999. The major components of the restructuring charge included lease and contract termination costs of $24.7 million, asset write downs of $17.8 million, severance and termination benefits of $15.3 million and other restructuring costs of $0.8 million. Total severance and termination benefits as a result of the Restructuring Plan relate to approximately 280 employees, 140 of which were terminated through May 1999. The Company expects to substantially complete the implementation of the Restructuring Plan during fiscal 2000.

In connection with the Company's growth strategy, the Company plans to introduce new products and brands and expand its retail operations. Implementation of these strategies may require significant investments for advertising, furniture and fixtures, infrastructure, design and additional inventory. Notwithstanding the Company's investment, there can be no assurance that its growth strategies will be successful.

PRO FORMA COMBINED STATEMENT OF INCOME FOR FISCAL 1997

The following table sets forth for fiscal 1997: (i) actual combined statement of income; (ii) pro forma adjustments to reflect fiscal 1998 transactions, including the PRC Acquisition, the initial public offering and the reorganization as if they had occurred on March 31, 1996; and (iii) pro forma combined statement of income:

PRO FORMA COMBINED STATEMENT OF INCOME
FISCAL 1997
(IN THOUSANDS)
(UNAUDITED)

	ACTUAL COMBINED	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	$1,043,330	$ 88,356 (1)	$1,131,686
Licensing revenue	137,113		137,113
Other income	7,774		7,774
Net revenues	1,188,217		1,276,573
Cost of goods sold	652,000	38,406 (1)	690,406
Gross profit	536,217		586,167
Selling, general and administrative expenses	378,854	53,812 (1) 868 (1)	433,534
Income from operations	157,363		152,633
Interest expense (income)	13,660	(15,289)(1)(2)	(1,629)
Equity in net loss of joint venture	3,599	(3,599)(1)	
Income before income taxes	140,104		154,262
Provision for income taxes	22,804	41,986 (3)	64,790
Net income	$ 117,300		$ 89,472

(1) Effective April 3, 1997, the Company acquired the remaining 50% interest in PRC. The adjustments above reflect the PRC Acquisition which is accounted for under the purchase method. As a result of this transaction, the Company's combined statement of income has been adjusted to reflect the consolidation of PRC's operations from March 31, 1996, the amortization of goodwill over 25 years and the elimination of the Company's equity in net loss of PRC.

(2) Adjustment to reduce interest expense, assuming the application of the net proceeds from the initial public offering were used to repay outstanding indebtedness of the Company as of March 31, 1996.

(3) Adjustment to reflect income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes, calculated using a pro forma effective tax rate of 42.0% for fiscal 1997.

RESULTS OF OPERATIONS

The following discussion provides information and analysis of the Company's results of operations for fiscal 1999 as compared to fiscal 1998 and fiscal 1998 as compared to fiscal 1997. The discussion of the Company's results of operations for fiscal 1997 is presented on a pro forma basis, assuming the PRC Acquisition had occurred as of March 31, 1996. As a result of the Company's initial public offering completed on June 17, 1997, and the use of a portion of the net proceeds therefrom to reduce outstanding indebtedness, historical interest expense is not discussed below because such information is not meaningful. The effect of income taxes is also not discussed below because the historic taxation of the operations of the Company is not meaningful with respect to periods following the reorganization.

The table below sets forth the percentage relationship to net revenues of certain items in the Company's statements of income, which have been reclassified for comparative

purposes, for fiscal 1999, fiscal 1998 and fiscal 1997 presented on a historical and pro forma basis, as indicated:

	HISTORICAL			PRO FORMA
	1999	1998	1997	1997
Net sales	87.2%	88.1%	87.8%	88.7%
Licensing revenue	12.0	11.3	11.5	10.7
Other income	0.8	0.6	0.7	0.6
Net revenues	100.0	100.0	100.0	100.0
Gross profit	47.6	48.7	45.1	45.9
Selling, general and administrative expenses	35.2	35.2	31.9	33.9
Restructuring charge	3.4	--	--	--
Income from operations	9.0%	13.5%	13.2%	12.0%

FISCAL 1999 COMPARED TO FISCAL 1998

NET SALES. Net sales increased 15.4% to $1.5 billion in fiscal 1999 from $1.3 billion in fiscal 1998. Wholesale net sales increased 15.4% to $845.7 million in fiscal 1999 from $733.1 million in fiscal 1998. Wholesale growth primarily reflects volume-driven sales increases in existing menswear and womenswear brands and increased menswear and womenswear sales resulting from the timing of shipments to retailers. These unit increases were offset by decreases in average selling prices resulting from changes in product mix. Retail sales increased by 15.5% to $659.4 million in fiscal 1999 from $570.8 million in fiscal 1998. Of this increase, $90.7 million is attributable to the opening of four new Polo stores (net of two store closings) and 27 new outlet stores (net of three store closings) in fiscal 1999, and the benefit of a full year of operations for three new Polo stores and ten new outlet stores opened in fiscal 1998. Additionally, retail sales were favorably impacted by the inclusion in fiscal 1999 of a 53rd week as compared to 52 weeks in fiscal 1998. Comparable store sales for fiscal 1999 decreased by 2.0%, excluding the impact of the 53rd week in fiscal 1999, largely due to the following: (i) the effects of a more challenging economic environment compared to fiscal 1998; (ii) lower tourism, most notably in the Company's West Coast and Hawaiian stores; (iii) issues encountered during a conversion of the Company's retail merchandising systems during its second fiscal quarter; and (iv) unseasonably warm weather conditions throughout the United States during the fall selling season as well as other weather issues and store closings. Comparable store sales represent net sales of stores open in both reporting periods for the full portion of such periods.

LICENSING REVENUE. Licensing revenue increased 24.5% to $208.0 million in fiscal 1999 from $167.1 million in fiscal 1998. This increase is primarily attributable to an overall increase in sales of existing licensed products, particularly Chaps, Lauren, Polo Jeans and Home Collection, and the Company's continued expansion and growth in international markets.

GROSS PROFIT. Gross profit as a percentage of net revenues decreased to 47.6% in fiscal 1999 from 48.7% in fiscal 1998. This decrease was primarily attributable to lower retail gross margins due to higher markdowns. Wholesale gross margins decreased slightly in fiscal 1999 in comparison to fiscal 1998. These decreases were offset by an increase in licensing revenue as a percentage of net revenues to 12.0% in fiscal 1999 from 11.3% in fiscal 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased by $87.3 million to $608.1 million in fiscal 1999 from $520.8 million in fiscal 1998. The increase in SG&A expenses is principally due to increased volume-related expenses to support revenue growth, increased depreciation expense associated with the Company's shop-within-shops development program and start-up costs associated with the expansion of the Company's retail operations. Despite these increases, SG&A expenses as a percentage of net revenues remained constant at 35.2%.

FISCAL 1998 (HISTORICAL BASIS) COMPARED TO FISCAL 1997 (PRO FORMA BASIS)

NET SALES. Net sales increased 15.2% to $1.30 billion in fiscal 1998 from $1.13 billion in fiscal 1997. Wholesale net sales increased 17.7% to $733.1 million in fiscal 1998 from $623.0 million in fiscal 1997. Wholesale growth primarily reflects increased menswear sales resulting from growth in the Company's basic stock replenishment program, improved sales in existing brands, a shift in the sales mix to higher priced wholesale products and sales from the Company's third party wholesale trading business which began operations in the fourth quarter of fiscal 1997. Wholesale growth also reflects increased womenswear sales due to the introduction of Polo Sport in the fourth quarter of fiscal 1997. Retail sales increased 12.2% to $570.8 million in fiscal 1998 from $508.6 million in fiscal 1997. Of this increase, $60.9 million is attributable to the opening of two new Polo stores (net of one store closing) and seven new outlet stores (net of three store closings) in fiscal 1998 and the benefit of a full year of operations for three new Polo stores and ten new outlet stores opened in fiscal 1997.

LICENSING REVENUE. Licensing revenue increased 21.9% to $167.1 million in fiscal 1998 from $137.1 million in fiscal 1997. This increase reflects the benefit of a full year of licensing revenue in fiscal 1998 from the launch of the Lauren women's line in the second quarter of fiscal 1997. Additionally, licensing revenue improved due to an overall increase in sales of existing licensed products, particularly Chaps and Home Collection, both of which introduced new product categories.

GROSS PROFIT. Gross profit as a percentage of net revenues increased to 48.7% in fiscal 1998 from 45.9% in fiscal 1997. This increase was attributable to improvements in each of the Company's integrated operations. Wholesale gross margins increased significantly in fiscal 1998 over fiscal 1997 as a direct result of increased fulfillment of customer orders, improved supply chain management and a planned reduction in off-price sales. Retail gross margins also increased significantly in fiscal 1998 as compared to fiscal 1997 primarily due to the benefit of operating five new Polo stores (net of one store closing) which were opened in fiscal 1998 and fiscal 1997, and an improved initial markup. Licensing revenue increased as a percentage of net revenues to 11.3% in fiscal 1998 from 10.7% in fiscal 1997.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased to $520.8 million or 35.2% of net revenues in fiscal 1998 from $433.5 million or 33.9% of net revenues in fiscal 1997. This increase as a percentage of net revenues was attributable to increased depreciation expense associated with the Company's shop-within-shops development program, increased advertising, marketing and public relations expenditures to support the Company's brands and a one-time charge under terms of a long-term contract with a former executive.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements primarily derive from working capital needs, construction and renovation of shop-within-shops, retail expansion and other corporate activities. The Company's main sources of liquidity are cash flows from operations and credit facilities.

Net cash provided by operating activities decreased to $38.5 million in fiscal 1999 from $96.2 million in fiscal 1998. This reduction was primarily driven by increases in inventories due to timing of shipments, the overall growth of the business and a build-up of excess seasonal basic product inventories. The Company believes that the excess seasonal basic product inventories are of high-quality and plans to reduce these inventory levels by decreasing production commitments in fiscal 2000. The remaining decrease in cash flow from operations was due to the timing of payments to vendors. Net cash used in investing activities increased to $196.2 million in fiscal 1999 from $74.9 million in fiscal 1998 principally due to higher capital expenditures and the investment of $44.2 million in an escrow account restricted for the fiscal 2000 acquisition of Club Monaco. Net cash provided by financing activities increased to $143.4 million in fiscal 1999 from $7.8 million in fiscal 1998. This increase primarily reflects the utilization of borrowings for operations and the fiscal 2000 acquisition of Club Monaco offset by repurchases of common stock in fiscal 1999.

On June 9, 1997, the Company entered into a credit facility with a syndicate of banks which provides for a $225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002 (the "Credit Facility"). Borrowings under the Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin.

On March 30, 1999, in connection with the Company's acquisition of Club Monaco, the Company entered into a $100.0 million senior credit facility (the "1999 Credit Facility") with a syndicate of banks consisting of a $20.0 million revolving line of credit and an $80.0 million term loan (the "Term Loan"). The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The Term Loan will be used to finance the acquisition of all of the outstanding common stock of Club Monaco and to repay indebtedness of Club Monaco, as further described below. The Term Loan is repayable on June 30, 2003. Borrowings under the 1999 Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin. In April 1999, the Company entered into interest rate swap agreements with a notional amount of $100.0 million to convert the variable interest rate on the 1999 Credit Facility to a fixed rate of 5.5%.

The Credit Facility and 1999 Credit Facility (collectively, the "Credit Facilities") contain customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of

assets and transactions with affiliates. Additionally, the agreements provide that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

As of April 3, 1999, the Company had $115.5 million outstanding in direct borrowings and $44.2 million outstanding under the Term Loan and was contingently liable for $22.7 million in outstanding letters of credit related

to commitments for the purchase of inventory and in connection with its leases under the Credit Facilities. The weighted average interest rate on amounts outstanding under the Credit Facilities at April 3, 1999, was 6.9%.

Total cash outlays related to the Restructuring Plan are expected to be approximately $39.5 million, $3.9 million of which was paid in fiscal 1999.

Capital expenditures were $141.7 million, $63.1 million and $35.3 million in fiscal 1999, fiscal 1998 and fiscal 1997, respectively. The increase in capital expenditures represents primarily expenditures associated with the Company's shop-within-shops development program which includes new shops, renovations and expansions, as well as expenditures incurred in connection with the expansion of the Company's retail operations. Additionally, capital expenditure increases reflect the purchase by the Company of a distribution center in North Carolina for $16.0 million, which it had been previously leasing. The Company plans to invest approximately $130.0 million, net of landlord incentives, over the next fiscal year for its distribution facilities, its retail concept and outlet stores, the shop-within-shops development program, its information systems and other capital projects.

On April 6, 1999, PRL Acquisition Corp., a Nova Scotia unlimited liability corporation and a wholly owned subsidiary of the Company, acquired, through a tender offer, 98.83% of the outstanding shares of Club Monaco. On May 3, 1999, PRL Acquisition Corp. acquired the remaining outstanding 1.17% shares pursuant to a statutory compulsory acquisition. The total purchase price was approximately $52.0 million in cash based on current exchange rates. The Company used funds under its 1999 Credit Facility to finance this transaction and to repay in full assumed debt of approximately $35.0 million. At April 3, 1999, in connection with the tender offer, the Company had set aside approximately $44.2 million of cash in an escrow account restricted for the acquisition of the common stock of Club Monaco.

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to $100.0 million of the Company's Class A Common Stock. Share repurchases under this plan will be made from time to time in the open market over a two-year period which commenced April 1, 1998. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes. As of April 3, 1999, the Company had repurchased 603,864 shares of its Class A Common Stock at an aggregate cost of $16.1 million.

The Company extends credit to its customers, including those which have accounted for significant portions of its net revenues. The Company had three customers, Dillard Department Stores, Inc., Federated Department Stores, Inc. and The May Department Stores Company, which in aggregate constituted approximately 58.0% and 53.0% of trade accounts receivable outstanding at April 3, 1999 and March 28, 1998, respectively. Additionally, the Company had four licensing partners, Jones Apparel Group, Inc. ("Jones"), Seibu Department Stores, Ltd. ("Seibu"), WestPoint Stevens, Inc. ("WPS") and

Warnaco, Inc., which in aggregate constituted approximately 55.0% of licensing revenue in fiscal 1999. WPS, Seibu and Jones constituted, in aggregate, approximately 35.0% of licensing revenue in fiscal 1998 while WPS, Seibu and L'Oreal S.A./Cosmair Inc. constituted, in aggregate, approximately 39.0% of licensing revenue in fiscal 1997. Accordingly, the Company may have significant exposure in collecting accounts receivable from its wholesale customers and licensees. The Company has credit policies and procedures which it uses to manage its credit risk.

Management believes that cash from ongoing operations and funds available under the Credit Facilities will be sufficient to satisfy the Company's current level of operations, the Restructuring Plan, capital requirements, stock repurchase program, acquisition of Club Monaco and other corporate activities for the next 12 months. The Company does not currently intend to pay dividends

on its Common Stock in the next 12 months.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is affected by seasonal trends, with higher levels of wholesale sales in its second and fourth quarters and higher retail sales in its second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments to retail customers and key vacation travel and holiday shopping periods in the retail segment. As a result of growth in the Company's retail operations and licensing revenue, historical quarterly operating trends and working capital requirements may not accurately reflect future performances. In addition, fluctuations in sales and operating income in any fiscal quarter may be affected by the timing of seasonal wholesale shipments and other events affecting retail.

EXCHANGE RATES

Inventory purchases from contract manufacturers in the Far East are primarily denominated in U.S. dollars; however, purchase prices for the Company's products may be affected by fluctuations in the exchange rate between the U.S. dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods sold in the future. During the last two years, exchange rate fluctuations have not had a material impact on the Company's inventory cost. Additionally, certain international licensing revenue could be materially affected by currency fluctuations. From time to time, the Company hedges certain exposures to foreign currency exchange rate changes arising in the ordinary course of business.

NEW ACCOUNTING STANDARDS

In April 1998, the American Institute of Certified Public Accountants' ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), Reporting on the Costs of Start-up Activities. SOP 98-5 requires that costs of start-up activities, including store pre-opening costs, be expensed as incurred. The Company's current accounting policy is to capitalize store pre-opening costs as prepaid expenses and amortize such costs over a twelve month period following store opening. The Company will adopt the provisions of SOP 98-5 in its first quarter of fiscal 2000, as required, and record a charge of $3.9 million, after taxes, as the cumulative effect of a change in accounting principle.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement

establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of the fiscal year ending March 31, 2001, and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on its financial position or results of operations.

IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain of the Company's computer programs have date-sensitive software which may recognize a date using "00" as the year 1900 rather than the year 2000. This situation could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

In 1997, the Company, with the aid of outside consultants, initiated a program to assess the impact of Year 2000 issues on its information technology ("IT") systems and its non-IT systems and has formulated a plan to address its Year 2000 issues.

Through its assessment, the Company has identified potential date deficiencies in its IT systems, both hardware and software and in its non-IT systems (including functions involving embedded chip technology), and is in the process of addressing these deficiencies through upgrades, replacements and other remediation. The Company expects to complete remediation of its material IT systems no later than the summer of 1999. In connection with other equipment with date sensitive operating controls such as distribution center equipment, HVAC, employee time clocks, security and other similar systems, the Company is in the process of identifying those items which may require replacement or other remediation and, in a significant majority of the cases, believes it has taken steps adequate to ensure such equipment is Year 2000 compliant. The Company expects to complete testing and replacement or other remediation of this equipment no later than the summer of 1999.

The Company has made inquiries of third parties with whom it has material business relationships (such as customers, suppliers, licensees, transportation carriers, utility and other general service providers) to determine whether they will be able to resolve in a timely manner any Year 2000 issues that will materially and adversely impact the Company. This process includes the solicitation of written responses to questionnaires, followed, in some cases, by meetings with certain of such third parties. To date, approximately 60.0% of those contacted have responded, none of whom have raised any Year 2000 issues which the Company believes would have a materially adverse affect on the Company. The Company is in the process of sending follow-up inquiries to third parties and expects to complete its survey of third parties in the late summer of 1999.

To date, the Company has incurred expenses of approximately $5.1 million related to the assessment of its Year 2000 issues and development and implementation of its remediation plan. The total remaining cost of the Company's Year 2000 project is estimated at $1.0 to $2.0 million and is being funded through operating cash flows. Such costs do not include internal management time and the deferral of other projects, the

effects of which are not expected to be material to the Company's results of operations or financial condition. Of the total project cost, approximately $0.6 million is attributable to the purchase of new software which will be capitalized. The remainder will be expensed as incurred. The costs of the Year 2000 project and the dates upon which the Company plans to complete its Year 2000 initiatives are based on management's best estimates, which were derived by utilizing several assumptions of future events including continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from those plans.

The Company believes that it is difficult to identify its most reasonable worst case Year 2000 scenario. However, a reasonable worst case Year 2000 scenario would be a failure by a significant third party in the Company's supply and distribution chain (including, without limitation, utility or other general service provider, government authority or third party with whom it has a material business relationship) to remediate its Year 2000 deficiencies that continues for several days or more. Any such failure could impair the manufacture and/or delivery of products, and/or the processing of orders, and shipments. In addition, a failure by the Company to remediate any of its internal inventory management systems would adversely affect its stock allocation program, resulting in mistimed shipments and potential order cancellations. These scenarios would likely have a material adverse effect on the Company's results of operations, and, in particular, would result in the

loss of sales and revenue. The extent of lost revenue as a result of these scenarios cannot be estimated at this time.

The Company continues to develop contingency plans to limit the effect of any Year 2000 issues on its operations and results, and intends to finalize its contingency plans by no later than the summer of 1999. As an example, the Company continues to explore, where possible, alternate service providers. The Company's Year 2000 efforts are ongoing and its overall plan, as well as its development of contingency plans, will continue to evolve as new information becomes available. While the Company anticipates continuity of its business activities, that continuity will be dependent upon its ability, and the ability of third parties with whom the Company relies on directly, or indirectly, to be Year 2000 compliant in a timely fashion.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item appears beginning on page F-1.

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.

The other information required to be included herein by Item 10 of Form 10-K will be included in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders which will be filed within 120 days after the close of the Company's fiscal year ended April 3, 1999 and such information is incorporated herein by reference to such Proxy Statement.

The following table sets forth certain information with respect to the directors and executive officers of the Company as of June 22, 1999.

NAME	AGE	POSITION
Ralph Lauren.....	59	Chairman, Chief Executive Officer and Director
Michael J. Newman.....	53	Vice Chairman, Chief Operating Officer and Director
Richard A. Friedman.....	41	Director
Frank A. Bennack, Jr.....	66	Director
Joel L. Fleishman.....	65	Director
Allen Questrom.....	59	Director
Terry S. Semel.....	56	Director
Peter Strom.....	70	Director
Victor Cohen.....	45	Senior Vice President, General Counsel and Secretary

F. Lance Isham.....	54	President
Nancy A. Platoni Poli.....	43	Senior Vice President and Chief Financial Officer
Karen L. Rosenbach.....	44	Senior Vice President, Human Resources and Administration
Hamilton South.....	34	Group President, Chief Marketing Officer

RALPH LAUREN has been a director of the Company since prior to the commencement of the Company's initial public offering and was a member of the Advisory Board or Board of Directors of the Company's predecessors since their organization. Mr. Lauren is the Company's Chairman and Chief Executive Officer. He founded Polo in 1968 and has provided leadership in the design, marketing and operational areas since such time.

MICHAEL J. NEWMAN has been a director of the Company since prior to the commencement of the Company's initial public offering and was a member of the Advisory Board of the Company's predecessor since April 1995. Mr. Newman has been Vice Chairman and Chief Operating Officer of the Company since 1995. He was President and Chief Operating Officer of the Company's Menswear operations from 1991 to 1994, and Executive Vice President from 1989 to 1991. Mr. Newman joined Polo as Vice President of Finance and Chief Financial Officer in 1987. Prior to joining the Company, Mr. Newman was Senior Vice President of Finance at Kaiser-Roth Apparel.

F. LANCE ISHAM has been President of the Company since November 1998, prior to which he served as Group President of the Menswear operations. Mr. Isham is responsible for the day-to-day operations of sales, merchandising, retail development, production, manufacturing services and distribution. He joined Polo in 1982, and has held a variety of sales positions in the Company including Executive Vice President of Sales and Merchandising.

RICHARD A. FRIEDMAN has been a director of the Company since prior to the commencement of the Company's initial public offering and was a member of the Advisory Board of the Company's predecessor since 1994. Mr. Friedman is a Managing Director of Goldman, Sachs & Co., and head of the Principal Investment Area. He joined Goldman, Sachs & Co. in 1981. Mr. Friedman is a member of the Board of Directors of AMF Bowling, Inc. and Carmike Cinemas Inc.

FRANK A. BENNACK, JR. has been a director of the Company since January 1998. Mr. Bennack has been the President and Chief Executive Officer of The Hearst Corporation since 1979. He is a member of the Board of Directors of The Hearst Corporation, Hearst-Argyle Television, Inc., American Home Products Corporation, The Chase Manhattan Corporation and The Chase Manhattan Bank.

JOEL L. FLEISHMAN has been a director of the Company since January 1999. He has been a Professor of Law and Public Policy, Terry Sanford Institute of Public Policy at Duke University since 1971 and the Director of the Samuel and Ronnie Heyman Center for Ethics, Public Policy and the Professions at Duke University since 1987. In addition, Mr. Fleishman has been the President of The Atlantic Philanthropic Service Company, Inc. since 1993. Mr. Fleishman is a member of the Board of Directors of Boston Scientific Corporation.

ALLEN QUESTROM has been a Director of the Company since September 1997. Mr. Questrom has been the Chairman, President and Chief Executive Officer of Barneys New York Inc. since May 1999 and was the Chairman and Chief Executive Officer of Federated Department Stores, Inc. from February 1990 to May 1997. He is a member of the Board of Directors of Interpublic Group of Companies, Inc., AEA Investors, Inc. and Barneys New York Inc.

TERRY S. SEMEL has been a director of the Company since September 1997. Mr. Semel has been the Chairman of the Board and Co-Chief Executive Officer of

the Warner Bros. Division of Time Warner Entertainment LP ("Warner Brothers"), since March 1994 and of Warner Music Group since November 1995. For more than ten years prior to that he was President of Warner Brothers or its predecessor, Warner Bros. Inc. Mr. Semel is a member of the Board of Directors of Revlon, Inc.

PETER STROM has been a director of the Company since September 1997 and was a member of the Advisory Board of the Company's predecessor from October 1994 until his retirement in April 1995. Mr. Strom was an initial officer of Polo in 1968 and held various management positions in the Company, including, at the time of his retirement, serving as the Company's Vice Chairman and Chief Operating Officer.

VICTOR COHEN has been Senior Vice President, General Counsel and Secretary of the Company since 1996. Mr. Cohen joined Polo in 1983 as its senior legal officer responsible for all legal and corporate affairs. Prior to joining the Company, he was associated with the law firm of Skadden, Arps, Slate, Meagher & Flom.

41

NANCY A. PLATONI POLI has been Chief Financial Officer of the Company since 1996 and Senior Vice President since 1997. Ms. Poli was Vice President and Controller from 1989 to 1996, and assumed responsibility for treasury functions in addition to her controller functions in 1995. Prior to that, she was Controller of Retail Finance. Ms. Poli joined the Company in 1984.

KAREN L. ROSENBACH has been Senior Vice President, Human Resources and Administration of the Company since 1996. Ms. Rosenbach joined the Company in 1988 as Vice President of Human Resources. Prior to joining the Company, she was Vice President of Human Resources, Real Estate Group at Chemical Bank.

HAMILTON SOUTH was appointed to the corporate position of Group President, Chief Marketing Officer of the Company in March 1999. Mr. South joined Polo in 1996 as Senior Vice President, Worldwide Communications. Prior to joining Polo, Mr. South was editor-at-large of Vanity Fair Magazine from 1990.

Each executive officer serves for a one-year term ending at the next annual meeting of the Company's Board of Directors, subject to his or her applicable employment agreement and his or her earlier death, resignation or removal.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required to be included herein by Items 11 through 13 of Form 10-K will be included in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders, which will be filed within 120 days after the close of the Company's fiscal year ended April 3, 1999 and such information is incorporated herein by reference to such Proxy Statement.

42

PART IV

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

(a) 1, 2. Financial Statements and Schedules. See index on Page F-1.

3. Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-24733)) (the "S-1").*
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1).*
10.1	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+
10.3	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*
10.4	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*
10.5	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*
10.6	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*
10.7	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter Agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*
10.8	Amendment, dated November 27, 1992, to Foreign Design And Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*
10.9	License Agreement, made as of January 1, 1998, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc.** (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 1998 (the "Fiscal 1998 10-K")*
10.10	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*
10.11	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan

Co., Ltd.** (filed as Exhibit 10-11 to the S-1)*

43

EXHIBIT NUMBER	DESCRIPTION
10.12	Deferred Compensation Agreement dated April 1, 1993, between Michael J. Newman and Polo Ralph Lauren Corporation, assigned October 31, 1994: to Polo Ralph Lauren, L.P. (filed as Exhibit 10.12 to the S-1)*+
10.13	Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P.(filed as Exhibit 10.14 to the S-1)*+
10.14	Amendment to Deferred Compensation Agreement made as of November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation
10.15	Amended and Restated Employment Agreement dated October 26, 1993 between Michael J. Newman and Polo Ralph Lauren Corporation, as amended and assigned October 31, 1994 to Polo Ralph Lauren, L.P. and as further amended as of June 9, 1997 (filed as Exhibit 10.17 to the S-1)*+
10.16	Amended and Restated Employment Agreement effective November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation+
10.17	Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*
10.18	Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*
10.19	Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*
10.20	Credit Agreement between Polo Ralph Lauren Corporation and the Chase Manhattan Bank dated as of March 30, 1999
10.21	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*
10.22	Employment Agreement dated June 9, 1997 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as exhibit 10.27 to the S-1)*+
10.23	Amended and Restated Employment Agreement effective April 4, 1999 between Ralph Lauren and Polo Ralph Lauren Corporation+

10.24	Employment Agreement effective November 10, 1998, between Hamilton South and Polo Ralph Lauren Corporation+
10.25	Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.** (filed as Exhibit 10.25 to the Fiscal 1998 10-K)*
10.26	License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.**
21.1	List of Significant Subsidiaries of the Company.
24.1	Powers of Attorney.
27.1	Financial Data Schedule.

* Incorporated herein by reference.

\+ Exhibit is a management contract or compensatory plan or arrangement.

** Portions of Exhibits 10.4 - 10.11 and 10.24 and 10.25 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

(b) The Company filed no reports on Form 8-K during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(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.

POLO RALPH LAUREN CORPORATION
(Registrant)

By: /s/ Ralph Lauren

Ralph Lauren
Chairman of the Board of Directors and
Chief Executive Officer

Date: June 25, 1999

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 and on the date indicated.

SIGNATURE	TITLE(S)	DATE
/s/ Ralph Lauren --- Ralph Lauren	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 25, 1999
/s/ Michael J. Newman --- Michael J. Newman	Vice Chairman of the Board of Directors and Chief Operating Officer	June 25, 1999

/s/ Nancy A. Platoni Poli Nancy A. Platoni Poli	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 25, 1999
/s/ Frank A. Bennack, Jr. Frank A. Bennack, Jr.	Director	June 25, 1999
/s/ Joel L. Fleishman Joel L. Fleishman	Director	June 25, 1999
/s/ Richard A. Friedman Richard A. Friedman	Director	June 25, 1999
/s/ Allen Questrom Allen Questrom	Director	June 25, 1999
/s/ Terry S. Semel Terry S. Semel	Director	June 25, 1999
/s/ Peter Strom Peter Strom	Director	June 25, 1999

45

POLO RALPH LAUREN CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

46

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Polo Ralph Lauren Corporation New York, New York

We have audited the accompanying consolidated balance sheets as of April 3, 1999 and March 28, 1998 of Polo Ralph Lauren Corporation and subsidiaries (the "Company") and the related consolidated statements of income, stockholders'

equity, and cash flows for the years then ended and the combined statements of income, partners' capital, and cash flows for the year ended March 29, 1997. 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, such financial statements present fairly, in all material respects, the financial position of the Company as of April 3, 1999 and March 28, 1998, and the results of their operations and their cash flows for each of the three years in the period ended April 3, 1999 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New York, New York
May 21, 1999

POLO RALPH LAUREN CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	APRIL 3, 1999	MARCH 28, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 44,458	$ 58,755
Accounts receivable, net of allowances of $13,495 and $12,447, respectively	157,203	149,120
Inventories	376,860	298,485
Deferred tax assets	51,939	24,448
Prepaid expenses and other	48,994	25,656
TOTAL CURRENT ASSETS	679,454	556,464
Property and equipment, net	261,799	175,348
Deferred tax assets	12,493	14,213
Restricted cash	44,217	--
Other assets, net	106,621	79,105
	$ 1,104,584	$ 825,130
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and acceptances payable - banks	$ 115,500	$ --
Accounts payable	88,898	100,126
Income taxes payable	17,432	2,554
Accrued expenses and other	126,142	99,578
TOTAL CURRENT LIABILITIES	347,972	202,258
Long-term debt	44,217	--

Other noncurrent liabilities	53,490	38,546
Commitments and contingencies (Note 13)	--	--
Stockholders' equity		
Common Stock		
Class A, par value $.01 per share; 500,000,000 shares authorized; 34,381,653 and 34,272,726 shares issued, respectively	344	343
Class B, par value $.01 per share; 100,000,000 shares authorized; 43,280,021 shares issued and outstanding	433	433
Class C, par value $.01 per share; 70,000,000 shares authorized; 22,720,979 shares issued and outstanding	227	227
Additional paid-in-capital	450,030	447,918
Retained earnings	227,288	136,738
Treasury Stock, Class A, at cost (603,864 shares)	(16,084)	--
Unearned compensation	(3,333)	(1,333)
TOTAL STOCKHOLDERS' EQUITY	658,905	584,326
	$ 1,104,584	$ 825,130

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE DATA)

	FISCAL YEAR ENDED		
	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997
Net sales	$1,505,056	$1,303,816	$1,043,330
Licensing revenue	208,009	167,119	137,113
Other income	13,794	9,609	7,774
Net revenues	1,726,859	1,480,544	1,188,217
Cost of goods sold	904,586	759,988	652,000
Gross profit	822,273	720,556	536,217
Selling, general and administrative expenses	608,128	520,801	378,854
Restructuring charge	58,560	--	--
Income from operations	155,585	199,755	157,363
Interest expense	2,759	159	13,660
Equity in net loss of joint venture	--	--	3,599
Income before income taxes	152,826	199,596	140,104
Provision for income taxes	62,276	52,025	22,804
Net income	$ 90,550	$ 147,571	$ 117,300

	PRO FORMA
Historical income before income taxes	$ 199,596
Pro forma adjustments other than income taxes	3,162
Pro forma income before income taxes	202,758

Pro forma provision for income taxes		82,631
Pro forma net income		$ 120,127
Net income per share - Basic and Diluted	$ 0.91	$ 1.20
Common shares outstanding - Basic	99,813,328	100,222,444
Common shares outstanding - Diluted	99,972,152	100,222,444

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN-	RETAINED EARNINGS AND PARTNERS'	TREASURY STOCK, AT COST	
	SHARES	AMOUNT	CAPITAL	CAPITAL	SHARES	AMOUNT
BALANCE AT MARCH 30, 1996	--	--	--	$ 237,653	--	--
Net income				117,300		
Distributions to partners				(94,268)		
BALANCE AT MARCH 29, 1997	--	--	--	260,685	--	--
Net income				147,571		
Distributions to partners				(45,640)		
Reorganization	89,000,000	890	176,537	(177,427)		
Dividend and Reorganization Notes paid				(48,451)		
Common stock issued in public offering, net	11,170,000	112	268,685			
Common stock issued in PRC Acquisition	26,803	--	697			
Restricted stock grants	76,923	1	1,999			
BALANCE AT MARCH 28, 1998	100,273,726	1,003	447,918	136,738	--	--
Net income				90,550		
Exercise of stock options	4,352		113			
Repurchases of common stock					603,864	(16,084)
Restricted stock grants	104,575	1	1,999			
BALANCE AT APRIL 3, 1999	100,382,653	$ 1,004	$ 450,030	$ 227,288	603,864	$ (16,084)

	UNEARNED COMPENSATION	TOTAL
BALANCE AT MARCH 30, 1996	--	$237,653
Net income		117,300
Distributions to partners		(94,268)
BALANCE AT MARCH 29, 1997	--	260,685
Net income		147,571
Distributions to partners		(45,640)

Reorganization		--
Dividend and Reorganization Notes paid		(48,451)
Common stock issued in public offering, net		268,797
Common stock issued in PRC Acquisition		697
Restricted stock grants	(1,333)	667
BALANCE AT MARCH 28, 1998	(1,333)	584,326
Net income		90,550
Exercise of stock options		113
Repurchases of common stock		(16,084)
Restricted stock grants	(2,000)	--
BALANCE AT APRIL 3, 1999	$(3,333)	$658,905

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED		
	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 90,550	$ 147,571	$ 117,300
Adjustments to reconcile net income to net cash provided by operating activities:			
Benefit from deferred income taxes	(25,771)	(27,997)	(938)
Depreciation and amortization	46,414	27,402	13,755
Equity in net loss of joint venture	--	--	3,599
Provision for losses on accounts receivable	1,060	1,155	833
Changes in deferred liabilities	(4,782)	9,584	5,067
Provision for restructuring charge	19,040	--	--
Other	2,073	3,198	(5,069)
Changes in assets and liabilities, net of acquisitions			
Accounts receivable	(9,542)	(4,352)	(137)
Inventories	(76,396)	(48,942)	46,702
Prepaid expenses and other	(25,526)	(2,031)	(9,223)
Other assets	(9,095)	(18,922)	(3,385)
Accounts payable	(13,452)	3,215	15,173
Income taxes payable and accrued expenses and other	43,950	6,325	19,943
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,523	96,206	203,620
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, net	(141,692)	(63,079)	(35,330)
Acquisition, net of cash acquired	(6,981)	(8,551)	--
Restricted cash for Club Monaco Acquisition	(44,217)	--	--
Investments in joint ventures	--	(5,812)	--
Cash surrender value - officers' life insurance, net	(3,339)	2,569	(3,230)
NET CASH USED IN INVESTING ACTIVITIES	(196,229)	(74,873)	(38,560)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net	113	268,797	--
Repurchases of common stock	(16,084)	--	--
Proceeds from (repayments of) short-term borrowings, net	115,500	(26,777)	(46,954)
Repayments of borrowings against officers' life insurance policies	--	(5,757)	--
Repayments of long-term debt and subordinated notes	(337)	(135,134)	(11,791)
Proceeds from long-term debt	44,217	--	--
Payment of Dividend and Reorganization Notes	--	(48,451)	--
Distributions paid to partners	--	(44,855)	(90,284)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	143,409	7,823	(149,029)
Net (decrease) increase in cash and cash equivalents	(14,297)	29,156	16,031

Cash and cash equivalents at beginning of period	58,755	29,599	13,568
Cash and cash equivalents at end of period	$ 44,458	$ 58,755	$ 29,599

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED		
	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 2,776	$ 4,410	$16,005
Cash paid for income taxes	$77,877	$73,873	$22,280
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Foreign tax credits distributed to partners		$ 509	$ 3,720
Capital obligations for completed shop-within-shops		$15,102	$ 8,600
Fair value of assets acquired, excluding cash	$14,868	$69,537	
Less:			
Cash paid	6,981	8,551	
Promissory notes issued	5,000	--	
Fair market value of common stock issued for acquisition	--	697	
Liabilities assumed	$ 2,887	$60,289	
Fair market value of restricted stock grants		$ 667	

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

1 BASIS OF PRESENTATION AND ORGANIZATION

(a) BASIS OF PRESENTATION

Polo Ralph Lauren Corporation ("PRLC") was incorporated in Delaware in March 1997. PRLC and its subsidiaries are collectively referred to herein as "Polo." On June 9, 1997, the partners and certain of their affiliates contributed to PRLC all of the outstanding stock of, and partnership interests in, the entities which comprised the predecessor group of companies in exchange for common stock of PRLC and promissory notes (the "Reorganization"). The accompanying combined financial statements for the year ended March 29, 1997 include the accounts of Polo Ralph Lauren

Enterprises, L.P. ("Enterprises"), Polo Ralph Lauren, L.P. and subsidiaries (collectively, the "Polo Partnership"), The Ralph Lauren Womenswear Company, L.P. and subsidiaries (collectively, "Womenswear") and Polo Retail Corporation and subsidiaries, a 50% joint venture with a previously nonaffiliated partner ("PRC," and together with Enterprises, Polo Partnership and Womenswear, the "Predecessor Company"). The controlling interests of the Predecessor Company were held by Mr. Ralph Lauren, with a 28.5% interest held by certain investment funds affiliated with The Goldman Sachs Group, Inc., successor to The Goldman Sachs Group, L.P. (collectively, the "GS Group").

The accompanying consolidated financial statements as of and for the year ended April 3, 1999, include the results of operations of Polo. The accompanying consolidated financial statements as of and for the year ended March 28, 1998, include the combined results of operations of the Predecessor Company through June 9, 1997, and the consolidated results of operations of Polo thereafter (Polo, together with the Predecessor Company, is referred to herein as the "Company"). The financial statements of PRLC have not been included prior to the Reorganization as PRLC was a shell company with no business operations.

The financial statements of the Predecessor Company have been presented on a combined basis because of their common ownership. The combined financial statements have been prepared as if the entities had operated as a single consolidated group since their respective dates of organization.

All significant intercompany balances and transactions have been eliminated. The equity method of accounting was used for the Company's investment in PRC during the year ended March 29, 1997, in which 50% of PRC was owned by a previously nonaffiliated partner. Subsequent to the Company's acquisition of the remaining 50% interest in PRC effective April 3, 1997, as discussed further in Note 1 (d) below, the results of operations of PRC have been consolidated and the acquisition has been accounted for as a purchase.

(b) INITIAL PUBLIC OFFERING

On June 17, 1997, PRLC completed the sale of 11.17 million shares of its Class A Common Stock at $26.00 per share in connection with its initial public offering. The net proceeds from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, aggregated $268.8 million. The net proceeds from the initial public offering were used

as follows: (i) to repay borrowings outstanding under the Company's Credit Facility (as defined see Note 7) in the amount of $163.5 million; (ii) to pay the Dividend and Reorganization Notes (as defined - see Note 1 (c)) in the amount of $43.0 million to Mr. Lauren and related entities and the GS Group; and (iii) to repay subordinated notes and interest thereon in the amount of $24.3 million to Mr. Lauren and the GS Group. The remaining $38.0 million was used for other general corporate purposes.

(c) DIVIDEND AND REORGANIZATION NOTES

On June 9, 1997, in connection with the Reorganization, the Company declared a dividend and issued reorganization notes aggregating $43.0 million to Mr. Lauren and the GS Group representing estimated undistributed earnings of the Predecessor Company through the closing of the

Reorganization ("Dividend and Reorganization Notes"). The Dividend and Reorganization Notes were paid with a portion of the net proceeds of the initial public offering (see Note 1 (b)). Effective June 9, 1997, the Company declared a second dividend (the "Second Dividend") to Mr. Lauren and the GS Group in an amount representing the difference between the actual amount of undistributed earnings through the closing of the Reorganization and the estimated amount of the Dividend and Reorganization Notes. The Second Dividend amounted to $5.4 million and was paid in the fourth quarter of fiscal 1998.

(d) ACQUISITION

On March 21, 1997, the Company entered into purchase agreements with its joint venture partners to acquire the remaining 50% interest in PRC, effective April 3, 1997, for consideration aggregating $10.4 million in cash and Class A Common Stock of PRLC ("PRC Acquisition"). The PRC Acquisition was completed simultaneously with the Company's initial public offering. Prior to the PRC Acquisition, the Company sold products to PRC in the amount of $40.3 million in fiscal 1997. Purchases by the Company from PRC amounted to $6.7 million in fiscal 1997.

(e) BUSINESS

The Company designs, licenses, contracts for the manufacture of, markets and distributes men's and women's apparel, accessories, fragrances, skin care products and home furnishings. The Company's sales are principally to major department and specialty stores located throughout the United States. Additionally, the Company also sells directly to consumers through Company-owned Polo stores, including flagship stores, and outlet stores located throughout the United States.

The Company is party to licensing agreements which grant the licensee exclusive rights to use the various trademarks owned by the Company in connection with the manufacture and sale of designated products in specified geographical areas. The license agreements typically provide for designated terms with renewal options based on achievement of specified sales targets. The agreements also require that certain minimum amounts be spent on advertising for licensed products. Additionally, as part of the licensing arrangements, each licensee is typically required to enter into a design services agreement pursuant to which design and other creative services are

provided. The license and design services agreements provide for payments based on specified percentages of net sales. Additionally, the Company has granted royalty-free licenses to independent parties to operate Polo stores to promote the sale of merchandise of the Company and its licensees both domestically and internationally.

A significant amount of the Company's products are produced in the Far East, through arrangements with independent contractors. As a result, the Company's operations could be adversely effected by political instability resulting in the disruption of trade from the countries in which these contractors are located, by the imposition of additional duties or regulations relating to imports, by the contractors' inability to meet the Company's production requirements or by other factors.

2 SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company's fiscal year ends on the Saturday nearest to March 31. All references herein to "1999," "1998" and "1997" represent the 52 or 53 week fiscal years ended April 3, 1999, March 28, 1998, and March 29, 1997, respectively. Fiscal 1999 reflects a 53-week period and fiscal 1998 and 1997 reflect a 52-week period.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

RESTRICTED CASH

At April 3, 1999, the Company had $44.2 million of cash held in escrow for the acquisition of Club Monaco Inc. ("Club Monaco") (see Note 16).

INVENTORIES

Wholesale inventories are valued at the lower of cost (first-in, first-out method) or market. Retail inventories are valued using the retail method.

STORE PRE-OPENING COSTS

Costs associated with the opening of a new store are deferred and amortized within one year commencing from the date of the store opening.

PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis. The range of useful lives is as follows: buildings - 39.5 years; furniture and fixtures and machinery and equipment - 3 to 8 years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the related lease or the estimated useful life. Major additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred. Additionally, the Company capitalizes its share of the cost of constructing shop-within-shops under agreements with retailers and amortizes such costs using the straight-line method over the lesser of their estimated useful lives or the life of the underlying agreement.

GOODWILL

Goodwill represents the excess of purchase cost over the fair value of net assets of businesses acquired. The Company amortizes goodwill on a

straight-line basis over its estimated useful life, ranging from 11 to 25 years .

IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

The Company assesses the carrying value of long-lived and intangible assets as current facts and circumstances suggest that they may be impaired. In evaluating the fair value and future benefits of such assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the individual assets over the remaining amortization period and would recognize an impairment loss if the carrying value exceeded the expected future cash flows. The impairment loss would be measured based upon the fair value. The Company has determined that its long-lived and intangible assets presented in the accompanying balance sheets at April 3, 1999 and March 28, 1998, are not impaired. See Note 3 for long-lived and intangible asset write downs recorded in connection with the Company's fiscal 1999 Restructuring Plan (as defined see Note 3).

OFFICERS' LIFE INSURANCE

The Company maintains key man life insurance policies on several of its senior executives, the majority of which contain split dollar arrangements. The key man policies are recorded at their cash surrender value, while the policies with split dollar arrangements are recorded at the lesser of their cash surrender value or premiums paid. Amounts recorded under these policies aggregated $31.5 million and $28.2 million at April 3, 1999 and March 28, 1998, respectively, and are included in other assets in the accompanying balance sheets.

REVENUE RECOGNITION

Sales are recognized upon shipment of products to customers and, in the case of sales by Company-owned retail and outlet stores, when goods are sold to consumers. Allowances for estimated uncollectible accounts and discounts are provided when sales are recorded. Licensing revenue is recognized as earned.

CONCENTRATION OF CREDIT RISK

The Company sells its merchandise primarily to major upscale department stores across the United States and extends credit based on an evaluation of the customer's financial condition generally without requiring collateral. Credit risk is driven by conditions or occurrences within the economy and the retail industry and is principally dependent on each customer's financial condition. A decision by the controlling owner of a group of stores or any substantial customer to decrease the amount of merchandise purchased from the Company or to cease carrying its products could have a material adverse effect on the Company. The Company had three customers who in aggregate constituted approximately 58.0% and 53.0% of trade accounts receivable outstanding at April 3, 1999 and March 28, 1998, respectively.

The Company had two significant customers that each accounted for approximately 10.0% of net sales in fiscal 1999 and one significant customer that accounted for approximately 11.0% of net sales in fiscal 1998 and 1997. Additionally, the Company had four significant licensees who in aggregate constituted approximately 55.0% of licensing revenue in fiscal 1999 and three who in aggregate constituted approximately 35.0% and 39.0%

of licensing revenue in fiscal 1998 and 1997, respectively.

The Company monitors credit levels and the financial condition of its customers on a continuing basis to minimize credit risk. The Company believes that adequate provision for credit loss has been made in the accompanying financial statements.

The Company is also subject to concentrations of credit risk with respect to its cash and cash equivalents which it minimizes by placing these funds with major banks and financial institutions and investing in high-quality instruments.

ADVERTISING

The Company expenses the production costs of advertising, marketing and public relations expenses upon the first showing of the related advertisement. These expenses amounted to $76.2 million, $68.5 million and $55.5 million in fiscal 1999, 1998 and 1997, respectively.

INCOME TAXES

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates. A valuation allowance is recorded to reduce a deferred tax asset to that portion which is expected to more likely than not be realized.

The entities which comprised the Predecessor Company included principally partnerships which were not subject to Federal or certain state income taxes. Therefore, no provision was made in the accompanying combined financial statements of the Predecessor Company through June 9, 1997, as taxes were the liability of the partners. However, Federal, state and local taxes have been provided on the income of all domestic C corporations in the Predecessor Company.

Foreign income taxes have also been provided on the income of the foreign entities in the Predecessor Company.

DEFERRED RENT OBLIGATIONS

The Company accounts for rent expense under noncancellable operating leases with scheduled rent increases and landlord incentives on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives are recorded as a deferred liability. Unamortized deferred rent obligations amounted to $40.7 million and $28.1 million at April 3, 1999 and March 28, 1998, respectively, and are included in accrued expenses and other, and other noncurrent liabilities in the accompanying balance sheets.

FINANCIAL INSTRUMENTS

The Company from time to time uses derivative financial instruments to reduce its exposure to changes in foreign exchange and interest rates. While these instruments are subject to risk of loss from changes in exchange or interest rates, those losses would generally be offset by gains on the related exposure. The Company does not hold or issue financial instruments for trading or speculative purposes.

FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of a foreign subsidiary of the Company are measured using the local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at each year end. Results of operations are translated at the average rate of exchange prevailing throughout the period. Translation adjustments arising from differences in exchange rates from period to period are included in the cumulative translation adjustment account. Gains and losses from foreign currency transactions are included in operating results and were not considered by the Company to be material in fiscal 1999, 1998 and 1997.

STOCK OPTIONS

The Company uses the intrinsic value method to account for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

COMPREHENSIVE INCOME

Effective March 29, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This Statement establishes standards for reporting of comprehensive income and its components in the financial statements. For fiscal 1999, 1998 and 1997, comprehensive income approximated net income.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 1998, the American Institute of Certified Public Accountants' ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities". SOP 98-5 requires that costs of start-up activities, including store pre-opening costs, be expensed as incurred. The Company's current accounting policy is to capitalize store pre-opening costs as prepaid expenses and amortize such costs over a twelve month period following store opening. The Company will adopt the provisions of SOP 98-5 in its first quarter of fiscal 2000, as required, and record a charge of $3.9 million, after taxes, as the cumulative effect of a change in accounting principle.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of the fiscal year ending March 31, 2001 and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on its financial position or results of operations.

PRO FORMA ADJUSTMENTS (UNAUDITED)

The pro forma statement of income data for fiscal 1998 presents the effects on the historical financial statements of certain transactions as if they had occurred at March 30, 1997. The pro forma statement of income data reflects adjustments for: (i) income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes, calculated using a pro forma effective tax rate of 40.8% (see Note 8); and (ii) the reduction of interest expense resulting from the application of a portion of the net proceeds from the initial public offering to outstanding indebtedness.

NET INCOME PER SHARE

Basic net income per share was calculated by dividing net income by the weighted average number of shares outstanding during the period and excluded any potential dilution. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and awards. The weighted average number of shares outstanding in fiscal 1999 represents the actual number of shares outstanding during such period. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering were considered to be outstanding in fiscal 1998. The difference between the basic and diluted weighted average shares outstanding is due to the dilutive effect of stock options and restricted stock awards issued under the Company's stock option plans.

RECLASSIFICATIONS

For comparative purposes, certain prior period amounts have been reclassified to conform to the current period's presentation.

3 RESTRUCTURING CHARGE

During the fourth quarter of fiscal 1999, the Company formalized its plans to streamline operations within its wholesale and retail operations and reduce its overall cost structure ("Restructuring Plan"). The major initiatives of the Restructuring Plan include the following: (1) an evaluation of the Company's retail operations and site locations; (2) the realignment and operational integration of the Company's wholesale operating units; and (3) the realignment and consolidation of corporate strategic business functions and internal processes.

In an effort to improve the overall profitability of its retail operations, the Company plans to close three Polo stores and three outlet stores that were not performing at an acceptable level. Additionally, the Company will convert two Polo stores and five outlet stores to new concepts that are expected to be more productive. Costs associated with this aspect of the Restructuring Plan include lease and contract termination costs, store fixed asset (primarily leasehold improvements) and intangible asset write downs and severance and termination benefits.

The Company's wholesale operations were realigned into two new operating units: Polo Brands and Collection Brands. Aspects of this realignment included: (i) the reorganization of the sales force and retail development areas; (ii) the streamlining of the design and development process; and (iii) the consolidation of the customer service departments. Additionally, the Company is in the process of integrating the production and sourcing of its Polo Brands, outlet store and licensees' products into one consolidated unit. Costs associated with the wholesale realignment

consist primarily of severance and termination benefits and lease termination costs.

The Company's review of its corporate business functions and internal processes resulted in a new management structure designed to better align businesses with similar functions and the identification and elimination of duplicative processes. Costs associated with the corporate realignment consist primarily of severance and termination benefits and lease termination costs.

In connection with the implementation of the Restructuring Plan, the Company recorded a restructuring charge of $58.6 million on a pre-tax basis in its fourth quarter of fiscal 1999. The major components of the restructuring charge and the activity through April 3, 1999 were as follows:

	SEVERANCE AND TERMINATION BENEFITS	ASSET WRITE DOWNS	LEASE AND CONTRACT TERMINATION COSTS	OTHER COSTS	TOTAL
1999 provision	$ 15,277	$ 17,788	$ 24,665	$ 830	$ 58,560
1999 activity	(3,318)	(17,788)	(1,112)	(105)	(22,323)
April 3, 1999	$ 11,959	$ --	$ 23,553	$ 725	$ 36,237

Total severance and termination benefits as a result of the Restructuring Plan relate to approximately 280 employees, 140 of which were terminated through May 1999. Total cash outlays related to the Restructuring Plan are expected to be approximately $39.5 million, $3.9 million of which was paid in fiscal 1999. The Company expects to substantially complete the implementation of the Restructuring Plan during fiscal 2000.

4 INVENTORIES

	APRIL 3, 1999	MARCH 28, 1998
Raw materials	$ 17,675	$ 26,364
Work-in-process	8,545	12,406
Finished goods	350,640	259,715
	$376,860	$298,485

Merchandise inventories of $196.1 million and $130.9 million at April 3, 1999 and March 28, 1998, respectively, were valued utilizing the retail method and are included in finished goods.

5 PROPERTY AND EQUIPMENT

	APRIL 3, 1999	MARCH 28, 1998
Land and improvements	$ 3,108	$ 656
Building	10,079	--
Furniture and fixtures	150,103	116,870
Machinery and equipment	32,582	22,189
Construction in progress	30,294	--
Leasehold improvements	187,512	158,255
	413,678	297,970
Less: accumulated depreciation and amortization	151,879	122,622
	$261,799	$175,348

6 ACCRUED EXPENSES AND OTHER

	APRIL 3, 1999	MARCH 28, 1998
Accrued operating expenses	$ 47,094	$ 40,841
Accrued restructuring charge	36,237	--
Accrued payroll and benefits	27,466	33,898
Accrued shop-within-shops	15,345	24,839
	$126,142	$ 99,578

7 FINANCING AGREEMENTS

On June 9, 1997, the Company entered into a credit facility with a syndicate of banks which consists of a $225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002 (the "Credit Facility"). Borrowings under the Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin. At April 3, 1999, the Company had $115.5 million outstanding in direct borrowings and was contingently liable for $22.7

million in outstanding letters of credit related to commitments for the purchase of inventory and in connection with its leases under the Credit Facility. There were no borrowings outstanding under the Credit Facility at March 28, 1998.

On March 30, 1999, in connection with the Company's acquisition of Club Monaco (see Note 16), the Company entered into a $100.0 million senior credit facility (the "1999 Credit Facility") with a syndicate of banks consisting of a $20.0 million revolving line of credit and an $80.0 million term loan (the "Term Loan"). The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The Term Loan will be used to finance the acquisition of the stock of Club Monaco and to repay existing indebtedness, as further described in Note 16. The Term Loan is repayable on June 30, 2003. Borrowings under the 1999 Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin. On April 12, 1999, the Company entered into interest rate swap agreements with a notional amount of $100.0 million to convert the variable interest rate on the 1999 Credit Facility to a fixed rate of 5.5%. At April 3, 1999, the Company had $44.2 million outstanding under the Term Loan.

The Credit Facility and 1999 Credit Facility (the "Credit Facilities") contain customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreements provide that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

The Credit Facilities bore interest primarily at the institution's prime rate (ranging from 5.25% to 7.75% at April 3, 1999). The weighted average interest rate on borrowings was 7.4%, 8.0% and 7.7% in fiscal 1999, 1998 and 1997, respectively.

On June 9, 1997 in connection with the Reorganization, borrowings under the Credit Facility were used to refinance existing debt from the Polo Partnership credit facility of $104.5 million and to repay in full $56.7 million of aggregate borrowings outstanding under the Womenswear credit facility and the PRC credit facility. These borrowings were repaid from the net proceeds of the initial public offering (see Note 1 (b)).

8 INCOME TAXES

The components of the provision for income taxes were as follows:

	FISCAL YEAR		
	1999	1998	1997
Current:			
Federal	$ 68,012	$ 60,265	$ 16,649
State and local	15,080	15,330	6,633
Foreign	4,955	4,427	460
	88,047	80,022	23,742
Deferred:			
Federal	(19,654)	(22,357)	(652)
State and local	(6,117)	(5,640)	(286)
	(25,771)	(27,997)	(938)
	$ 62,276	$ 52,025	$ 22,804

The foreign and domestic components of income before income taxes were as follows:

	FISCAL YEAR		
	1999	1998	1997
Domestic	$102,644	$162,529	$113,188
Foreign	50,182	37,067	26,916
	$152,826	$199,596	$140,104

Concurrent with the Reorganization and the termination of the Company's partnership status, the Company became fully subject to Federal, state and local income taxes. As a result and in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes", the Company recorded a deferred tax asset and a corresponding tax benefit in the amount of $27.4 million in its consolidated financial statements in the first quarter of fiscal 1998. The deferred tax asset reflects the net tax effect of temporary differences, primarily accounts receivable, uniform inventory capitalization, depreciation and other accruals, between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

Pursuant to the PRC Acquisition, the Company acquired $7.9 million of deferred tax assets.

The components of the net deferred tax assets at April 3, 1999 and March 28, 1998, were as follows:

	APRIL 3, 1999	MARCH 28, 1998
DEFERRED TAX ASSETS:		
Restructuring reserves	$20,249	$ --
Accounts receivable	17,533	11,230
Net operating loss carryforwards	7,475	8,275
Uniform inventory capitalization	8,306	7,215
Deferred compensation	6,546	5,685
Property and equipment	--	4,219
Accrued expenses	3,238	2,990
Other	3,406	1,368
	66,753	40,982
Less: Valuation allowance	2,321	2,321
	$64,432	$38,661

The Company had available Federal net operating loss carryforwards of approximately $8.4 million and state net operating loss carryforwards of approximately $35.4 million for tax purposes to offset future taxable income. The net operating loss carryforwards expire beginning in fiscal 2007. The utilization of the Federal net operating loss carryforwards is subject to the limitations of Internal Revenue Code Section 382 which applies following certain changes in ownership of the entity generating the loss carryforward. Management believes that the Company will more likely than not generate sufficient future taxable income to realize the entire deferred tax asset prior to expiration of any of these net operating loss carryforwards.

Also, the Company has available additional state net operating loss carryforwards of approximately $37.3 million for which no deferred tax asset has been recognized. A full valuation allowance has been recorded since management does not believe that the Company will more likely than not be able to utilize these carryforwards to offset future taxable income. Subsequent recognition of the deferred tax asset relating to these net operating loss carryforwards would result in a reduction of goodwill recorded in connection with the PRC Acquisition.

Provision has not been made for United States or additional foreign taxes on approximately $26.0 million of undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to tax if they were remitted as dividends, if foreign earnings were lent to PRLC or a subsidiary or U.S. affiliate of PRLC, or if the stock of the subsidiaries were sold. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practical. Management believes that the amount of the additional taxes that might be payable on the earnings of foreign subsidiaries, if remitted, would be partially offset by United States foreign tax credits.

The pro forma provision for income taxes represents the income tax provision that would have been reported had the Company been subject to additional Federal, state and local income taxes for the entire fiscal year. The pro forma effective tax rate was 40.8% in fiscal 1998 and consisted of the following:

	FISCAL YEAR 1998 (UNAUDITED)
Current:	
Federal	$ 63,822
State and local	17,119
Foreign	4,427
	85,368
Deferred:	
Federal	(1,043)
State and local	(1,694)
	(2,737)
	$ 82,631

The historical provision for income taxes in fiscal 1999 and the pro forma provision for income taxes in fiscal 1998 differs from the amounts computed by applying the statutory Federal income tax rate to income before income taxes due to the following:

	FISCAL YEAR 1999	1998 (UNAUDITED)
Provision for income taxes at statutory Federal rate	$ 53,489	$ 70,965
Increase (decrease) due to:		
State and local income taxes, net of Federal benefit	5,825	11,280
Foreign income, net of foreign credits	1,055	(1,213)
Other	1,907	1,599
	$ 62,276	$ 82,631

9 FINANCIAL INSTRUMENTS

The Company from time to time enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. Gains and losses on these contracts are deferred and recognized as adjustments to the bases of those assets. Such gains and losses were not material in fiscal 1999, 1998 and 1997.

At March 28, 1998, the Company had a forward foreign exchange contract outstanding with Goldman, Sachs & Co. ("GS& Co.") to deliver 1.0 billion yen on April 15, 1998 in exchange for $9.1 million. This contract is a hedge relating to foreign licensing revenues. At March 28, 1998, the fair value of these contracts approximated carrying value due to their short-term maturities.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the interest rate swap agreements and forward foreign exchange contracts, but it does not expect any counterparties to fail to meet their obligations.

The carrying amounts of financial instruments reported in the accompanying balance sheets at April 3, 1999 and March 28, 1998, approximated their estimated fair values primarily due to either the short-term maturity of the instruments or their adjustable market rate of interest. Considerable judgment is required in interpreting certain market data to develop estimated fair values for certain financial instruments. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

10 EMPLOYEE BENEFITS

PROFIT SHARING RETIREMENT SAVINGS PLANS

The Company sponsors two defined contribution benefit plans covering substantially all eligible U.S. employees not covered by a collective bargaining agreement. The plans include a savings plan feature under Section 401(k) of the Internal Revenue Code. The Company makes discretionary contributions to the plans and contributes an amount equal to 50% of the first 6% of an employee's contribution. Under the terms of the plans, a participant is 100% vested in the Company's matching and discretionary contributions after five years of credited service. Contributions under these plans approximated $8.7 million, $6.0 million and $5.0 million in fiscal 1999, 1998 and 1997, respectively.

UNION PENSION

Womenswear participates in a multi-employer pension plan and is required to make contributions to the Union of Needletrades Industrial and Textile Employees (the "Union") for dues based on wages paid to union employees. A portion of such dues is allocated by the Union to a Retirement Fund which provides defined benefits to substantially all unionized workers. Womenswear does not participate in the management of the plan and has not been furnished with information with respect to the type of benefits provided, vested and nonvested benefits or assets.

Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from or termination of a multi-employer plan, is required to continue funding its proportionate share of the plan's unfunded vested benefits. Such withdrawal liability was assumed in conjunction with the acquisition of certain assets from a nonaffiliated licensee. Womenswear

has no current intention of withdrawing from the plan.

DEFERRED COMPENSATION

The Company has deferred compensation arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. The amounts accrued under these plans were $15.9 million and $14.2 million at April 3, 1999 and March 28, 1998, respectively, and are reflected in other noncurrent liabilities in the accompanying balance sheets. Total compensation expense recorded was $2.7 million, $4.9 million and $3.2 million in fiscal 1999, 1998 and 1997, respectively. The Company funds a portion of these obligations through the establishment of trust accounts on behalf of the executives participating in the plans. The trust accounts are reflected in other assets in the accompanying balance sheets.

11 COMMON STOCK

All of Polo's outstanding Class B Common Stock is owned by Mr. Lauren and related entities and all of its outstanding Class C Common Stock is owned by the GS Group. Shares of Class B Common Stock are convertible at any time into shares of Class A Common Stock on a one-for-one basis and may not be transferred to anyone other than affiliates of Mr. Lauren. Shares of Class C Common Stock are convertible at any time into shares of Class A Common Stock on a one-for-one basis and may not be transferred to anyone other than among members of the GS Group or, until April 15, 2002, any successor of a member of the GS Group. The holders of Class A Common Stock generally have rights identical to holders of Class B Common Stock and Class C Common Stock, except that holders of Class A Common Stock and Class C Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share. Holders of all classes of Common Stock (as hereinafter defined) entitled to vote, will vote together as a single class on all matters presented to the stockholders for their vote or approval except for the election and the removal of directors and as otherwise required by applicable law. Class A Common Stock, Class B Common Stock and Class C Common Stock are collectively referred to herein as "Common Stock."

12 STOCK INCENTIVE PROGRAM

On June 9, 1997, the Board of Directors adopted the 1997 Long-Term Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan authorizes the grant of awards to any officer or other employee, consultant to, or director of the Company or any of its subsidiaries with respect to a maximum of 10.0 million shares of the Company's Class A Common Stock (the "Shares"), subject to adjustment to avoid dilution or enlargement of intended benefits in the event of certain significant corporate events, which awards may be made in the form of: (i)

nonqualified stock options; (ii) stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code; (iii) stock appreciation rights; (iv) restricted stock and/or restricted stock units; (v) performance awards; and (vi) other stock-based awards. At April 3, 1999, the Company had an additional 4.6 million Shares reserved for issuance under this plan.

Stock options were granted in fiscal 1999 and 1998 under the Stock Incentive Plan with an exercise price equal to the stock's fair market value on the date of grant. These options vest in equal installments primarily over

three years for officers and other key employees and over two years for all remaining employees. The options expire ten years from the date of grant. No compensation cost has been recognized in the accompanying financial statements in accordance with APB No. 25. If compensation cost had been recognized for stock options granted under the Stock Incentive Plan based on the fair value of the stock options at the grant date in accordance with SFAS No. 123, the Company's historical net income and net income per share in fiscal 1999 and pro forma net income and pro forma net income per share for fiscal 1998 would have been reduced to the following pro forma amounts:

	FISCAL YEAR	
	1999	1998
Pro forma net income	$ 77,953	$ 108,985
Pro forma net income per share - Basic and Diluted	$ 0.78	$ 1.09

The Company used the Black-Scholes option-pricing model to determine the fair value of grants made in fiscal 1999 and 1998. The weighted average fair value of options granted was $14.02 and $12.62 per share in fiscal 1999 and 1998, respectively. The following assumptions were applied in determining the pro forma compensation cost:

	FISCAL YEAR	
	1999	1998
Risk-free interest rate	5.46%	6.45%
Expected dividend yield	0%	0%
Weighted average expected option life	6.0yrs	5.45yrs
Expected stock price volatility	44.0%	42.0%

On June 9, 1997, the Board of Directors adopted the 1997 Stock Option Plan for Non-Employee Directors (the "Non-Employee Directors Plan"). Under the Non-Employee Directors Plan, grants of options to purchase shares of Class A Common Stock of up to 500,000 shares may be granted to non-employee directors. Stock options vest in equal installments over two years and expire ten years from the date of grant. In fiscal 1999 and 1998, the Board of Directors granted options to purchase 28,500 and 30,000 shares, respectively, of Class A Common Stock with exercise prices equal to the stock's fair market value on the date of grant. At April 3, 1999, the Company had 441,500 options reserved for issuance under this plan.

Stock option activity for the Stock Incentive Plan and Non-Employee Directors Plan in fiscal 1999 and 1998 was as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE AT MARCH 29, 1997	--	$ --
Granted	4,550	26.00
Exercised	--	--
Forfeited	(466)	26.00
Expired	--	--
BALANCE AT MARCH 28, 1998	4,084	$26.00
Granted	1,736	27.70
Exercised	(4)	26.00
Forfeited	(518)	26.24
Expired	--	--
BALANCE AT APRIL 3, 1999	5,298	$26.53

At April 3, 1999, the weighted average remaining contractual life of outstanding options was 8.5 years and 1.7 million shares were exercisable at a weighted average exercise price of $26.00 per share. The price range of options granted and outstanding at April 3, 1999, was $17.13 to $29.91 per share, 95.0% of which were in the range of $26.00 to $28.22 per share.

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to $100.0 million of the Company's Class A Common Stock. Share repurchases under this plan will be made from time to time in the open market over a two-year period which commenced April 1, 1998. Shares acquired under the repurchase program will be used for stock option programs and other corporate purposes. The repurchased shares have been accounted for as treasury stock at cost. At April 3, 1999, the Company had repurchased 603,864 shares of its Class A Common Stock at an aggregate cost of $16.1 million.

13 COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases office, warehouse and retail space and office equipment under operating leases which expire through 2021. These leases typically provide the Company with the option after the initial lease term to either renew the lease at the current fair market rental value or purchase the equipment at the current fair market value. The Company generally expects that leases will be renewed or replaced by other leases in the normal course of business.

As of April 3, 1999, aggregate minimum annual rental payments under noncancelable operating leases with lease terms in excess of one year were payable as follows:

FISCAL YEAR ENDING	
2000	$ 63,987
2001	58,367
2002	46,852
2003	39,000
2004	47,318
Thereafter	245,805
	$501,329

Rent expense charged to operations was $59.6 million, $53.9 million and $40.8 million, net of sublease income of $1.6 million, $1.5 million and $2.1 million, in fiscal 1999, 1998 and 1997, respectively. Substantially all outlet and retail store leases provide for contingent rentals based upon sales and require the Company to pay taxes, insurance and occupancy costs. Certain rentals are based solely on a percentage of sales and one significant lease requires a fair market value adjustment at January 1, 2004. Contingent rental charges included in rent expense were $4.1 million, $3.2 million and $3.7 million in fiscal 1999, 1998 and 1997, respectively.

EMPLOYMENT AGREEMENTS

The Company is party to employment agreements with certain executives which provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

LEGAL MATTERS

The Company is a defendant in a purported national class action lawsuit filed in the Delaware Supreme Court in July 1997. The plaintiff has brought the action allegedly on behalf of a class of persons who purchased products at the Company's outlet stores throughout the United States at any time since July 15, 1991. The complaint alleges that advertising and marketing practices used by the Company in connection with the sales of its products at its outlet stores violate guidelines established by the Federal Trade Commission and the consumer protection statutes of Delaware and other states with statutes similar to Delaware's Consumer Fraud Act and Delaware's Consumer Contracts Act. The lawsuit seeks, on behalf of the class, compensatory and punitive damages as well as attorneys' fees. The Company answered the complaint and filed a motion for judgment on the pleadings. At a hearing on that motion on March 5, 1999, the Court ruled that the plaintiff must file an amended complaint within 30 days in order to avoid dismissal. The plaintiff has filed an amended complaint, essentially containing the same allegations as the initial complaint, which the Company has answered. The Company intends to continue to vigorously defend this lawsuit and believes that it has substantial and meritorious defenses.

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based companies that source apparel garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue

of their alleged relationships with the factories, have violated various Federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising and seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in Federal Court for the Central District of California, is brought on behalf of a purported class consisting of the Saipan factory workers. It alleges claims under the Federal civil RICO statute, Federal peonage and involuntary servitude laws, the Alien Tort Claims Act, and state tort law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of Federal and local wage and employment laws. The Company has not been named as a defendant in any of these suits, but the Company sources products in Saipan and counsel for the plaintiffs in these actions has informed the Company that it is a potential defendant in these or similar actions. The Company has denied any liability and is not at this preliminary stage in a position to evaluate the likelihood of a favorable or unfavorable outcome if it were named in any such suit.

The Company is from time to time involved in legal claims, involving trademark and intellectual property, licensing, employee relations and other matters incidental to its business. In the opinion of the Company's management, the resolution of any matter currently pending will not have a material effect on the financial condition or results of operations of the Company.

14 QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of certain unaudited quarterly financial information for fiscal 1999 and 1998:

FISCAL 1999	JUNE 27, 1998	SEPT. 26, 1998	DEC. 26, 1998	APRIL 3, 1999
Net revenues	$ 358,776	$ 474,806	$ 447,530	$ 445,747
Gross profit	182,614	233,711	206,869	199,079
Net income (loss)	22,711	49,919	25,351	(7,431)
Net income (loss) per share - Basic and Diluted	$ 0.23	$ 0.50	$ 0.25	($ .07)
Shares outstanding - Basic	100,195	99,827	99,623	99,623
Shares outstanding - Diluted	100,570	99,878	99,674	99,783

FISCAL 1998	JUNE 28, 1997	SEPT. 27, 1997	DEC. 27, 1997	MARCH 28, 1998
Net revenues	$289,650	$423,354	$408,297	$359,243
Gross profit	146,652	208,279	192,921	172,704
Net income	44,638	44,933	29,311	28,689
PRO FORMA DATA:				
Net income	17,194	44,933	29,311	28,689
Net income per share - Basic and Diluted	$ 0.17	$ 0.45	$ 0.29	$ 0.29
Shares outstanding - Basic	100,222	100,222	100,222	100,222

Shares outstanding - Diluted	100,222	100,222	100,316	100,429

Net income per share represents both the basic and diluted computation in accordance with SFAS No. 128, "Earnings per Share", as described in Note 2. The fiscal 1998 pro forma data presents the effects on the historical financial statements of the pro forma adjustments described in Note 2 as if they had occurred at March 30, 1997. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering of 100.2 million were considered to be outstanding in the quarter ended June 28, 1997. The actual weighted average number of shares outstanding was used for all other periods presented.

15 SEGMENT REPORTING

The Company has three reportable business segments: wholesale, retail and licensing. The Company's reportable segments are individual business units that offer different products and services. They are managed separately because each segment requires different strategic initiatives, promotional campaigns, marketing, and advertising, based upon its own individual positioning in the market. Additionally, these segments reflect the reporting basis used internally by senior management to evaluate performance and the allocation of resources.

The Company's wholesale segment consists of two operating units: Polo Brands and Collection Brands. Each unit designs, sources, markets and distributes discrete brands. Both units primarily sell products to major department and specialty stores and to Company-owned and licensed retail stores.

The retail segment operates two types of stores: outlet and Polo stores, including flagship stores. The stores sell Polo products purchased from the Company's wholesale segment, its licensees and its suppliers.

The licensing segment, which consists of product, international and home collection, generates revenues from royalties through its licensing alliances. The licensing agreements grant the licensee rights to use the various trademarks owned by the Company in connection with the manufacture and sale of designated products in specified geographical areas.

The accounting policies of the segments are consistent with those described in Note 2, Significant Accounting Policies. Intersegment sales and transfers are recorded at cost and treated as a transfer of inventory. All intercompany revenues and profits or losses are eliminated in consolidation. Senior management does not review these sales when evaluating segment performance. The Company's senior management evaluates each segment's performance based upon income or loss from operations before interest, nonrecurring gains and losses and income taxes. Corporate overhead expenses are allocated to each segment based upon each segment's usage of corporate resources.

The Company's net revenues, income from operations, depreciation and amortization, total assets and capital expenditures for each segment for fiscal 1999, 1998 and 1997 were as follows:

	FISCAL YEAR		
	1999	1998	1997
NET REVENUES:			
Wholesale	$ 859,498	$ 742,674	$ 671,132
Retail	659,352	570,751	379,972
Licensing	208,009	167,119	137,113
	$1,726,859	$1,480,544	$1,188,217

INCOME FROM OPERATIONS:			
Wholesale	$ 59,796	$ 48,889	$ 43,666
Retail	31,840	61,622	41,084
Licensing	122,509	89,244	72,613
	214,145	199,755	157,363
Less: Unallocated Restructuring Charge	58,560	--	--
	$ 155,585	$ 199,755	$ 157,363
DEPRECIATION AND AMORTIZATION:			
Wholesale	$ 21,111	$ 13,350	$ 7,402
Retail	20,349	10,956	4,116
Licensing	4,954	3,096	2,237
	$ 46,414	$ 27,402	$ 13,755
SEGMENT ASSETS:			
Wholesale	$ 376,154	$ 348,687	$ 293,257
Retail	424,203	286,500	169,744
Licensing	73,389	71,531	34,760
Corporate	230,838	118,412	90,997
	$1,104,584	$ 825,130	$ 588,758
CAPITAL EXPENDITURES:			
Wholesale	$ 32,013	$ 23,470	$ 17,424
Retail	59,568	30,129	11,977
Licensing	7,817	4,178	3,660
Corporate	42,294	5,302	2,269
	$ 141,692	$ 63,079	$ 35,330

A substantial portion of the Company's net revenues and income from operations are derived from, and identifiable assets are located in, the United States.

75

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Polo Ralph Lauren Corporation
New York, New York

We have audited the consolidated financial statements as of and for the years ended April 3, 1999 and March 28, 1998 and the combined financial statements for the year ended March 29, 1997 of Polo Ralph Lauren Corporation and subsidiaries (the "Company"), and have issued our report thereon dated May 21, 1999; such report is included elsewhere in this Form 10-K. Our audits also included the consolidated and combined financial statement schedule of Polo Ralph Lauren Corporation and subsidiaries, listed in Item 14. This consolidated and combined financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated and combined financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New York, New York
May 21, 1999

76

SCHEDULE II

POLO RALPH LAUREN CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF OF YEAR
YEAR ENDED APRIL 3, 1999					
Allowance for doubtful accounts	$ 6,647	$ 1,060	$ 0	$ 560 (a)	$ 7,147
Allowance for sales discounts	5,800	34,320	0	33,772	6,348
	$12,447	$35,380	$ 0	$34,332	$13,495
YEAR ENDED MARCH 28, 1998					
Allowance for doubtful accounts	$ 6,289	$ 1,155	$ 0	$ 797 (a)	$ 6,647
Allowance for sales discounts	6,556	30,539	0	31,295	5,800
	$12,845	$31,694	$ 0	$32,092	$12,447
YEAR ENDED MARCH 29, 1997					
Allowance for doubtful accounts	$ 5,554	$ 833	$ 0	$ 98 (a)	$ 6,289
Allowance for sales discounts	5,500	27,308	0	26,252	6,556
	$11,054	$28,141	$ 0	$26,350	$12,845

(a) ACCOUNTS WRITTEN-OFF AS UNCOLLECTIBLE.

POLO RALPH LAUREN CORPORATION

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-24733) (the "S-1")).*	
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1).*	
10.1	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+	
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+	
10.3	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*	
10.4	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*	
10.5	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*	
10.6	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*	
10.7	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter Agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*	
10.8	Amendment, dated November 27, 1992, to Foreign Design And Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*	
10.9	License Agreement, made as of January 1, 1998, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc. ** (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the Fiscal Year ended March 28, 1998 (the "Fiscal 1998 10-K"))	
10.10	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*	
10.11	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan Co., Ltd.** (filed as Exhibit 10-11 to the S-1)*	
10.12	Deferred Compensation Agreement dated April 1, 1993, between Michael J. Newman and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P. (filed as Exhibit 10.12 to the S-1)*+	

10.13 Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P.(filed as Exhibit 10.14 to the S-1)*+

10.14 Amendment to Deferred Compensation Agreement made as of November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation+

10.15 Amended and Restated Employment Agreement dated October 26, 1993 between Michael J. Newman and Polo Ralph Lauren Corporation, as amended and assigned October 31, 1994 to Polo Ralph Lauren, L.P. and as further amended as of June 9, 1997 (filed as Exhibit 10.17 to the S-1)*+

10.16 Amended and Restated Employment Agreement effective November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation+

10.17 Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*

10.18 Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*

10.19 Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*

10.20 Credit Agreement between Polo Ralph Lauren Corporation and the Chase Manhattan Bank dated as of March 30, 1999

10.21 Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*

10.22 Employment Agreement dated June 9, 1997 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as Exhibit 10.27 to the S-1)*+

10.23 Amended and Restated Employment Agreement effective April 4, 1999 between Ralph Lauren and Polo Ralph Lauren Corporation+

10.24 Employment Agreement effective November 10, 1998 between Hamilton South and Polo Ralph Lauren Corporation+

10.25 Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc. ** (filed as Exhibit 10.25 to the Fiscal 1998 10-K.)*

10.26 License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.** (filed as Exhibit 10.26 to the Fiscal 1998 10-K)*

21.1 List of Significant Subsidiaries of the Company.

24.1 Powers of Attorney.

27.1 Financial Data Schedule.

* Incorporated herein by reference.

+ Exhibit is a management contract or compensatory plan or arrangement.

** Portions of Exhibits 10.4 - 10.11 and 10.24 and 10.25 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.14

AMENDMENT TO
DEFERRED COMPENSATION AGREEMENT

Agreement made as of the 10th day of November, 1998, by and between POLO RALPH LAUREN CORPORATION, a Delaware corporation (the "Company"), and F. Lance Isham (the "Executive").

The Company (as successor to Polo Ralph Lauren, L.P.) and Executive are parties to a Deferred Compensation Agreement, made as of the 2nd day of April, 1995 (the "Deferred Compensation Agreement").

Executive has been with effect from this day appointed President of the Company and, in connection therewith and with related actions taken with respect to that certain Amended and Restated Employment, dated as of the date hereof, between the Company and Executive, the parties wish to modify the Deferred Compensation Agreement.

NOW, THEREFORE, intending to be bound the parties hereby agree as follows:

1. Capitalized terms defined in the Deferred Compensation Agreement and used herein shall have the same meaning herein. All references to the Company in the Deferred Compensation Agreement are to Polo Ralph Lauren Corporation.

2. Section 1(a) of the Deferred Compensation Agreement is hereby amended so that no crediting to the Deferred Compensation Account shall be made with respect to incentive or bonus payments for any period after fiscal 1999 (i.e., the fiscal year ending April 3, 1999), provided that crediting with respect to Executive's bonus for fiscal 1999, if any, under the Company's Executive Incentive Plan, shall be made even if such bonus is paid in fiscal 2000.

3. The Deferred Compensation Agreement remains in full force and effect and unmodified except as herein provided.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date first written above.

POLO RALPH LAUREN CORPORATION,
a Delaware corporation

By: /s/ Michael J. Newman

Michael J. Newman

EXECUTIVE:

By: /s/ F. Lance Isham

F. Lance Isham

EXHIBIT 10.16

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") made effective as of the 10th day of November, 1998, by and between Polo Ralph Lauren Corporation, a Delaware corporation (the "Corporation"), and F. Lance Isham (the "Executive").

WHEREAS, the Executive is currently employed by the Corporation pursuant to an employment agreement dated as of April 2, 1995, (the "Prior Agreement");

WHEREAS, the Executive has been elected to be the Corporation's President by the Board of Directors (the "Board");

WHEREAS, the Corporation and the Executive wish to amend and restate the Prior Agreement as evidenced by this Agreement effective as of the date hereof in order to provide for the modification of certain provisions of the Prior Agreement relating to the Executive's annual and incentive compensation, equity opportunities and restrictive covenants;

NOW, THEREFORE, intending to be bound the parties hereby agree as follows with effect from the date first above written.

1. Employment/Prior Agreement. The Corporation hereby agrees to employ the Executive, and the Executive hereby agrees to serve the Corporation, on the terms and conditions set forth herein. From and after the date hereof, the terms of this Agreement shall supersede in all respects the terms of the Prior Agreement which shall cease to be of any further force and effect.

2. Term. The employment of the Executive by the Corporation as provided in Section 1 pursuant to this Agreement will be effective on the date hereof. The Executive will serve at the direction and pleasure of the Board. The term of the Executive's employment under this Employment Agreement shall continue until the close of business of the fifth anniversary of the date of this Agreement, subject to earlier termination in accordance with the terms of this Agreement (the "Term"). The Term shall be automatically extended for successive one year periods thereafter unless either party notifies the other in writing of its intention not to so extend the Term at least twelve (12) months prior to the commencement of the next scheduled one year extension.

3. Position and Duties. The Executive shall serve as President of the Corporation and shall have such responsibilities, duties and authority as he may have as of the date hereof (or which arise from any comparable position as a key executive officer to which he may be

appointed after the date hereof) and as may from time to time be assigned to the Executive by the Board that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of the Corporation.

4. Compensation and Related Matters.

(a) Salary and Incentive Bonus

(i) Salary. From and after the date of this Agreement the Corporation shall pay to the Executive an annual salary of

not less than $900,000. Such salary shall be paid in substantially equal installments on a basis consistent with the Corporation's payroll practices and shall be subject to such increases, if any, as may be determined in the sole discretion of the Board.

(ii) Incentive Bonus. Executive shall participate in the Corporation's Executive Incentive Plan (the "EIP") and be eligible to earn an annual cash bonus for each fiscal year during the term of this Agreement (the "Bonus"). For fiscal year 1999, Executive's Bonus opportunity shall be based on his actual salary earnings for the year but otherwise shall be unchanged and calculated as if Executive had remained Group President and COO of the Corporation's men's division for the full fiscal year. Beginning for fiscal year 2000 and for each fiscal year thereafter Executive's Bonus opportunity shall range from 115% to 230% of Executive's annual salary based upon the extent to which corporate performance goals established by the Compensation Committee (the "Compensation Committee") of the Board are achieved. The Bonus, if any, payable to the Executive in respect of each fiscal year will be paid at the same time that bonuses are paid to other executives under the EIP. Notwithstanding any provision of this Agreement to the contrary, the Executive's entitlement to payment of an annual incentive bonus during any period when the compensation payable to the Executive pursuant to this Agreement is subject to the deduction limitations of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), shall be subject to shareholder approval of a plan or arrangement evidencing such annual incentive bonus opportunity that complies with the requirements of section 162(m) of the Code.

(b) Expenses. During the term of the Executive"s employment hereunder, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Corporation, provided that such expenses are

incurred and accounted for in accordance with the policies and procedures established by the Corporation.

(c) Other Benefits. During the term of the Executive's employment hereunder, the Executive shall be entitled to participate in or receive benefits under any medical, pension, profit sharing or other employee benefit plan or arrangement generally made available by the Corporation now or in the future to its executives and key management employees (or to their family members), subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Executive pursuant to paragraph (a) of this Section.

(d) Vacations. The Executive shall be entitled to reasonable vacations consistent with past practice.

(e) Restricted Stock. Executive shall be granted a number of restricted shares of the Corporation's Class A Common Stock with a fair market value equal to $2 million as of the date hereof, based upon the mean between the high and low sales price per share for such stock on

this date as reported on the Composite tape for securities traded on the New York Stock Exchange; provided that any fractional share will be paid to the Executive in cash. The restricted shares will vest with respect to one third (1/3) of the aggregate number of restricted shares so granted on each of the third, fourth and fifth anniversaries of the date of this Agreement subject to the Executive's continued employment through each vesting date.

(f) Options. With respect to fiscal years 2000 and 2001, Executive shall be granted options to purchase at least 100,000 shares of the Corporation's Class A Common Stock pursuant to the terms of the Corporation's 1997 Long-Term Stock Incentive Plan. Options granted to the Executive pursuant to the foregoing will vest and become exercisable ratably over three (3) years on each of the first three anniversaries of the date of grant, subject to the Executive's continued employment through each vesting date, and will have an exercise price equal to the fair market value per shares as of the date of grant.

5. Termination.

(a) Termination by Corporation. The Executive's employment hereunder may be terminated by the Board at any time with or without Cause.

(b) Termination by The Executive. The Executive may terminate his employment hereunder with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean (A) a material diminution in the Executive's duties or the assignment to the Executive of a title or duties inconsistent with his position as President of the Corporation, (B) a reduction in the Executive's salary or annual incentive bonus opportunity, (C) a failure of the Corporation to comply with any material provision of this Agreement or (D) the Executive's ceasing to be entitled to the payment of an annual incentive bonus as a result of the failure of the Corporation's shareholders to approve a plan or arrangement evidencing such annual incentive bonus in a manner that complies with the requirements of section 162(m) of the Internal Revenue Code of 1986; provided that the events described in clauses (A), (B) and (C) above shall not constitute Good Reason unless and until such diminution, reduction or failure (as applicable) has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Corporation.

(c) Any termination of the Executive's employment by the Corporation or by the Executive (other than termination pursuant to Section 6(d)(i) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 10 hereof. If termination is pursuant to Sections 6(d)(ii)-(iii) or 5(b) hereof, the "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

6. Compensation Upon Termination.

(a) If the Corporation shall terminate the Executive's employment for any reason other than an Enumerated Reason as set forth in Section 6(d) hereof and other than due to the Corporation's election not to extend the Term of this Agreement as contemplated by Section 2, or if the Executive resigns for Good Reason pursuant to Section 5(b) hereof, then so long as the Executive complies with Section 8 hereof the Executive shall be entitled to the following:

(i) an amount equal to the greater of:

(A) the sum of (I) three (3) times the Executive's salary at the rate in effect on such date (unless employment is terminated by the Executive for Good Reason pursuant to Section 5(b) hereof as a result of a salary reduction, in which case, at the rate in effect prior to such reduction), plus (II) two (2) times the average annual incentive bonus paid to the Executive over the preceding two years; plus a pro rata annual incentive bonus for

the year of termination (based on the average annual incentive bonus paid to the Executive over the preceding two years and based upon the percentage of the calendar year in which such termination occurs that shall have elapsed through the date of termination (a "Pro Rata Annual Incentive Bonus")); and

(B) the sum of (i) five (5) minus the number of years (including fractions thereof) that shall have elapsed from the date of this Agreement times the Executive's salary at the rate in effect on such date (unless employment is terminated by the Executive for Good Reason pursuant to Section 5(b) hereof as a result of a salary reduction, in which case, at the rate in effect prior to such reduction), plus (ii) two (2) times the average annual incentive bonus paid to the Executive over the preceding two (2) years; plus a Pro Rata Annual Incentive Bonus for the year of termination.

Any amounts paid pursuant to either clause (A) or clause (B) above shall be paid in equal monthly installments for a period of thirty-six (36) months (the "Severance Period") from the date of termination, except that the Pro Rata Annual Incentive Bonus shall be paid in a lump sum in cash within thirty (30) days following the date of the Executive's termination of employment.

(ii) Continued participation in the Corporation's health benefit plans during the Severance Period; provided that if the Executive is provided with similar coverage by a successor employer, any such coverage by the Corporation shall cease;

(iii) Continued use of the Corporation automobile until the then existing auto lease term expires;

(iv) Waiver of collateral interest securing return to the Corporation of premiums paid by the Corporation for the Executive's existing split dollar life insurance policy;

(v) Any unvested restricted shares granted to the Executive pursuant to Section 4(e) will continue to vest on their scheduled vesting dates, subject to and conditioned upon the Executive's compliance with Section 8 hereof;

(vi) Any unvested options granted to the Executive pursuant to Section 4(f) will continue to vest on their scheduled vesting dates, subject to and conditioned upon the Executive's compliance with Section 8 hereof and subject to

and conditioned upon the Executive's compliance with Section 8, any vested options granted to the Executive pursuant to Section 4(f) (including any options

6

that continue to vest as described above) will remain exercisable until the latest to occur of (x) five (5) years from the date of this Agreement, (y) one (1) year from the date the Executive's termination of employment and (z) thirty (30) days from the date the option becomes vested and exercisable;

(vii) If a Change of Control shall have occurred prior to the date of termination the Executive shall be entitled at his option, exercisable in writing within fifteen days of the date of termination, to receive the salary and bonus payments pursuant to subsection (i) above in an equivalent amount in two equal lump sum installments, the first payable within 30 days of the date of termination and the second on the first anniversary of the date of termination. Executive's right to receive the other benefits provided for in this Section 6(a) shall otherwise be unaffected. As used herein, the term "Change of Control" shall mean Ralph Lauren or members of his family (or trusts or entities created for their benefit) no longer control 50% or more of the voting power of the then outstanding securities of the Corporation entitled to vote for the election of the Corporation's directors; and

(viii) Except as provided above, the Corporation will have no further obligations to the Executive under this Agreement following the Executive's termination of employment under the circumstances described in this Section 6(a).

(b) If the Executive's employment is terminated by his death or by the Corporation due to the Executive's Disability (as defined below):

(i) The Corporation shall pay any amounts due to the Executive through the date of his death or the date of his termination due to Disability, including a Pro Rata Annual Incentive Bonus for the year of termination;

(ii) Any unvested restricted shares granted to the Executive pursuant to Section 4(e) shall vest immediately;

(iii) Any unvested options granted to the Executive pursuant to Section 4(f) will vest and all such options held by the Executive, or his estate, will remain exercisable for three (3) years from the date of the Executive's death or termination due to disability; and

(iv) Except as provided above, the Corporation will have no further obligations to the Executive under this Agreement following the Executive's termination of employment under the circumstances described in this Section 6(b).

7

(c) If the Executive's employment shall be terminated by the Corporation pursuant to section 6(d)(iii) for Cause or by the

Executive for other than Good Reason (including due to the Executive's election not to extend the Term as contemplated by Section 2), the Corporation shall pay the Executive his full salary through the date of termination at the rate in effect prior to such termination and the Corporation shall have no further obligations to the Executive under this Agreement but the Executive shall be bound by Section 8 hereof. Following any such termination, any then unvested restricted shares granted to the Executive pursuant to Section 4(e) shall be forfeited and any options granted to the Executive pursuant to Section 4(f) that have not theretofore been exercised shall cease to be exercisable and shall terminate as of the date of such termination of employment.

(d) The term "Enumerated Reason" with respect to termination by the Corporation of the Executive's employment shall mean any one of the following reasons:

(i) Death. The Executive's employment hereunder shall terminate upon his death.

(ii) Disability. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months, and within thirty (30) days after written Notice of Termination is given (which may occur before or after the end of such six month period) shall not have returned to the performance of his duties hereunder on a full-time basis (a "Disability"), the Corporation may terminate the Executive's employment hereunder.

(iii) Cause. The Corporation shall have "Cause" to terminate the Executive's employment hereunder upon (1) the willful and continued failure by the Executive to substantially perform his duties hereunder after demand for substantial performance is delivered by the Corporation that specifically identifies the manner in which the Corporation believes the Executive has not substantially performed his duties, or (2) Executive's conviction of, or plea of nolo contendere to, a crime (whether or not involving the Corporation) constituting any felony or (3) the willful engaging by the Executive in gross misconduct relating to the Executive's employment that is materially injurious to the Corporation, monetarily or otherwise (including, but not limited to, conduct that constitutes competitive activity, in violation of Section 8) or which subjects, or if generally known, would subject the Corporation to public ridicule or embarrassment. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good

faith and without reasonable belief that his action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without (x) reasonable written notice to the Executive setting forth the reasons for the Corporation's intention to terminate for Cause, (y) an opportunity for the Executive, together with his counsel, to be heard before the Board, and (z) delivery to the Executive of a Notice of Termination, as defined in Section 5(c) hereof, from the Board finding that in the good faith opinion of the Board the Executive was guilty of conduct set

forth above in clauses (A) through (C) hereof, and specifying the particulars thereof in detail.

(e) If the Executive's employment with the Corporation shall terminate due to the Corporation's election not to extend the Term of this Agreement as contemplated by Section 2:

(i) The Executive shall be entitled to receive an amount, payable in equal monthly installments over a one year period, equal to the sum of (x) his annual salary, plus (y) his average annual incentive bonus paid over the preceding two years;

(ii) Any unvested restricted shares granted to the Executive pursuant to Section 4(e) will continue to vest on their scheduled vesting dates, subject to and conditioned upon the Executive's compliance with Section 8 hereof;

(iii) Any unvested options granted to the Executive pursuant to Section 4(f) will continue to vest on their scheduled vesting dates, subject to and conditioned upon the Executive's compliance with Section 8 hereof and subject to and conditioned upon the Executive's compliance with Section 8, any vested options granted to the Executive pursuant to Section 4(f) (including any options that continue to vest as described above) will remain exercisable until the latest to occur of (x) five (5) years from the date of this Agreement, (y) one (1) year from the date the Executive's termination of employment and (z) thirty (30) days from the date the option becomes vested and exercisable; and

(iv) Except as provided above, the Corporation shall have no further obligations to the Executive under this Agreement following the Executive's termination of employment under the circumstances described in this Section 6(e).

7. Mitigation. The Executive shall have no duty to mitigate the payments provided for in Sections 6(a) or 6(e) by seeking other employment or otherwise and such payment shall not be subject to reduction for any compensation received by the Executive from employment in any

capacity following the termination of the Executive's employment with the Corporation.

8. Noncompetition.

(a) The Executive agrees that for the duration of his employment and for a period three (3) years from the date of termination thereof, he will not, on his own behalf or on behalf of any other person or entity, hire, solicit, or encourage to leave the employ of the Corporation or its subsidiaries, affiliates or licensees any person who is an employee of any of such companies.

(b) The Executive agrees that for the duration of his employment and for a period of three (3) years from the date of

termination thereof, the Executive will take no action which is intended, or would reasonably be expected, to harm (e.g. making public derogatory statements or misusing confidential Corporation information, it being acknowledged that the Executive's employment with a competitor in and of itself shall not be deemed to be harmful to the Corporation for purposes of this Section 8(b)) the Corporation or any of its subsidiaries, affiliates or licensees or their reputation.

(c) The Executive agrees that during the duration of his employment and;

(i) in the event of the Executive's termination of employment due to the Executive's resignation without Good Reason, until the later of (x) five (5) years from the date of this Agreement and (y) two (2) years from the date of such termination of employment; and

(ii) in the event of the Executive's termination of employment by the Corporation without Cause or the Executive's resignation for Good Reason pursuant to Section 5(b), for two (2) years from the date of such termination of employment; and

(iii) in the event of the Executive's termination of employment by the Corporation for Cause, at the election of the Corporation in consideration for the payment to the Executive of an amount equal to the Executive's salary and annual incentive bonus (equal to the average annual incentive bonus paid to the Executive over the preceding two years) for each year within such period, for a period of up to two (2) years from the date of such termination of employment,

then, during the period specified in clause (i), (ii) or (iii) above, as applicable, the Executive shall not, directly or indirectly, (A) engage in any "Competitive Business" (as defined below) for his own account, (B) enter into the employ of, or render any services to, any person engaged in a Competitive Business, or (C) become interested in any entity engaged in a Competitive Business, directly or indirectly as an individual, partner, shareholder, officer, director, principal, agent,

employee, trustee, consultant, or in any other relationship or capacity; provided that the Executive may own, solely as an investment, securities of any entity which are traded on a national securities exchange if the Executive is not a controlling person of, or a member of a group that controls such entity and does not, directly or indirectly, own 2% or more of any class of securities of such entity.

For purposes of this Agreement the term "Competitive Business" shall mean any of the brands and companies that the Corporation and the Executive may agree to and acknowledge in writing from time to time based upon a good faith determination that such brands or companies compete with the Corporation or its subsidiaries, affiliates or licensees.

The provisions of this Section 8(c) shall not apply if Executive elects to terminate his employment with the Corporation other than for Good Reason following the appointment of a person other than Ralph Lauren, Michael Newman or Executive to the position of chief executive officer of the Corporation, provided (i) Executive has remained in his position for a period of nine months following any such appointment, (ii) Executive has given the Corporation no less than 90 day's prior written notice of such termination referring to the provisions of this Section and (iii) no more than 18 months shall have elapsed from the date of any such appointment prior to the giving of notice of

termination hereunder by Executive.

(d) The Executive will not at any time (whether during or after his employment with the Corporation) disclose or use for his own benefit or purposes or the benefit or purposes of any other person, entity or enterprise, other than the Corporation or any of its subsidiaries or affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Corporation generally, or any subsidiary, affiliate or licensee of the Corporation; provided that the foregoing shall not apply to information which is not unique to the Corporation or which is generally known to the industry or the public other than as a result of the Executive's breach of this covenant. The Executive agrees that upon termination of his employment with the Corporation for any reason, he will return to the Corporation immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Corporation or its subsidiaries or affiliates or licensees.

(e) If the Executive breaches, or threatens to commit a breach of, any of the provisions of this Section 8 (the "Restrictive Covenants"), the Corporation shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in

addition to, and not in lieu of, any other rights and remedies available to the Corporation under law or equity:

(i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Corporation and that money damages will not provide an adequate remedy to the Corporation;

(ii) The right and remedy to require the Executive to account for and pay over to the Corporation all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Executive as the result of any transactions constituting a breach of any of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Corporation; and

(iii) The right to discontinue the payment of any amounts owing to the Executive under the Agreement.

(f) If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portion. In addition, if any court construes any of the Restrictive Covenants, or any part thereof, to be unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

9. Successors; Binding Agreement.

(a) The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives,

executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts are payable to him hereunder all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

10. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered with receipt acknowledged or five business days after having been mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Mr. F. Lance Isham
205 East 78th Street
New York, New York 10021

with a copy to:

Morrison Cohen Singer & Weinstein, LLP
750 Lexington Avenue
New York, New York 10022
Attention: Jeffrey P. Englander, Esq.

If to the Corporation:

Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Corporation as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at

the same or at

any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of law principles.

12. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the City of New York before a single arbitrator who shall be a retired federal judge in accordance with the then obtaining employment rules of the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Corporation shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of the provisions of Section 8 of this Agreement and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Corporation's posting any bond, and provided further that the Executive shall be entitled to seek specific performance of his right to be paid until the date of termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. Fees and expenses payable to the American Arbitration Association and the arbitrator shall be shared equally by the Corporation and by the Executive, but the parties shall otherwise bear their own costs in connection with the arbitration; provided that the arbitrator shall be entitled to include as part of the award to the prevailing party the reasonable legal fees and expenses incurred by such party in an amount not to exceed $25,000.

15. Withholding. The Corporation may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to applicable law or regulation.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed and the Executive has hereunto set his hand, each on the date set forth below, but effective as of the 10th day of November, 1998.

POLO RALPH LAUREN CORPORATION

By: /s/ Ralph Lauren

Date: March 10, 1999

/s/ F. Lance Isham

Executive: F. Lance Isham

Date: February 24, 1999

EXHIBIT 10.20

EXECUTION COPY

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CREDIT AGREEMENT

Dated as of March 30, 1999

Among

POLO RALPH LAUREN CORPORATION,
as Borrower

THE LENDERS AND OTHER FINANCIAL
INSTITUTIONS PARTIES HERETO,

THE CHASE MANHATTAN BANK,
as Agent

and

CHASE SECURITIES INC.,
as Book Manager and Lead Arranger

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT, dated as of March 30, 1999, among POLO RALPH LAUREN CORPORATION, a Delaware corporation (the "Borrower"), the banks and other financial institutions from time to time parties hereto (the "Lenders") and THE CHASE MANHATTAN BANK ("Chase"), a New York banking corporation, as agent for the Lenders hereunder.

W I T N E S S E T H :

WHEREAS, the Borrower, through PRL Acquisition Corp, a wholly owned Subsidiary organized under the laws of the Province of Nova Scotia (the "Offeror"), has made an offer (the "Tender Offer") to purchase all the outstanding shares of common stock (the "Target Stock") of Club Monaco Inc., a corporation organized under the laws of Ontario (the "Target") , including all Target Stock that may be issued pursuant to the exercise of outstanding

options, at a price of Canadian $13.00 per share pursuant to an Offer to Purchase dated March 8, 1999 (as amended, modified or otherwise supplemented from time to time to the extent permitted by subsection 7.1(a)(iv), the "Offer to Purchase");

WHEREAS, pursuant to the Tender Offer, and subject to the terms and conditions set forth in the Offer to Purchase, the Offeror will purchase all of the validly tendered and not withdrawn shares of Target Stock (the "Amalgamation Voting Shares");

WHEREAS, following the completion of the Tender Offer, the Offeror will either (i) acquire the shares not tendered pursuant to the Tender Offer (the "Untendered Target Stock") at a price of Canadian $13.00 per share in accordance with Section 188 of the Business Corporations Act (Ontario), as amended ("OBCA") (such acquisition being referred to herein as the "Compulsory Acquisition"), and, promptly thereafter, the Offeror will amalgamate with the Target (the "Amalgamation") such that the Borrower will be the direct owner of all of the shares of the Capital Stock of the resulting entity (the "Amalgamated Entity"); or (ii) pursue other means of acquiring, directly or indirectly, all the Untendered Target Stock in accordance with applicable law, including by way of a statutory arrangement, amalgamation, capital reorganization or other transactions involving the Target and the Offeror or an affiliate of the Offeror (a "Second-Step Transaction");

WHEREAS, to (i) finance the Tender Offer and the subsequent Compulsory Acquisition or Second-Step Transaction, (ii) refinance existing indebtedness of the Target, (iii) pay fees and expenses in connection with the Tender Offer and the financing thereof and (iv) provide for the working capital and general corporate needs of the Borrower and its Subsidiaries prior to and following the completion of the foregoing, the Borrower has requested that the Lenders and the Agent enter into this Credit Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by Chase in connection with extensions of credit to debtors); "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Agent to obtain sufficient quotations in accordance with the terms thereof, the ABR shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of

business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans the rate of interest applicable to which is based upon the ABR.

"Acceptance": as defined in subsection 5.1.

"Acceptance Commission": as defined in subsection 6.5(a).

"Acceptance Discount Rate": with respect to any Acceptance at any particular time, the bid rate in effect at the principal office of the Issuing Lender in New York City at such time for discount by the Issuing Lender of commercial drafts or bills in the same face amount, with the same maturity, and of the same type as such Acceptance.

"Acceptance Documents": the collective reference to the Drafts, the Acceptances and any other documents arising out of or in connection with the creation of Acceptances hereunder.

"Acceptance Obligations": at any particular time, all liabilities of the Borrower on or with respect to Acceptances, whether for reimbursement obligations due or to become due to the Issuing Lender or payments of Acceptances and whether or not such liability is contingent or unmatured,

including the sum of (a) the then outstanding Acceptance Reimbursement Loans plus (b) the aggregate face amount of all unmatured Acceptances then outstanding.

"Acceptance Participating Interest": with respect to any Acceptance, (a) in the case of the Issuing Lender, its undivided interest in such Acceptance after giving effect to the granting of any participating interests therein and (b) in the case of any Participating Lender, its undivided participating interest in such Acceptance.

"Acceptance Reimbursement Loan": as defined in subsection 5.3(b).

"Acceptance Reimbursement Obligation": the obligation of the Borrower to pay the Issuing Lender in accordance with subsection 5.3(a) in respect of any Acceptances created by the Issuing Lender for the account of the Borrower or any of its Subsidiaries.

"Accounts": as to any Person, all rights to receive payment for goods sold or leased by such Person or for services rendered in the ordinary course of business of such Person to the extent not evidenced by an instrument or chattel paper, together with all interest, finance charges and other amounts payable by an account debtor in respect thereof.

"Adjustment Date": the fifth Business Day following receipt by the Agent of both (i) the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as the case may be, for the most recently completed fiscal period and (ii) the certificate required to be delivered pursuant to subsection 9.1(d) with respect to such fiscal period.

"Affiliate": with respect to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of Voting Stock, by contract or otherwise), provided that, in any event, any Person which owns directly or indirectly Voting Stock having 10% or more of the ordinary voting power for the election of

directors or other governing body of a Person (other than as a limited partner of such other Person) shall be deemed to control such other Person. Notwithstanding the foregoing, no individual shall be deemed to be an Affiliate of a Person solely by reason of his or her being an officer or director of such Person.

"Agent": Chase, together with its affiliates, as the arranger of the Term Loan Commitments and the Revolving Credit Commitments and as the agent for the Lenders under this Agreement and the other Credit Documents.

"Aggregate Revolving Credit Extensions of Credit": on any date of determination thereof, the sum of (a) the aggregate principal amount of the Revolving Credit Loans outstanding on such date, (b) the aggregate amount of the Letter of Credit Obligations on such date and (c) the aggregate amount of the Acceptance Obligations on such date.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Amalgamated Entity": as defined in the recitals hereto.

"Amalgamation": as defined in the recitals hereto.

"Amalgamation Voting Shares": as defined in the recitals hereto.

"Annual Increase": for any Fiscal Year, an amount equal to 50% of the Net Income of the Borrower and its Subsidiaries for such Fiscal Year less the amount of any Restricted Payments during such Fiscal Year.

"Applicable Commitment Rate Percentage": .175%; provided that the Applicable Commitment Rate Percentage will be adjusted, on each Adjustment Date to occur hereafter, to the Applicable Commitment Rate Percentage set forth on Annex A opposite the column titled "Margin Level Status" of the Borrower which is in effect on such Adjustment Date and provided, further, that in the event that the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as applicable, and the related certificate required to be delivered pursuant to subsection 9.1(d), are not delivered when due, then during the period commencing five Business Days after the date upon which such financial statements were required to be delivered until five Business Days following the date upon which they are actually delivered, the Applicable Commitment Rate Percentage shall be .25%.

"Applicable Margin": .75%; provided that the Applicable Margin for Eurodollar Loans, Acceptances and Standby Letters of Credit will be adjusted, on the first Adjustment Date to occur hereafter, to the Applicable Margin for Eurodollar Loans, Acceptances and Standby Letters of Credit set forth on Annex A opposite the column titled "Margin Level Status" of the Borrower which is in effect on such Adjustment Date, and provided, further, that in the event that the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as applicable, and the related certificate required to be delivered pursuant to subsection 9.1(d), are not delivered when due, then during the period commencing five Business Days after the date upon which such financial statements were required to be delivered until five Business Days following the date upon which they are actually delivered, the Applicable Margin shall be 1.25%.

"Applicable Sight Draft Fee Percentage": .10%; provided that the Applicable Sight Draft Fee Percentage shall be adjusted, on the first

Adjustment Date to occur hereafter to the Applicable Sight Draft Fee Percentage set forth on Annex A opposite the column titled "Margin Level Status" of the Borrower which is in effect on such Adjustment Date, and provided, further, that in the event that the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as applicable, and the related certificate required to be delivered pursuant to subsection 9.1(d), are not delivered when due, then during the period commencing five Business Days after the date upon which such financial statements were required to be delivered until five Business Days following the date upon which they are actually delivered, the Applicable Sight Draft Fee Percentage shall be .125%.

"Approved Foreign Currency": as defined in subsection 4.2(b).

"Assignee": as defined in subsection 13.6(c).

"Available Revolving Credit Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) the amount of such Lender's Revolving Credit Commitment over (b) the amount of such Lender's Aggregate Revolving Credit Extensions of Credit.

"Available Term Loan Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) the amount of such Lender's Term Loan Commitment over (b) the aggregate principal amount of Term Loans theretofore made hereunder by such Lender.

"Board": the Board of Governors of the Federal Reserve System or any successor thereof.

"Borrowing Date": any Business Day specified in a notice or application pursuant to subsection 2.3, 3.3, 4.2 or 4.3 as a date on which the Borrower requests the Lenders to make Loans or requests the Issuing Lender to issue Letters of Credit hereunder.

"Business": as defined in subsection 8.20(b).

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Expenditures": with respect to any Person for any period, the sum of the aggregate of all expenditures (whether paid in cash or accrued as a liability) by such Person and its Subsidiaries during that period which, in accordance with GAAP, are or should be included in "additions to property, plant or equipment" or similar items reflected in the consolidated statement of cash flows of such Person.

For purposes of this definition, the purchase price of equipment which is purchased simultaneously with the trade-in of existing equipment owned by the Borrower or any Subsidiary or with insurance proceeds (as permitted hereunder) shall be included in Capital Expenditures only to the extent of the gross amount of such purchase price less any credit granted by the seller of such equipment for the equipment being traded in at such time or the amount of such proceeds, as the case may be.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Capitalized Lease": shall mean any lease which is required to be capitalized on the balance sheet of the lessee pursuant to GAAP.

"Cash Equivalents": (a) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof, (b) time deposits and certificates of deposit of any of the Lenders or any domestic commercial bank having capital and surplus of at least $100,000,000, (c) commercial paper of any Person organized under the laws of the United States or any State thereof that is not a Subsidiary or an Affiliate of the Borrower rated at least A-2 by Standard & Poor's Ratings Group or at least P-2 by Moody's Investors Service, Inc., (d) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States or by any political subdivision, taxing authority or foreign government (as the case may be) that are rated at least A by Standard & Poor's Rating Group or A by Moody's Investors Service, Inc., (e) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition, (f) shares of money market mutual or similar funds having assets in excess of $250,000,000 and which invest exclusively in assets satisfying the requirements of clause (a) of this definition or (g) shares of money market mutual or similar funds having assets in excess of $500,000,000 and which invest exclusively in assets satisfying the requirements of clauses (b) through (e) of this definition.

"Closing Date": the date on which the conditions precedent set forth in subsection 7.1 shall be satisfied.

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

"Combined Loan Percentage": as to any Lender at any time, the percentage which (a) the sum of (i) such Lender's Revolving Credit Commitment (or, at any time after the Revolving Credit Commitments shall have expired or terminated,

such Lender's portion of the then Aggregate Revolving Credit Extensions of Credit) plus (ii) the sum of such Lender's then Available Term Loan Commitment and such Lender's Term Loans then outstanding, then constitutes of (b) the sum of (1) the aggregate Revolving Credit Commitments of all Lenders (or, at any time after the Revolving Credit Commitment shall have expired or terminated, the then Aggregate Revolving Credit Extensions of Credit) plus (2) the sum of the then Available Term Loan Commitments of all the Lenders and the aggregate principal amount of Term Loans of all the Lenders then outstanding.

"Commercial Letter of Credit": a commercial documentary letter of credit issued by the Issuing Lender for the account of the Borrower or any of its Subsidiaries for the purchase of goods in the ordinary course of business.

"Commercial Letter of Credit Application": as defined in subsection 4.2(a).

"Commitments": collectively, the Term Loan Commitments and the Revolving Credit Commitments.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower or any Guarantor and which is treated as a single employer under Section 414 of the Code.

"Compulsory Acquisition": as defined in the recitals hereto.

"Consolidated Indebtedness": as of the date of any determination

thereof, the aggregate of all Indebtedness of the Borrower and its Subsidiaries, on a consolidated basis after eliminating all inter-company items, in accordance with GAAP.

"Consolidated Indebtedness Ratio": for any period, the ratio of (a) the average of Consolidated Indebtedness outstanding on the last day of each Fiscal Quarter ending during such period to (b) Net Income of the Borrower and its Subsidiaries for such period plus depreciation, amortization, federal and state income taxes and Interest Expense deducted in determining such Net Income.

"Consolidated Net Worth": as of any date of determination thereof, the excess of (a) the aggregate consolidated net book value of the assets of the Borrower and its Subsidiaries (other than patents, patent rights, trademarks, trade names, franchises, copyrights, licenses, permits, goodwill and other similar intangible assets properly classified as such in accordance with GAAP) after all appropriate adjustments in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization and excluding the amount of any write-up or revaluation of any asset) over (b) all of the aggregate liabilities of the Borrower and its Subsidiaries, including all items

which, in accordance with GAAP, would be included on the liability side of the balance sheet (other than Capital Stock, treasury stock, capital surplus and retained earnings) in each case consolidated (after eliminating all inter-company items) in accordance with GAAP.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Documents": the collective reference to this Agreement, the Notes, the Letter of Credit Documents, the Guarantee and the Acceptance Documents.

"Credit Parties": the collective reference to the Borrower and the Guarantors.

"Default": any of the events specified in Section 11, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollar Equivalent": (a) with respect to any calculation involving the face amount of any Letter of Credit issued in an Approved Foreign Currency, the amount in Dollars into which the relevant amount in such Approved Foreign Currency would be converted based upon the relevant Exchange Rate in effect at 10:00 A.M., New York City time, on the date of issuance of such Letter of Credit and (b) with respect to any calculation involving the amount of any drawing under any Letter of Credit, the amount in Dollars into which the relevant amount in such Approved Foreign Currency would be converted based upon the relevant Exchange Rate in effect at the time the Issuing Lender makes payment under such Letter of Credit.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

"Drafts": as defined in subsection 5.1.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

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

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the rate at which Chase is offered Dollar deposits at or about 10:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank Eurodollar market where the Eurodollar and foreign currency and exchange operations in respect of its Eurodollar Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Event of Default": any of the events specified in Section 11, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"Exchange Rate": with respect to any Approved Foreign Currency, the arithmetic mean of the spot exchange rates for the purchase of such Approved Foreign Currency with Dollars as listed on the WRLD screen of the Reuters News Service, and if the Reuters spot exchange rates are unavailable, the Telerate equivalent shall be used.

"Existing Credit Agreement": the Credit Agreement, dated as of June 9, 1997, among the Borrower, the several banks and other financial institutions parties thereto and Chase, as agent for such banks and financial institutions, as

heretofore amended, supplemented or otherwise modified and in effect on the date hereof (without giving effect to any future amendments, supplements or other modifications thereto) .

"Existing Closing Date": the "Closing Date", as defined in the Existing Credit Agreement.

"Existing Termination Date": the "Termination Date", as defined in the Existing Credit Agreement.

"Federal Funds Effective Rate": as defined in the definition of "ABR" set forth above.

"Fiscal Quarter": with respect to the Borrower and its Subsidiaries, and with respect to any Fiscal Year, (a) each of the quarterly periods ending 13 calendar weeks, 26 calendar weeks, 39 calendar weeks and 52 or 53 calendar weeks, as the case may be, after the end of the prior Fiscal Year or (b) such other quarterly periods as the Borrower shall adopt after giving prior written notice thereof to the Lenders.

"Fiscal Year": with respect to the Borrower and its Subsidiaries, (a) the 52- or 53-week annual period, as the case may be, ending on the Saturday nearest to March 31 of each calendar year or (b) such other fiscal year as the Borrower shall adopt with the prior written consent of the Required Lenders (which consent shall not be unreasonably withheld). Any designation of a particular Fiscal Year by reference to a calendar year shall mean the Fiscal Year ending during such calendar year.

"Foreign Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction outside of the United States of America.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"Gap Period": the period commencing on the date of the Existing Credit Agreement and ending on the date hereof.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee": the Guarantee to be executed and delivered by each Guarantor, substantially in the form of Exhibit B, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assume or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of

business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (x) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (y) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantor": each Subsidiary of the Borrower (the names of which are listed on Schedule 8.22) which is a party to the Guarantee and Collateral Agreement (as defined in the Existing Credit Agreement) on the date hereof and each other Person which is or will become a guarantor under the Guarantee pursuant to the terms of this Agreement or in the sole discretion of the Borrower.

"Indebtedness": with respect to any Person, as of the date of any determination thereof, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities or employment or consulting compensation incurred in the ordinary course of business and payable in accordance with customary practices), (b) all indebtedness for borrowed money secured by any Lien on any property owned by such Person to the extent of such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, (c) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (d) all obligations of such Person as lessee under Capitalized Leases, (e) all obligations of such Person in respect of acceptances issued or

created for the account of such Person, and (f) all Guarantee Obligations of such Person in respect of Indebtedness of any other Person. For purposes of all calculations provided for in this Agreement, there shall be disregarded any Guarantee Obligations of any Person in respect of any Indebtedness of any other Person with which the accounts of such first Person are then required to be consolidated in accordance with GAAP.

"Insolvency": with respect to any Multiemployer Plan the condition that such plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Expense": for any period, net interest expense in respect of Indebtedness of the Borrower and its Subsidiaries (including, without duplication, all interest capitalized or to be capitalized on the books of the Borrower and its Subsidiaries properly charged or chargeable to income for such period in accordance with GAAP) for such period.

"Interest Payment Date": (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar

Loan and ending one, two, three or six months thereafter, or, if available, four, five or nine months or one year thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, or, if available, four, five or nine months or one year thereafter, as selected by the Borrower by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) any Interest Period that would otherwise extend beyond the Termination Date shall end on the Termination Date or the final date of maturity of the Term Loans, in the case of interest payable on the Term Loans;

(3) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(4) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"Investment": as applied to any Person, any direct or indirect purchase or other acquisition by such Person of Capital Stock or other securities of, or any assets constituting a business unit of, any other Person, or any direct or indirect loan, advance or capital contribution by such Person to any other Person. In computing the amount involved in any Investment at the time outstanding, (a) undistributed earnings of, and unpaid interest accrued in respect of Indebtedness owing by, such other Person shall not be included, (b) there shall not be deducted from the amounts invested in such other Person any amounts received as earnings (in the form of dividends, interest or otherwise) on such Investment or as loans from such other Person and (c) unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of Investments in such other Person shall be disregarded.

"ISP98": International Standby Practices ISP98, International Chamber of Commerce Publication No. 590, as the same may be amended from time to time.

"Issuing Lender": Chase, in its capacity as issuer of the Letters of Credit and as creator of Acceptances.

"Lauren": Ralph Lauren, an individual.

"Letter of Credit Applications": the collective reference to Commercial Letter of Credit Applications and Standby Letter of Credit Applications.

"Letter of Credit Documents": the collective reference to the Letter of Credit Applications, and the Letters of Credit and any other documents arising out of or in connection with the issuance of and participation in Letters of Credit hereunder.

"Letter of Credit Obligations": at any particular time, all liabilities of the Borrower with respect to Letters of Credit, whether or not such liabilities are contingent or unmatured, including, without limitation, the sum of (a) the then outstanding Letter of Credit Reimbursement Loans plus (b) the then aggregate undrawn face amount of all then outstanding Letters of Credit.

"Letter of Credit Participating Interest": with respect to any Letter of Credit, (a) in the case of the Issuing Lender, its undivided interest in such Letter of Credit, the related Letter of Credit Application, after giving effect to the granting of any participating interests therein and (b) in the case of any Participating Lender, its undivided participating interest in such Letter of Credit and the related Letter of Credit Application.

"Letter of Credit Reimbursement Deficiency": as defined in subsection 4.6(b).

"Letter of Credit Reimbursement Loan": as defined in subsection 4.6(b).

"Letter of Credit Reimbursement Loan Account": as defined in subsection 4.6(b).

"Letter of Credit Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Lender in accordance with subsection 4.6(a) for any payment made by the Issuing Lender under any Letter of Credit issued for the account of the Borrower or any of its Subsidiaries.

"Letters of Credit": the collective reference to Commercial Letters of Credit and Standby Letters of Credit.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capitalized Lease having substantially the same economic effect as any of the foregoing).

"Loans": the collective reference to the Revolving Credit Loans and the Term Loans and any other loans and extensions of credit made by the Lenders from time to time in accordance with the terms of this Agreement.

"Margin Level I Status": shall exist on an Adjustment Date if the Consolidated Indebtedness Ratio as of the last day of the period covered by the financial statements relating to such Adjustment Date is greater than or equal to 2.0 to 1.

"Margin Level II Status": shall exist on an Adjustment Date if the Consolidated Indebtedness Ratio as of the last day of the period covered by the financial statements relating to such Adjustment Date is less than 2.0 to 1 but greater than or equal to 1.50 to 1.

"Margin Level III Status": shall exist on an Adjustment Date if the

Consolidated Indebtedness Ratio as of the last day of the period covered by the financial statements relating to such Adjustment Date is less than 1.5 to 1 but greater than or equal to 1.25 to 1.

"Margin Level IV Status": shall exist on an Adjustment Date if the Consolidated Indebtedness Ratio as of the last day of the period covered by the financial statements relating to such Adjustment Date is less than 1.25 to 1.

"Material Adverse Effect": a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Credit Documents or the rights or remedies of the Agent or the Lenders hereunder or thereunder.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

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

"Net Income" ("Net Loss"): with respect to any Person or group of Persons, as the case may be, for any fiscal period, the difference between (a) gross revenues of such Person or group of Persons and (b) all costs, expenses and other charges incurred in connection with the generation of such revenue (including, without limitation, taxes on income), determined on a consolidated or combined basis, as the case may be, and in accordance with GAAP.

"Non-Excluded Taxes": as defined in subsection 6.16(a).

"Notes": the collective reference to the Revolving Credit Notes and the Term Notes; each, individually, a 'Note'.

"OBCA": as defined in the recitals hereto.

"Offer to Purchase": as defined in the recitals hereto.

"Offeror": as defined in the recitals hereto.

"Participants": as defined in subsection 13.6(b).

"Participating Lender": any Lender (other than the Issuing Lender), in its capacity as an acquiror of Letter of Credit Participating Interests in Letters of Credit and as an acquiror of Acceptance Participating Interests in Acceptances.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Permitted Acquisition": any acquisition by the Borrower or any Subsidiary, on or after the Closing Date, (whether effected through a purchase of Capital Stock or assets or through a merger, consolidation or amalgamation), of (i) another Person or (ii) the assets constituting an entire business or operating business unit of another Person, provided that:

(a) the assets so acquired or, as the case may be, the assets of the Person so acquired shall be in a Related Line of Business;

(b) no Default or Event of Default shall have occurred and be continuing at the time thereof or would result therefrom;

(c) the Borrower shall have delivered to the Agent, as soon as available but in no event later than the date of disclosure by the Borrower to the public, a copy of the executed purchase agreement with respect thereto (without exhibits, except to the extent available and requested by the Agent); and

(d) such acquisition shall be effected in such manner so that the acquired Capital Stock or assets are owned either by the Borrower or a Subsidiary and, if effected by merger, consolidation or amalgamation, the Borrower or a Subsidiary shall be the continuing, surviving or resulting entity.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at any particular time, any employee benefit plan other than a Multiemployer Plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Properties": as defined in subsection 8.20(a).

"Register": as defined in subsection 13.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Related Line of Business": (a) any line of business in which the Borrower or any of its Subsidiaries is engaged as of, or immediately prior to, the Closing Date, (b) any wholesale, retail or other distribution of products or services under any Trademark or any derivative thereof or (c) any similar business and any business which provides a service and/or supplies products in connection with any business described in clause (a) or (b) above.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 2615.

"Required Lenders": at a particular time, Lenders the Combined Loan Percentages of which aggregate at least 51%.

"Requirement of Law": as to any Person, the Articles or Certificate of Incorporation and By-Laws or Certificate of Partnership or partnership agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Determination": as defined in subsection 5.4.

"Responsible Officer": with respect to the Borrower, the chief

executive officer, the chief operating officer, the president or any vice president of the Borrower, and with respect to financial matters, the chief financial officer or the Vice President-Finance or the Vice President-Treasurer of the Borrower.

"Restricted Payment": with respect to the Borrower and any of its Subsidiaries, (a) any declaration or payment of any dividend on, or the making of or provision for any distribution on account of, shares of any class of Capital Stock

23

of such Person (other than to the Borrower or another Subsidiary of the Borrower), now or hereafter outstanding, whether in cash or property or in obligations of the Borrower or any of its Subsidiaries, and (b) any purchase, redemption or other acquisition or retirement for value of any shares of any class of Capital Stock of such Person (other than from the Borrower or another Subsidiary of the Borrower), or any warrants, rights or options to acquire any such shares, now or hereafter outstanding.

"Revolving Credit Commitment": at any time, with respect to each Lender, the amount set forth opposite such Lender's name on Schedule 1.1 in the section entitled "Revolving Credit Commitments", as such amount may be reduced or increased from time to time in accordance with the provisions of this Agreement.

"Revolving Credit Commitment Percentage": as to any Lender at any particular time, the percentage of the aggregate Revolving Credit Commitments then constituted by such Lender's Revolving Credit Commitment (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which such Lender's portion of the Aggregate Revolving Credit Extensions of Credit constitutes of the Aggregate Revolving Credit Extensions of Credit).

"Revolving Credit Commitment Period": the period from and including the Closing Date to but not including the Termination Date or such earlier date as the Revolving Credit Commitments shall terminate as provided herein.

"Revolving Credit Loans": as defined in subsection 2.1.

"Revolving Credit Note": as defined in subsection 2.2.

"SEC": the Securities and Exchange Commission.

"Second-Step Transaction": as defined in the recitals hereto.

"Sight Draft Letter of Credit": a Commercial Letter of Credit providing for payment of sight drafts when presented for honor thereunder in accordance with the terms thereof and when accompanied by documents complying with the terms thereof.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Standby Letter of Credit": an irrevocable letter of credit pursuant to which the Issuing Lender agrees to make payments in Dollars for the account of the Borrower or any of its Subsidiaries in respect of obligations of the Borrower or any of its Subsidiaries incurred pursuant to contracts made or performances undertaken or to be undertaken or like matters relating to contracts to which the Borrower or

24

any of its Subsidiaries is or proposes to become a party in the ordinary course of the Borrower's or any of its Subsidiaries' business, including, without limiting the foregoing, for insurance purposes and in connection with lease transactions.

"Standby Letter of Credit Application": as defined in subsection 4.3(a).

"Subordinated Indebtedness": any Indebtedness of the Borrower, provided that with respect to any such Indebtedness (i) no part of the principal of such Indebtedness is stated to be payable or is required to be paid (whether by way of mandatory sinking fund, mandatory redemption, mandatory prepayment or otherwise) prior to the Termination Date and the payment of principal of which and (subject to clause (ii) below) any other obligations of the Borrower in respect thereof are subordinated to the prior payment in full of principal of and interest (including post-petition interest) on the Notes, the Letter of Credit Obligations, the Acceptance Obligations and all other obligations and liabilities of the Borrower to the Agent and the Lenders hereunder on terms and conditions first approved in writing by the Required Lenders, (ii) no part of the interest accruing on such Indebtedness (other than interest payable solely in kind which shall be similarly subordinated) is payable after a Default or Event of Default has occurred and is continuing, and (iii) such Indebtedness otherwise contains terms, covenants and conditions in form and substance reasonably satisfactory to the Required Lenders, as evidenced by their prior written approval thereof.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries (including a wholly owned Subsidiary of such Person), or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Support Agreement": the Support Agreement, dated as of February 28, 1999, among the Offeror, the Borrower and the Target.

"Target": as defined in the recitals hereto.

"Target Stock": as defined in the recitals hereto.

"Tender Offer": as defined in the recitals hereto.

"Term Loan": as defined in subsection 3.1.

"Term Loan Commitment": as to any Lender, the obligation of such Lender to make Term Loans in the aggregate amount set forth opposite such

Lender's name on Schedule 1.1 in the section entitled "Term Loan Commitments", as such amount may be reduced from time to time in accordance with the provisions of this Agreement.

"Term Loan Commitment Period": the period from and including the Closing Date to but not including the Term Loan Termination Date.

"Term Loan Exposure": means, with respect to any Lender at any time, the outstanding principal amount of such Lender's Term Loan at such time.

"Term Loan Percentage": as to any Lender at any time, (a) in relation to any borrowing of Term Loans, the percentage of the aggregate

Term Loan Commitments then constituted by such Lender's Term Loan Commitment and (b) otherwise, the percentage of the aggregate Term Loans then constituted by such Lender's Term Loan.

"Term Loan Termination Date": the earlier of (a) the date which is 120 days after the Closing Date and (b) the date on which the Tender Offer lapses and is not extended by the Offeror or is withdrawn by the Offeror.

"Term Note": as defined in subsection 3.2.

"Termination Date": June 30, 2003.

"Time Draft Letter of Credit": a Commercial Letter of Credit providing for acceptance by the Issuing Lender of time drafts when presented for honor thereunder in accordance with the terms thereof, provided that no such draft shall be payable more than 180 days after sight or later than 90 days after the Termination Date, and provided, further, that each such draft is accompanied by documents complying with the terms of such Letter of Credit.

"Time Draft and Standby Fee Percentage:" at any time, a percentage equal to the Applicable Margin then in effect.

"Trademarks": as defined in subsection 9.5.

"Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Type": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"Untendered Target Stock": as defined in the recitals hereto.

"Voting Stock": stock of any class or classes (however designated), or other equity ownership interests, of any Person, the holders of which are at the time entitled, as such holders, to vote for the election of the directors or other governing body of the Person involved, whether or not the right so to vote exists by reason of the happening of a contingency.

1.2 Other Definitional Provisions. (a) Unless otherwise defined therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes and the other Credit Documents or any certificate or other document made or delivered pursuant hereto or in connection herewith.

(b) As used herein and in the Notes, the other Credit Documents and any certificate or other document made or delivered pursuant hereto or in connection herewith, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1, and accounting terms partly defined in subsection 1.1 to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally

applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENTS

2.1 Revolving Credit Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("Revolving Credit Loans") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding not to exceed the amount of such Lender's Revolving Credit Commitment; provided, that no Revolving Credit Loan shall be made if, after giving effect thereto, the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be (i) Eurodollar Loans, (ii) ABR Loans, or (iii) a combination thereof, as determined by the Borrower and notified to the Agent in accordance with subsections 2.3 and 6.10, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Termination Date.

2.2 Revolving Credit Notes. The Revolving Credit Loans made by each Lender shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A-1 hereto, with appropriate insertions as to payee, date and principal amount (individually, a "Revolving Credit Note"; collectively, the "Revolving Credit Notes"), payable to the order of such Lender and in a principal amount equal to the lesser of (a) the amount set forth opposite each Lender's name on Schedule 1.1 in the section entitled "Revolving Credit Commitments" and (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by such Lender. Each Lender is hereby authorized to record the date and amount of each such Revolving Credit Loan made by such Lender, each continuation thereof and the date and amount of each payment or prepayment of principal thereof, on the schedule annexed to and constituting a part of its Revolving Credit Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. Each Revolving Credit Note shall (i) be dated the Closing Date, (ii) be stated to mature on the Termination Date, and (iii) provide for the payment of interest in accordance with subsection 6.1.

2.3 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day, provided that the Borrower shall give the Agent irrevocable telephonic notice (which notice must be received by the Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, if all or any part of the requested Revolving Credit Loans are to be initially Eurodollar Loans or (b) on the requested Borrowing Date, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the amounts of such Type of Loan and the lengths of the initial Interest Periods therefor. Each borrowing under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of ABR Loans, $500,000 or a whole multiple thereof (or, if the then Available Revolving Credit Commitments are less than $500,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000, or a whole multiple of $500,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Borrower at the office of the Agent specified in subsection 13.2 prior to 1:00 P.M., New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Agent. Such borrowing will then be made

available to the Borrower by the Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

2.4 Use of Proceeds. The proceeds of the Revolving Credit Loans shall be used by the Borrower for general corporate purposes, including to finance the operations of the Borrower and its Subsidiaries in the ordinary course of their businesses and to finance capital expenditures.

SECTION 3. AMOUNT AND TERMS OF TERM LOANS

3.1 Term Loan Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make term loans ("Term Loans") to the Borrower from time to time

during the Term Loan Commitment Period in an aggregate amount not to exceed such Lender's Term Loan Commitment.

3.2 Term Notes. The Term Loans made by each Lender shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A-2 hereto, with appropriate insertions as to payee, date and principal amount (individually, a "Term Note"; collectively, the "Term Notes"), payable to the order of such Lender and in a principal amount equal to the lesser of (a) the amount set forth opposite each Lender's name on Schedule 1.1 in the section entitled "Term Loan Commitments" and (b) the aggregate unpaid principal amount of all Term Loans made by such Lender. Each Lender is hereby authorized to record the date and amount of each such Term Loan made by such Lender, each continuation thereof and the date and amount of each payment or prepayment of principal thereof, on the schedule annexed to and constituting a part of its Term Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. Each Term Note shall (i) be dated the Closing Date, (ii) be stated to mature in one payment on June 30, 2003, and (iii) provide for the payment of interest in accordance with subsection 6.1.

3.3 Procedure for Term Loan Borrowing. The Borrower may borrow under the Term Loan Commitments during the Term Loan Commitment Period on any Business Day, provided that the Borrower shall give the Agent irrevocable telephonic notice (which notice must be received by the Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, if all or any part of the requested Term Loans are to be initially Eurodollar Loans or (b) on the requested Borrowing Date, otherwise), specifying (i) the aggregate amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the amounts of such Type of Loan and the lengths of the initial Interest Period therefor. Each borrowing under the Term Loan Commitments shall be in an amount equal to (x) in the case of ABR Loans, $500,000 or a whole multiple thereof (or, if the then Available Term Loan Commitments are less than $500,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000, or a whole multiple of $500,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Borrower at the office of the Agent specified in subsection 13.2 prior to 1:00 P.M., New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Agent. Such borrowing will then be made available to the Borrower by the Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

3.4 Use of Proceeds. The proceeds of the Term Loans shall be

used by the Borrower to finance the Tender Offer and the Compulsory Acquisition or the Second-Step Transaction (provided that the aggregate amount paid in connection therewith shall not exceed approximately Canadian $85,000,000) and the repayment of approximately Canadian $44,000,000 of currently existing Indebtedness of the Target and to pay related fees and expenses.

SECTION 4. AMOUNT AND TERMS OF LETTERS OF CREDIT

4.1 Letters of Credit. Subject to the terms and conditions hereof, the Issuing Lender and each Participating Lender agree to extend credit by the Issuing Lender's issuing Letters of Credit in the form of Commercial Letters of Credit or Standby Letters of Credit for the account of the Borrower and its Subsidiaries, and by each Participating Lender's acquiring its Letter of Credit Participating Interest in each such Letter of Credit issued by the Issuing Lender, from time to time during the Revolving Credit Commitment Period in an aggregate face amount at any one time outstanding not to exceed in the case of Standby Letters of Credit, $15,000,000, provided, that no Letter of Credit shall be issued hereunder if, after giving effect thereto, the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period, the Borrower may use the Revolving Credit Commitments in this manner by having the Issuing Lender issue Letters of Credit, having such Letters of Credit expire undrawn upon or, if drawn upon, reimbursing the Issuing Lender for such drawing, and having the Issuing Lender issue new Letters of Credit, all in accordance with the terms and conditions hereof.

4.2 Issuance of Commercial Letters of Credit. (a) Subject to the terms and conditions hereof (including, without limitation, subsection 4.1), the Borrower may request the Issuing Lender to issue a Commercial Letter of Credit in favor of sellers of goods to the Borrower and its Subsidiaries on any Business Day during the Revolving Credit Commitment Period by delivering to the Agent at its address specified in subsection 13.2 (or such other lending office of the Agent as the Agent shall request) a commercial letter of credit application (executed by the Borrower and, in the case of any Letter of Credit to be issued for the account of any Subsidiary of the Borrower, such Subsidiary) by a transmission in accordance with past practice (a "Commercial Letter of Credit Application"), completed to the satisfaction of the Issuing Lender, together with such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Subject to the provisions of the last sentence of subsection 4.8, the Borrower hereby agrees to observe and perform its covenants, duties and obligations under each Commercial Letter of Credit Application.

(b) Each Commercial Letter of Credit issued hereunder shall, among other things, (i) be either a Sight Draft Letter of Credit or a Time Draft Letter of Credit, (ii) have an expiry date occurring not later than one year after the date of issuance of such Commercial Letter of Credit and in no event later than 90 days after the Termination Date, and (iii) be denominated in Dollars (except for Commercial Letters of Credit denominated in foreign currencies acceptable to the Issuing Lender in its sole discretion (each an "Approved Foreign Currency"; provided that the aggregate undrawn face amount of all such Commercial Letters of Credit issued in an Approved Foreign Currency shall not exceed the Dollar Equivalent of $10,000,000 at any time outstanding). Each Commercial Letter of Credit Application and each Commercial Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Issuing Lender shall not at any time be obligated to issue any Commercial Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing

Lender or any Participating Lender to exceed any limits imposed by, any applicable Requirements of Law.

4.3 Issuance of Standby Letters of Credit. (a) Subject to the terms and conditions hereof (including, without limitation, subsection 4.1), the Borrower may request the Issuing Lender to issue a Standby Letter of Credit for the account of the Borrower or any of its Subsidiaries, on any Business Day during the Revolving Credit Commitment Period by delivering to the Agent at its address specified in subsection 13.2 (or such other lending office of the Agent as the Agent shall request) a standby letter of credit application (executed by the Borrower and, in the case of any Letter of Credit issued for the account of any Subsidiary of the Borrower, such Subsidiary) substantially in the form of Exhibit D hereto (a "Standby Letter of Credit Application"), completed to the satisfaction of the Issuing Lender, together with such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Subject to the provisions of the last sentence of subsection 4.8, the Borrower hereby agrees to observe and perform its covenants, duties and obligations under each Standby Letter of Credit Application.

(b) Each Standby Letter of Credit issued hereunder shall, among other things, (i) be in such form and for such purposes requested by the Borrower as shall be acceptable to the Issuing Lender in its sole discretion, (ii) have an expiry date occurring not later than one year after the date of issuance of such Standby Letter of Credit and in no event occurring later than 90 days after the Termination Date and (iii) be denominated in Dollars and have a minimum face amount of $25,000. Each Standby Letter of Credit Application and each Standby Letter of Credit shall be subject to ISP 98 and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Issuing Lender shall not at any time be obligated to issue any Standby Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any Participating Lender to exceed any limits imposed by, any applicable Requirements of Law.

4.4 Participating Interests. Effective in the case of each Letter of Credit as of the date of the issuance thereof, the Issuing Lender agrees to allot and does allot, to itself and each Participating Lender, and each Participating Lender irrevocably agrees to take and does take, a Letter of Credit Participating Interest in each Letter of Credit, the related Letter of Credit Application and all obligations of the Borrower with respect thereto (other than fees payable to the Issuing Lender pursuant to subsections 6.3(b) and 6.4(b)) in a percentage equal to such Lender's Revolving Credit Commitment Percentage. Each Participating Lender hereby agrees that its participation obligations described in the immediately preceding sentence shall be irrevocable and unconditional.

4.5 Procedure for Opening Letters of Credit. Upon receipt of any Letter of Credit Application from the Borrower, the Issuing Lender will process such Letter of Credit Application and the other certificates, documents and other papers delivered to the Issuing Lender in connection therewith, in accordance with its customary procedures and shall promptly open such Letter of Credit by issuing the original of such Letter of Credit to the beneficiary thereof and by furnishing a copy thereof to the Borrower. The Issuing Lender will send monthly reports to each

Participating Lender and the Borrower, on the third Business Day of each calendar month, indicating the Letters of Credit opened during the previous month.

4.6 Payments. (a) The Borrower agrees to reimburse the Issuing

Lender in Dollars and in immediately available funds, forthwith on the date the Issuing Lender is presented with a draft under any Letter of Credit (whether issued for the account of the Borrower or any Subsidiary of the Borrower) and otherwise in accordance with the terms of the Letter of Credit Application relating thereto, for any payment made by the Issuing Lender under any Sight Draft Letter of Credit and any Standby Letter of Credit issued for its account. In the case of any Letter of Credit issued in an Approved Foreign Currency, such reimbursement obligation with respect to any payment thereunder made in an Approved Foreign Currency shall be in an amount equal to the Dollar Equivalent of the amount of such payment. The Issuing Lender is hereby authorized to charge the account(s) maintained by the Borrower at Chase for all amounts payable pursuant to this subsection 4.6(a).

(b) The failure by the Borrower on any day to have sufficient aggregate Dollar funds on deposit in its account(s) maintained at Chase to pay all Letter of Credit Reimbursement Obligations due on such day in accordance with subsection 4.6(a) (such deficiency being hereinafter referred to as a "Letter of Credit Reimbursement Deficiency") shall constitute the making by the Issuing Lender of a loan to the Borrower (a "Letter of Credit Reimbursement Loan") in a principal amount equal to the amount of the Letter of Credit Reimbursement Deficiency as of such day. Each Letter of Credit Reimbursement Loan shall (i) be payable on demand, (ii) be evidenced by a loan account maintained on the books and records of the Issuing Lender (the "Letter of Credit Reimbursement Loan Account") and (iii) bear interest from the date of the creation of the applicable Letter of Credit Reimbursement Obligation until paid in full at a rate per annum equal to (x) for the Business Day on which such Letter of Credit Reimbursement Loan is created, the ABR and (y) thereafter, the ABR plus 2%. Interest on each Letter of Credit Reimbursement Loan shall be payable on demand. The entries in the Letter of Credit Reimbursement Loan Account shall constitute prima facie evidence of the accuracy of the information set forth therein.

(c) In the event that the Issuing Lender makes a Letter of Credit Reimbursement Loan in accordance with subsection 4.6(b), the Issuing Lender will promptly notify each Participating Lender. Forthwith upon its receipt of any such notice, each Participating Lender will transfer to the Issuing Lender, in Dollars and in immediately available funds, an amount equal to such Participating Lender's Revolving Credit Commitment Percentage of such Letter of Credit Reimbursement Loan plus interest thereon calculated from the date of such notice at the Federal Funds Effective Rate.

(d) Whenever, at any time after the Issuing Lender has made payment under any Sight Draft Letter of Credit or Standby Letter of Credit and has received from each Participating Lender its Revolving Credit Commitment Percentage of any Letter of Credit Reimbursement Loan in accordance with subsection 4.6(c), the Issuing Lender receives any payments related to such Letter of Credit Reimbursement Loan (whether received directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to each Participating

Lender its pro rata share thereof; provided, however, that in the event that the receipt by the Issuing Lender of such payments or such payment of interest (as the case may be) is required to be returned, each Participating Lender will return to the Issuing Lender any portion thereof previously distributed by the Issuing Lender to it.

(e) Within fifteen days after the end of each calendar quarter, the Issuing Lender will notify each Participating Lender (with copies to the Borrower) of (i) each payment made by the Issuing Lender during such calendar quarter under any Sight Draft Letter of Credit or Standby Letter of Credit and (ii) each payment made by the Borrower during such calendar quarter to the Issuing Lender in reimbursement of amounts paid by the Issuing Lender under any such Letter of Credit.

4.7 Further Assurances. The Borrower hereby agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments reasonably requested by the Issuing Lender more fully to effect the purposes of this Agreement and the issuance of the Letters of Credit opened hereunder for its account.

4.8 Letter of Credit Applications. The provisions of this Section 4 in respect of any Letters of Credit are supplemental to, and not in derogation of, any rights and remedies of the Issuing Lender and the Lenders under the Letter of Credit Applications related to such Letters of Credit and under ISP98 (in the case of Standby Letters of Credit) or the Uniform Customs (in the case of other Letters of Credit) and other applicable laws. In the event of any conflict between the terms of this Agreement and the terms of the Letter of Credit Applications, the terms set forth in this Agreement shall control.

4.9 Use of Letters of Credit. The Commercial Letters of Credit opened for the account of the Borrower and its Subsidiaries shall be used solely to finance purchases of inventory by such Persons in the ordinary course of their business, and the Standby Letters of Credit shall be used solely for the purposes described in the definition of such term in subsection 1.1.

SECTION 5. ACCEPTANCES

5.1 Acceptances. The Issuing Lender and each Participating Lender confirm that the Issuing Lender's issuance of Time Draft Letters of Credit and each Participating Lender's acquisition of Letter of Credit Participating Interests therein constitutes an agreement by the Issuing Lender and the Participating Lenders to extend credit by the Issuing Lender's accepting drafts ("Drafts") for the account of the Borrower that are presented for honor under Time Draft Letters of Credit in compliance with the terms thereof (each such accepted Draft, an "Acceptance") and each Participating Lender's acquiring its Acceptance Participating Interest in such Acceptance created by the Issuing Lender, from time to time during the period from the Closing Date to and including the Termination Date, provided, that each Draft shall be denominated in Dollars and shall be stated to mature on a Business Day which is 30, 60, 90 or 180 days after the date thereof, at the option of the Borrower. From and after the Closing Date, all then outstanding Acceptances, if any, created under, and as defined in, the Existing Credit

Agreement shall be deemed for all purposes hereunder to be Acceptances created under this Agreement on the Closing Date.

5.2 Participating Interests. Effective in the case of each Acceptance as of the date of the creation thereof, the Issuing Lender agrees to allot and does allot, to itself and each Participating Lender, and each Participating Lender irrevocably agrees to take and does take, an Acceptance Participating Interest in each Acceptance, the related Draft and all obligations of the Borrower with respect thereto (other than fees payable to the Issuing Lender pursuant to subsection 6.5(b)) in a percentage equal to such Lender's Revolving Credit Commitment Percentage. Each Participating Lender hereby agrees that its participation obligations described in the immediately preceding sentence shall be irrevocable and unconditional.

5.3 Payments. (a) The Borrower shall be obligated, and hereby unconditionally agrees, to pay to the Issuing Lender the face amount of each Acceptance created by the Issuing Lender hereunder on the maturity thereof, or such earlier date on which the obligations of the Borrower under this Agreement become due and payable. The Issuing Lender is hereby authorized to charge the account(s) maintained by the Borrower at Chase for all amounts payable pursuant to this subsection 5.3(a).

(b) The failure by the Borrower on any day to have sufficient aggregate Dollar funds on deposit in its account(s) maintained at Chase to pay all Acceptance Reimbursement Obligations due on such day in accordance with subsection 5.3(a) (such deficiency being hereinafter referred to as an "Acceptance Reimbursement Deficiency") shall constitute the making by the Issuing Lender of a loan to the Borrower (an "Acceptance Reimbursement Loan") in a principal amount equal to the amount of the Acceptance Reimbursement Deficiency as of such day. Each Acceptance Reimbursement Loan shall (i) be payable on demand, (ii) be evidenced by a loan account maintained on the books and records of the Issuing Lender (the "Acceptance Reimbursement Loan Account"), and (iii) bear interest from the date of the creation of the applicable Acceptance Reimbursement Obligation until paid in full at a rate per annum equal to (x) for the Business Day on which such Acceptance Reimbursement Loan is created, the ABR and (y) thereafter, the ABR plus 2%. Interest on each Acceptance Reimbursement Loan shall be payable on demand. The entries in the Acceptance Reimbursement Loan Account shall constitute prima facie evidence of the accuracy of the information set forth therein.

(c) If the Issuing Lender makes an Acceptance Reimbursement Loan in accordance with subsection 5.3(b), the Issuing Lender will promptly notify each Participating Lender. Forthwith upon receipt of such notice, each Participating Lender will transfer to the Issuing Lender, in Dollars and in immediately available funds, an amount equal to such Participating Lender's Revolving Credit Commitment Percentage of such Acceptance Reimbursement Loan plus interest thereon calculated from the date of such notice at the Federal Funds Effective Rate.

(d) Upon each Participating Lender's payment in full to the Issuing Lender of its Revolving Credit Commitment Percentage of any Acceptance Reimbursement Loan in accordance with subsection 5.3(b), such Participating Lender shall acquire the Issuing Lender's claim against the Borrower in respect of such Acceptance Reimbursement Loan to the extent of

the amount paid by such Participating Lender. Each Participating Lender agrees that the Issuing Lender shall have full authority and responsibility for enforcing all claims against the Borrower with respect to Acceptances and Acceptance Reimbursement Loans and exercising all rights and remedies with respect thereto.

(e) Whenever, at any time after the Issuing Lender has received from each Participating Lender its pro rata share of any Acceptance Reimbursement Loan in accordance with subsection 5.3(c), the Issuing Lender receives any payments related to such Acceptance Reimbursement Loan (whether received directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to each Participating Lender its pro rata share thereof; provided, however, that in the event that the receipt by the Issuing Lender of such payments or such payment of interest (as the case may be) is required to be returned, each Participating Lender will return to the Issuing Lender any portion thereof previously distributed by the Issuing Lender to it.

(f) Within fifteen days after the end of each calendar quarter, the Issuing Lender will notify each Participating Lender and the Borrower of (i) each creation of an Acceptance by the Issuing Lender during such calendar quarter and (ii) each payment made by the Borrower to the Issuing Lender during such calendar quarter on account of any Acceptance Reimbursement Obligation.

5.4 Termination of Acceptance Commitments. In the event that (a) there is a determination made by any regulatory body or instrumentality thereof (including, without limitation, any Federal Reserve Lender or any bank examiner), or there is a change in, or change in interpretation of, any

applicable law, rule or regulation (such determination or such change, a "Reserve Determination"), in either case to the effect that bankers' acceptances created hereunder or in connection with a substantially similar facility (whether or not the Borrower or any Lender is directly involved as parties) will be ineligible for reserve-free treatment (or if already discounted, should have been ineligible for reserve-free treatment) with Federal Reserve Banks, and as a result any Lender is required to maintain, or determines as a matter of prudent banking that it is appropriate for it to maintain, additional reserves, or (b) any restriction is imposed on any Lender (including, without limitation, any change in acceptance limits imposed on any Lender) which would prevent such Lender from creating or purchasing participating interests in bankers' acceptances, as the case may be, or otherwise performing its obligations in respect of Acceptances, then, with the consent of the Participating Lenders, the Issuing Lender may, or upon the direction of any Participating Lender, the Issuing Lender shall, by notice to the Borrower in accordance with subsection 13.2, terminate the obligation of the Issuing Lender to issue Time Draft Letters of Credit and to create Acceptances in whole, effective on the date on which the Issuing Lender gives such notice, and the Issuing Lender shall have no further obligation to issue Time Draft Letters of Credit.

5.5 Mandatory Prepayment of Acceptance. The Borrower shall, within one Business Day of its receipt of a notice of termination from the Issuing Lender pursuant to subsection 5.4, prepay the Acceptance Obligations with respect to each Acceptance then outstanding by paying to the Issuing Lender the face amount of each Acceptance less a

prepayment discount calculated by the Issuing Lender based upon the then prevailing rate for U.S. Treasury Bills maturing on or about the maturity date of such Acceptance (and communicated to the Borrower in its notice of termination pursuant to subsection 5.4); provided that in the event the Borrower fails to make such prepayment as provided in this subsection 5.5, each Lender's pro rata share of the Acceptance Obligation with respect to each Acceptance then outstanding shall be deemed to be a Revolving Credit Loan made on the Business Day on which such prepayment was due in a principal amount equal to such Lender's pro rata share of the face amount of such Acceptance and subject to the terms and conditions of Section 2 and Section 6 hereof.

SECTION 6. GENERAL PROVISIONS APPLICABLE TO LOANS

6.1 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR.

(c) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is (x) in the case of overdue principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of overdue interest, commitment fee or other amount, the rate described in paragraph (b) of this subsection plus 2%, in each case from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

6.2 Commitment and Other Fees. (a) The Borrower agrees to pay to the Agent, for the account of the Lenders, a commitment fee for the period from and including the first day of the Term Loan Commitment Period to the Term Loan Termination Date, computed at the rate per annum equal to the Applicable Commitment Rate Percentage on the average daily amount of the Available Term Loan Commitments during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Term Loan Termination Date, commencing on the first of such dates to occur after the date hereof.

(b) The Borrower agrees to pay to the Agent, for the account of the Lenders, a commitment fee for the period from and including the first day of the Revolving Credit Commitment Period to the Termination Date, computed at the rate per annum equal to the Applicable Commitment Rate Percentage on the average daily amount of the Available Revolving Credit Commitments during the period for which payment is made, payable quarterly

in arrears on the last day of each March, June, September and December and on the Termination Date, commencing on the first of such dates to occur after the date hereof.

(c) The Borrower agrees to pay to the Agent, for the account of the Agent, the fees described in the fee letter dated February 26, 1999 between the Borrower and the Agent.

6.3 Commercial Letter of Credit Fees. (a) The Borrower agrees that on the date of each drawing under a Commercial Letter of Credit, it will pay to the Agent, for the account of the Issuing Lender, a Commercial Letter of Credit fee. In the case of a Sight Draft Letter of Credit, such fee shall be equal to the higher of (i) $50 and (ii) the Applicable Sight Draft Fee Percentage then in effect of the amount of such drawing (calculated on the basis of the Dollar Equivalent thereof in the case of any Letter of Credit issued in an Approved Foreign Currency). In the case of a Time Draft Letter of Credit, such fee shall equal the higher of (i) $120 and (ii) a percentage of the amount of such drawing equal to the Applicable Margin then in effect (calculated on the basis of the Dollar Equivalent thereof in the case of any Letter of Credit issued in an Approved Foreign Currency). On the last day of each March, June, September and December, the Issuing Lender will allocate and pay to each Participating Lender a fee equal to such Participating Lender's pro rata share of the amount of such fees received from the Borrower during the immediately preceding three-month period calculated on the basis of the Applicable Sight Draft Fee Percentage or the Applicable Margin.

(b) The Borrower agrees to pay to the Issuing Lender for its own account the customary fees (including, without limitation, issuing fees, amendment fees and processing fees) charged by the Issuing Lender in connection with its issuance and administration of commercial letters of credit.

6.4 Standby Letter of Credit Fees. (a) The Borrower agrees to pay the Agent, for the account of the Issuing Lender and the Participating Lenders, a Standby Letter of Credit fee calculated at the rate per annum equal to the Applicable Margin from time to time in effect of the amount available to be drawn under each Standby Letter of Credit issued for its account (and in no event less than $500 with respect to each such Standby Letter of Credit), payable to the Issuing Lender semi-annually in advance on the date of issue of any Standby Letter of Credit and, thereafter, on each six-month anniversary of such date of issue. The Issuing Lender will promptly pay to the Participating Lenders their pro rata shares of any amounts received from the Borrower in respect of any such fees.

(b) The Borrower agrees to pay to the Issuing Lender for its own account the customary fees (including, without limitation, issuing fees and

processing fees) charged by the Issuing Lender in connection with its issuance and administration of standby letters of credit.

6.5 Acceptance Fees. (a) The Borrower agrees to pay the Issuing Lender an acceptance commission (an "Acceptance Commission") on the face amount of each Acceptance created by the Issuing Lender hereunder for the period from the date of such Acceptance to the date of its maturity at a rate per annum equal to the Acceptance Discount Rate in effect on the date of creation of such Acceptance plus the Applicable Margin, payable in full on the date of creation of such Acceptance; provided that such Acceptance Commission shall be an amount

equal to at least $120. On the last day of each March, June, September and December, the Issuing Lender will allocate and pay to each Participating Lender such Participating Lender's pro rata share of the Applicable Margin portion of the Acceptance Commissions paid during the immediately preceding three-month period.

(b) The Borrower agrees to pay to the Issuing Lender for its own account the customary fees (including, without limitation, processing fees) charged by the Issuing Lender in connection with its creation and administration of bankers' acceptances.

6.6 Computation of Interest and Fees. (a) Interest on ABR Loans, Letter of Credit Reimbursement Loans, Acceptance Reimbursement Loans, Letter of Credit Reimbursement Obligations and Acceptance Reimbursement Obligations, and per annum fees shall be calculated on the basis of a 365- (or 366, as the case may be) day year for the actual days elapsed; otherwise interest shall be calculated on the basis of a 360-day year for the actual days elapsed. The Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan (or on any other obligation accruing interest under the terms hereof) resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

6.7 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice to the Agent prior to 11:00 A.M. on such date of prepayment, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, ABR Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice the Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to subsection 6.14 and, in the case of prepayments of the Term Loans only, accrued interest to such date on the amount prepaid. Amounts prepaid on account of the Term Loans may not be reborrowed. Partial prepayments shall be in an aggregate principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. In the event any prepayment pursuant to this subsection 6.7 of Eurodollar Loans is not made on the last day of an Interest Period, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to subsection 6.14.

6.8 Termination or Reduction of Commitments. (a) The Borrower shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Term Loan Commitments or, from time to time, to reduce the amount of the Term Loan Commitments. Any such reduction shall be

in an amount equal to $1,000,000 or a whole multiple of $100,000 in excess thereof and shall reduce permanently the Term Loan Commitments then in effect.

38

(b) The Borrower shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the amount of the Revolving Credit Commitments, provided that no such termination or reduction shall be permitted to the extent that, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Aggregate Revolving Credit Extensions of Credit then outstanding would exceed the Revolving Credit Commitments then in effect. Any such reduction shall be in an amount equal to $1,000,000 or a whole multiple of $100,000 in excess thereof and shall reduce permanently the Revolving Credit Commitments then in effect.

6.9 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders under the Revolving Credit Commitments, each payment by the Borrower on account of any commitment fee hereunder in respect of the Revolving Credit Commitments and any reduction of the Revolving Credit Commitments of the Lenders shall be made pro rata according to the respective Revolving Credit Commitment Percentages of the Lenders. Each borrowing by the Borrower from the Lenders under the Term Loan Commitments, each payment by the Borrower on account of any commitment fee hereunder in respect of the Term Loan Commitments and any reduction of the Term Loan Commitments of the Lenders shall be made pro rata according to the respective Term Loan Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts of the Loans then held by the Lenders. All payments (including prepayments) to be made by the Borrower hereunder and under the Notes, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Agent at the Agent's office specified in subsection 13.2, in Dollars and in immediately available funds. The Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be due on the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount that would constitute its Revolving Credit Commitment Percentage or Term Loan Percentage, as the case may be, of the borrowing on such date available to the Agent, the Agent may assume that such Lender has made such amount available to the Agent on such Borrowing Date, and the Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is made available to the Agent on a date after such Borrowing Date, such Lender shall pay to the Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period as quoted by the Agent, times (ii) the amount of such Lender's Revolving Credit Commitment Percentage or Term Loan Percentage, as the case may be, of such borrowing, times (iii) a fraction the numerator of which is the number of days that have elapsed from and including such Borrowing Date to the date on which such Lender's Revolving Credit Commitment Percentage or Term Loan Percentage, as the case may be, of such borrowing shall have become immediately available to the Agent and the denominator of which is 360. A certificate of the Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Revolving

39

Credit Commitment Percentage or Term Loan Percentage, as the case may be, of such borrowing is not in fact made available to the Agent by such Lender within three Business Days of such Borrowing Date, the Agent shall be entitled to recover (without duplication) such amount with interest thereon at the rate per annum applicable to ABR Loans hereunder, on demand, from the Borrower.

6.10 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Agent at least two Business Days' prior irrevocable notice of such election, provided that in the event any such conversion of Eurodollar Loans is not made on the last day of an Interest Period, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to subsection 6.14. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Agent shall promptly notify each Lender thereof. All or any part of outstanding Eurodollar Loans and ABR Loans may be converted as provided herein, provided that (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Agent has or the Required Lenders have determined that such a conversion is not appropriate and (ii) no Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Revolving Credit Termination Date or, as the case may be, the date on which the Term Loans mature.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Agent has or the Required Lenders have determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Termination Date or, as the case may be, the day on which the Term Loans mature and provided, further, that if the Borrower shall fail to give such notice or if such continuation is not permitted such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period.

6.11 Minimum Amounts and Maximum Number of Tranches. All borrowings, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $500,000 in excess thereof. In no event shall there be more than 10 Eurodollar Tranches outstanding at any time.

6.12 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant

market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to

such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. Unless the Borrower shall have notified the Agent promptly upon receipt of such notice that if it wishes to rescind or modify its request (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans and (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be converted to or continued as ABR Loans. In addition, in the case any such notice is given, any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to ABR Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

6.13 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 6.14.

6.14 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of Eurodollar Loans after the Borrower has given notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such

Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate setting forth the calculations as to any additional amounts payable pursuant to this subsection 6.14 shall be submitted by an officer of a Lender, through the Agent, to the Borrower and shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans, the Notes, the Acceptance Obligations, the Letter of Credit Obligations and all other amounts payable hereunder.

6.15 Change of Lending Office. Each Lender agrees that if it makes any demand for payment under subsection 6.16 or 6.17, or if any adoption or change of the type described in subsection 6.13 shall occur with

respect to it, it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion) to designate a different lending office if the making of such a designation would reduce or obviate the need for the Borrower to make payments under subsection 6.16 or 6.17, or would eliminate or reduce the effect of any adoption or change described in subsection 6.13.

6.16 Taxes. (a) All payments shall be made by the Borrower under this Agreement and the Notes free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding, in the case of the Agent and each Lender, net income and franchise taxes (imposed in lieu of net income taxes) imposed on the Agent or such Lender, as the case may be, as a result of a present or former connection between the Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax, or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions and withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Agent or any Lender hereunder or under the Notes, the amounts so payable to the Agent or such Lender shall be increased to the extent necessary to yield to the Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof (a "Non-U.S. Lender") with respect to any taxes that are attributable to such Non-U.S. Lender's failure to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes specified in the preceding sentence are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and

the payment of the outstanding Notes, Acceptance Obligations, Letter of Credit Obligations and all other amounts payable hereunder.

(b) Each Non-U.S. Lender agrees that prior to the first Interest Payment Date it will deliver to the Borrower and the Agent (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form. Each such Lender also agrees to deliver to the Borrower and the Agent two new, duly completed copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Agent. Such Lender shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under the Agreement without deduction or withholding of any United States federal income taxes, unless in any such

case an event (including, without limitation, any change in treaty, law or regulations) has occurred after the Closing Date and prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises the Borrower that it is not capable of so receiving payments without any deduction or withholding, and (ii) in the case of a Form W-8 or W-9, that it is entitled to a complete exemption from United States backup withholding tax. Each Person that shall become a Lender or a Participant pursuant to subsection 13.6 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this subsection, provided that in the case of a Participant, such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

(c) Each Lender agrees to use reasonable efforts (including reasonable efforts to change the office in which it is booking its Loans) consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion, to avoid or minimize any amounts which might otherwise be payable pursuant to this subsection 6.16.

(d) If the Agent or any Lender receives a refund which in the good faith judgment of such Lender is allocable to Non-Excluded Taxes paid by the Borrower, it shall promptly pay such refund, together with any other amounts paid by the Borrower in connection with such refunded Non-Excluded Taxes, to the Borrower, net of all out-of-pocket expenses of such Lender incurred in obtaining such refund, provided, however, that the Borrower agrees to promptly return such refund to the Agent or the applicable Lender, as the case may be, if it receives notice from the Agent or applicable Lender that such Agent or Lender is required to repay such refund.

6.17 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the dates hereof:

(i) does or shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note, any Eurodollar Loan, any Letter of Credit Document or any Acceptance Document, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by subsection 6.16 and changes in the rate of tax on the overall net income of such Lender);

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan, assessment or similar requirement against Letters of Credit issued by the Issuing Lender or participated in by the Participating Lender or against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) does or shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining Eurodollar Loans, issuing, maintaining or participating in any Letter of Credit or creating or participating in any Acceptance, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such additional increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to

this subsection, it shall promptly notify the Borrower, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this paragraph, submitted by such Lender, through the Agent, to the Borrower shall be conclusive in the absence of manifest error.

(b) In the event that any Acceptance created hereunder is not, for any reason, a bankers' acceptance with respect to which no reserves are required to be maintained by the Issuing Lender or any Participating Lender under Regulation D of the Board in effect from time to time or under any other law or regulation (an "Eligible Acceptance"), the Borrower shall, upon demand by the Agent, pay to the Agent for the account of the Lenders, such additional amounts as are sufficient to indemnify each Lender against any additional costs, as determined by the Lenders and notified in writing to the Agent, incurred by the Lenders (including, without limitation, costs resulting from any Reserve Determination, or reserve requirements, or premium liability to the Federal Deposit Insurance Corporation, or a higher discount rate) resulting from such Acceptance not constituting an Eligible Acceptance hereunder.

(c) In the event that after the date hereof, any Lender shall determine that the adoption of any Requirement of Law, rule, regulation or guideline regarding capital adequacy or any change in any Requirement of Law, rule, regulation or guideline regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority, including, without limitation, the issuance of any final rule, regulation or guideline, does or shall have the effect of reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder (including, without limitation, the issuance of or

participation in any Letters of Credit and the creation and discount of or participation in Acceptances) to a level below that which such Lender could have achieved but for such Requirement of Law, rule, regulation or guideline, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(d) The agreements in this subsection 6.17 shall survive the termination of this Agreement and payment of the outstanding Notes, Acceptance Obligations, Letter of Credit Obligations and all other amounts payable hereunder.

6.18 Obligations Absolute. (a) The Borrower's payment obligations under this Agreement shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuing Lender, any Participating Lender, any Lender or the Agent, or against any beneficiary of any Letter of Credit or any holder of any Acceptance, or any transferee from any such beneficiary or holder (or any Person for whom any such beneficiary, holder or transferee may be acting), or against any other Person, whether in connection with this Agreement, the transactions contemplated hereby, or any unrelated transaction; provided, however, that this provision shall be deemed a waiver by the Borrower of the assertion of a compulsory counterclaim only to the extent permitted by applicable law. The Borrower assumes all risks of the acts or omissions of the users of the Letters of Credit and Acceptances and all risks of the misuse of the Letters of Credit and Acceptances. Neither the Issuing Lender, nor any of its correspondents, nor any Participating Lender, nor the Agent

shall be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document specified in any of the Letter of Credit Documents, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any of the Letters of Credit or any of the rights or benefits thereunder or proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of any draft to bear any reference or adequate reference to any of the Letters of Credit, or failure of anyone to note the amount of any draft on the reverse of any of the Letters of Credit or to surrender or to take up any of the Letters of Credit or to send forward any such document apart from drafts as required by the terms of any of the Letters of Credit, each of which provisions, if contained in a Letter of Credit itself, it is agreed, may be waived by the Issuing Lender; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) for any error, neglect, default, suspension or insolvency of any correspondents of the Issuing Lender; (vi) for errors in translation or for errors in interpretation of technical terms; (vii) for any loss or delay, in the transmission or otherwise, of any such document or draft or of proceeds thereof; or (viii) for any other circumstances whatsoever in making or failing to make payment under a Letter of Credit, except only that the Borrower shall have a claim against the Issuing Lender, and the Issuing Lender shall be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Borrower which the Borrower proves were caused by the Issuing Lender's willful misconduct or gross negligence

in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit. None of the foregoing shall affect, impair or prevent the vesting of any of the rights or powers of the Issuing Lender, the Agent or any of the Participating Lenders. The Issuing Lender or the Agent shall have the right to transmit the terms of the Letter of Credit involved without translating them.

(b) In furtherance and extension and not in limitation of the specific provisions in subsection 6.18(a), (i) any action taken or omitted by the Issuing Lender, the Agent or by any of their respective correspondents under or in connection with any of the Letters of Credit, if taken or omitted in good faith, shall be binding upon the Borrower and shall not put the Issuing Lender, the Agent or their respective correspondents under any resulting liability to the Borrower and (ii) the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; provided that if the Issuing Lender shall receive written notification from both the beneficiary of a Letter of Credit and the Borrower that sufficiently identifies (in the opinion of the Issuing Lender) documents to be presented to the Issuing Lender which are not to be honored, the Issuing Lender agrees that it will not honor such documents.

6.19 Mandatory Prepayments. If, at any time during the Revolving Credit Commitment Period, the Aggregate Revolving Credit Extensions of Credit exceed the aggregate Revolving Credit Commitments then in effect, the Borrower shall, without notice or demand, immediately prepay the Revolving Credit Loans in an aggregate principal amount equal to such excess, together with interest accrued to the date of such payment or prepayment and any amounts payable under subsection 6.14. Prepayments shall be applied, first to ABR Loans and second, to Eurodollar Loans. To the extent that after giving effect to any prepayment of the Revolving Credit Loans required by the first sentence of this paragraph, the Aggregate Revolving Credit Extensions of Credit exceed the aggregate Revolving Credit Commitments then in effect, the Borrower shall, without notice or demand, immediately deposit in a cash collateral account with the Agent, having terms and conditions satisfactory

to the Agent, as cash collateral security for the liability of the Issuing Lender (whether direct or contingent) under any Letters of Credit or Acceptances then outstanding, an aggregate amount equal to the amount by which the Aggregate Revolving Credit Extensions of Credit exceed the aggregate Revolving Credit Commitments then in effect.

6.20 Cash Collateralization of Letter of Credit Obligations and Acceptance Obligations. With respect to all Letters of Credit and Acceptances that shall not have matured or been paid or with respect to which presentment for honor shall not have occurred on or prior to the Termination Date, the Borrower shall, on the Termination Date, deposit in a cash collateral account maintained by the Agent (and under the exclusive dominion and control of the Agent) an amount equal to the aggregate amount of the Letter of Credit Obligations plus the aggregate amount of Acceptance Obligations for application to payments of drafts drawn under Letters of Credit and to payment of Acceptances at maturity, and the unused portion thereof after such application, if any, shall be applied to repay other obligations of the Borrower hereunder or under the Notes or any of the other Credit Documents, and after all Letters of Credit have expired, all drafts and Acceptances have matured and been repaid and all other obligations of the Borrower

hereunder or any of the other Credit Documents are paid in full, the balance, if any, shall be returned to the Borrower.

SECTION 7. CONDITIONS PRECEDENT

7.1 Conditions to Initial Loans. The agreement of each Lender to make the initial Loan requested to be made by it is subject to the satisfaction, immediately prior to or concurrently with the making of such Loan, on the Closing Date of the following conditions precedent (provided, that such conditions shall have been satisfied on or before May 1, 1999):

(a) Minimum Amount of Shares; Completion of Tender Offer; etc. Each of the statements set forth in clauses (i) through (v) below shall be true and correct, and the Agent shall have received a certificate of a Responsible Officer of the Borrower to such effect: (i) the Borrower shall have accepted for payment prior to or concurrently with the making of such Loans (A) at least 66-2/3% of the Amalgamation Voting Shares (on a fully diluted basis) and (B) not less than 50.1% of the outstanding Amalgamation Voting Shares (on a fully diluted basis) excluding any of such Amalgamation Voting Shares that may not be included as part of the minority approval of the Amalgamation; (ii) the aggregate purchase price of the Target Stock pursuant to the Tender Offer, plus the aggregate amount required to be paid in connection with the Compulsory Acquisition or the Second-Step Transaction shall be approximately Canadian $85,000,000; (iii) the Tender Offer shall have been completed in all material respects in accordance with all applicable United States federal and state laws and regulations, and all applicable Canadian federal and provincial laws and regulations; (iv) the Tender Offer shall have been consummated without modification, waiver or amendment of any of the conditions precedent set forth in the Offer to Purchase or of any other terms without the approval of the Agent, except for extensions of the period for the deposit of shares of Target Stock, at any time and from time to time, so long as such period ends on a date no later than 120 days after the Closing Date; and (v) after the consummation of the Tender Offer, the Target shall have no material Indebtedness except the approximately Canadian $44,000,000 of Indebtedness to be repaid at the time of Amalgamation or the completion of the Second-Step Transaction.

(b) Depositary Certificate. The Agent shall have received a copy of a report from Montreal Trust Company of Canada (the "Depositary") to

the effect that as of the Closing Date, (i) not less than 66-2/3% of the Amalgamation Voting Shares (on a fully diluted basis) and (ii) not less than 50.1% of the outstanding Amalgamation Voting Shares (on a fully diluted basis) excluding any of such Amalgamation Voting Shares that may not be included as part of the minority approval of the Amalgamation, have been properly tendered and not withdrawn pursuant to the Tender Offer.

(c) Governmental Approval. All governmental and third party approvals necessary in connection with the Tender Offer, the financing contemplated hereby and the continuing operations of the Borrower and its Subsidiaries shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without

any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the Tender Offer, the Amalgamation or the financing thereof.

(d) Notes. The Agent shall have received a Revolving Credit Note and/or a Term Note, as applicable, for each Lender, each conforming to the requirements hereof and executed by a duly authorized officer of the Borrower.

(e) Legal Opinions. The Agent shall have received, with a counterpart for each Lender, an opinion of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Borrower and the Guarantors, substantially in the form of Exhibit D-1 and an opinion of the Senior Vice President and General Counsel of the Borrower substantially in the form of Exhibit D-2, and covering, in each case, such other matters incident to the transactions contemplated by this Agreement, the Notes and the other Credit Documents as the Agent or any Lender may reasonably request.

(f) Guarantee. The Agent shall have received, with a counterpart for each Lender, the Guarantee, satisfactory to the Agent, duly executed and delivered by the parties thereto and which shall be in full force and effect.

(g) Closing Certificates. The Agent shall have received, with a counterpart for each Lender, (i) a closing certificate of the Borrower, dated the Closing Date, substantially in the form of Exhibit E, executed by a duly authorized officer of the Borrower and (ii) a closing certificate of each Guarantor, dated the Closing Date, substantially in the form of Exhibit F, executed by a duly authorized officer of such Guarantor, in each case with appropriate attachments thereto.

(h) Other Documents. The Agent shall have received, with a copy for each Lender, such other certificates, opinions, documents and instruments relating to the transactions contemplated hereby as may have been reasonably requested by any Lender.

(i) Corporate Proceedings of the Borrower. The Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Agent, of the Board of Directors of the Borrower authorizing the execution, delivery and performance of the Credit Documents to which the Borrower is a party, certified by the Secretary or an Assistant Secretary of the Borrower as of the Closing Date, which certificate shall be in form and substance satisfactory to the Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(j) Corporate Documents. The Agent shall have received true and complete copies of the certificate of incorporation and by-laws of the

Borrower, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of the Borrower.

(k) Additional Matters. All corporate and other proceedings and all other documents (including, without limitation, all documents referred to herein and not

48

appearing as exhibits hereto) and legal matters in connection with the transactions contemplated by this Agreement, the Notes and the other Credit Documents shall be satisfactory in form and substance to the Agent.

(l) Fees. The Agent shall have received the fees required to be paid on the Closing Date pursuant to the fee letter referred to in subsection 6.2 hereof and the fees and disbursements of Simpson Thacher & Bartlett, counsel to the Agent.

7.2 Conditions to All Extensions of Credit. The obligation of each Lender to make any Loan and the obligation of the Issuing Lender to issue any Letter of Credit or create any Acceptance (including the Revolving Credit Loan made or initial Letter of Credit or Acceptance issued hereunder) is subject to the satisfaction of the following conditions precedent on the date such Loan is made or such Letter of Credit or Acceptance is issued or created:

(a) Payments. All applicable fees and commissions and any other amounts payable pursuant to this Agreement shall have been paid in full.

(b) Representations and Warranties. The respective representations and warranties made by each of the Borrower and the other Credit Parties in the Credit Documents to which each is a party or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith shall be true and correct in all material respects on and as of such date as if made on and as of such date (other than (i) such representations as are made as of a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date and (ii) as previously notified to the Agent and waived by the Required Lenders).

(c) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans to be made, the Letters of Credit to be issued or the Acceptances to be created and discounted, on such date.

(d) Delivery of Documents. All documents required or otherwise requested in connection with the issuance of any Letters of Credit or the creation of any Acceptances hereunder shall have been delivered to the Issuing Lender, the Participating Lenders, the Lenders or the Agent, as the case may be, completed in a manner in form and substance satisfactory to the party to whom such documents are delivered.

Each borrowing by the Borrower hereunder and each issuance of a Letter of Credit or creation of an Acceptance shall constitute a representation and warranty by the Borrower as of the date of such borrowing or issuance that the conditions in clauses (b) and (c) of this subsection 7.2 have been satisfied.

7.3 Tender Offer Funding Procedures. Anything in this Agreement to the contrary notwithstanding and to accommodate the funding needs of the Borrower related to the

49

March 30, 1999 expiry date of the Tender Offer, the Borrower shall request that the initial Loans be made hereunder on March 30, 1999 as ABR Loans by means of a notice of borrowing in substantially the form of Exhibit G, duly executed by the Borrower and the Depositary. If the condition set forth in Section 7.1(a)(i) shall not be satisfied on March 30, 1999, (a) the Depositary shall be obligated in accordance with its agreements set forth in such notice of borrowing to return to the Agent on March 31, 1999 all funds made available to it by the Lenders (through the Agent) as a consequence of such notice of borrowing, (b) the Borrower shall be obligated to repay to the Lenders on March 31, 1999 all funds made available to the Borrower hereunder on March 30, 1999 (which obligation may be satisfied, to the extent of any such funds made available to the Depositary, by the return of such funds by the Depositary pursuant to clause (a) above), together with interest thereon at the rate specified in subsection 6.1(b), (c) the closing documents delivered to the Agent pursuant to subsections 7.1(a) and (b) shall be returned to the Borrower and deemed never to have been delivered and (d) no Loans shall be deemed to have been made on March 30, 1999 for purposes of subsections 2.1 and 3.1 of this Agreement.

SECTION 8. REPRESENTATIONS AND WARRANTIES

To induce the Agent, the Issuing Lender and the Lenders to enter into this Agreement and to make the Loans, issue and participate in the Letters of Credit and create and participate in the Acceptances as herein provided, the Borrower hereby represents and warrants to the Agent, the Issuing Lender and to each Lender that:

8.1 Financial Condition. (a) The consolidated balance sheet of the Borrower and its Subsidiaries as at March 28, 1998 and the related consolidated statements of income and retained earnings and of changes in financial position for the fiscal year ended on such date, reported on by Deloitte & Touche LLP, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the results of their operations and changes in financial position for the fiscal year then ended. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at December 26, 1998 and the related consolidated statements of income and retained earnings and of changes in financial position for the nine-month period ended on such date, certified by a Responsible Officer, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the financial condition of the Borrower and its Subsidiaries as at such date, and the results of their operations and changes in financial position for such period. All such financial statements, including the related schedules and notes to all such financial statements, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as concurred in by such accountants or Responsible Officers, as the case may be, and as disclosed therein). Neither the Borrower nor any of its Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liabilities or liability for taxes, long-term lease or unusual forward or long-term commitment, which is not reflected in the foregoing statements or in the notes thereto (and, in the case of such lease or commitment, which is required in accordance with GAAP to be reflected in such statements or notes) or which has not otherwise been disclosed to the Lenders in writing.

(b) The consolidated projected pro forma balance sheet of the Borrower and its Subsidiaries as at April 3, 1999, adjusted to give effect to the Tender Offer and the Compulsory Acquisition or the Second-Step Transaction, as the case may be, presents fairly on a pro forma basis the financial condition of the Borrower and its Subsidiaries as at such date after giving effect to the Tender Offer and the Compulsory Acquisition or the Second-Step Transaction, as the case may be and was prepared in good faith on

assumptions deemed reasonable at the time made.

8.2 No Change. Since March 28, 1998 (a) there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect and (until the Closing Date) there has been no material adverse change in the business, operations, property or financial or other condition of the Borrower and its Subsidiaries, taken as a whole; and (b) prior to the Closing Date, no dividends or other distributions have been declared, paid or made upon any shares of Capital Stock of the Borrower or any of its Subsidiaries and neither the Borrower nor any of its Subsidiaries has redeemed, retired, purchased or otherwise acquired for value any of its own Capital Stock, except such shares as may have been acquired pursuant to the Borrower's stock repurchase plan.

8.3 Existence; Compliance with Law. Each Credit Party (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate or partnership, as the case may be, power and authority and the legal right to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and in which it proposes to be engaged after the Closing Date, (c) is duly qualified as a foreign corporation or partnership, as the case may be, and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to so qualify could not have a Material Adverse Effect and (d) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

8.4 Power; Authorization; Enforceable Obligations. (a) The Borrower has the corporate power and authority and the legal right to execute, deliver and perform the Credit Documents to which it is a party and to borrow hereunder and has taken all necessary action to authorize the borrowings on the terms and conditions of this Agreement and the Notes and to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each other Credit Party has the power and authority and the legal right to execute, deliver and perform the Credit Documents to which it is a party and has taken all necessary action to authorize the execution, delivery and performance of the Credit Documents to which it is a party.

(b) No consent or authorization of, filing with or other act by or in respect of any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Credit Documents, except for those which have been duly obtained or made and are in full force and effect.

(c) This Agreement has been and each other Credit Document has been or will be (as the case may be) duly executed and delivered on behalf of each Credit Party thereto, and each constitutes or will constitute (as the case may be) a legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

8.5 No Legal Bar. The execution, delivery and performance of the Credit Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any applicable usury laws or any other Requirement of Law applicable to, or any Contractual Obligation of, any Credit Party, and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

8.6 No Material Litigation. No litigation, investigation or

proceeding of or before any arbitrator or Governmental Authority is pending or, to the best knowledge of the Borrower, threatened by or against any Credit Party or any of its Subsidiaries or against any of its or their respective properties or revenues (i) with respect to any of the Credit Documents to which any of them is a party or any of the transactions contemplated hereby or thereby, or (ii) which could reasonably be expected to have a Material Adverse Effect. Schedule 8.6 lists all litigation pending on the date hereof against the Borrower or any of its Subsidiaries in which the amount in controversy or potential liability of the Borrower or any of its Subsidiaries exceeds $5,000,000 and is not covered by insurance.

8.7 No Default. Neither the Borrower nor any other Credit Party is in default under or with respect to any Contractual Obligation or any order, award or decree of any Governmental Authority or arbitrator binding upon it or its properties in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

8.8 Ownership of Property; Liens. Except as set forth in Schedule 8.8, each Credit Party has good record and marketable title in fee simple to or valid leasehold interests in all its real property that is material to the operation of its business, and good title to all its other property, and none of such property is subject to any Lien, except as permitted by subsection 10.4.

8.9 No Burdensome Restrictions. No Contractual Obligation of the Borrower or any other Credit Party and no Requirement of Law could reasonably be expected to have a Material Adverse Effect.

8.10 Taxes. Each Credit Party has filed or caused to be filed all material tax returns which to the knowledge of the Borrower are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other material taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in

conformity with GAAP have been provided on the books of such Credit Party), and no material tax Liens have been filed and, to the knowledge of the Borrower, no material claims are being asserted with respect to any such taxes, fees or other charges.

8.11 Federal Regulations. No part of the proceeds of any Loans hereunder will be used, directly or indirectly, for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board as now and from time to time hereafter in effect or for any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of such Board. If requested by the Agent or any Lender, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U, as the case may be.

8.12 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 or ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Single Employer Plan, and each Plan and, to the Borrower's knowledge, Multiemployer Plan, has complied, and has been administered in compliance, in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan maintained by

the Borrower or any Commonly Controlled Entity (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed the value of the assets of such Plan allocable to such accrued benefits. Except as disclosed on Schedule 8.12, neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan, and the liability to which the Borrower or any Commonly Controlled Entity would become subject under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made is not in excess of $5,000,000. To the knowledge of the Borrower, no such Multiemployer Plan is in Reorganization or Insolvent. The present value (determined using actuarial and other assumptions which are reasonable in respect of the benefits provided and the employees participating) of the liability of the Borrower and each Commonly Controlled Entity for post retirement benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) does not in the aggregate, exceed the assets under all such Plans allocable to such benefits by an amount in excess of $5,000,000.

8.13 Investment Company Act; Other Regulations. No Credit Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Federal or state statute or regulation (other than Regulation X of the Board) which limits its ability to incur Indebtedness.

8.14 Subsidiaries. Schedule 8.14 sets forth as of the date hereof the name, and, where applicable, the jurisdiction of organization, number of authorized and issued shares and

ownership of each Subsidiary of the Borrower and each general partner of each Credit Party which is a partnership.

8.15 Chief Executive Office. The Borrower's chief executive office on the date hereof is located at 650 Madison Avenue, New York, New York 10022.

8.16 General Partners' Existence; Compliance with Law. The corporate general partner of each Credit Party that is a partnership (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged and in which it proposes to be engaged after the Closing Date, (c) is duly qualified as a foreign corporation or partnership, as the case may be, and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to so qualify could not have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.17 General Partners' Power; Authorization; Enforceable Obligations. The general partner of any Credit Party that is a partnership has the power and authority and the legal right to make, deliver and perform on behalf of the Credit Party of which it is a general partner, and thereby legally bind such Credit Party to perform, (a) in the case of the Borrower, this Agreement, and has taken all necessary action to authorize the borrowings by the Borrower on the terms and conditions of this Agreement and any Notes and (b) in the case of each such Credit Party (including the Borrower), the Credit Documents to which it is a party and has taken all necessary action to authorize the execution and delivery on behalf of such Credit Party of, and thereby legally bind such Credit Party to perform, this

Agreement, the Notes and the other Credit Documents to which such Credit Party is a party. This Agreement has been, and each of the other Credit Documents has been or will be (as the case may be), duly executed and delivered by each such general partner on behalf of each Credit Party which is a party thereto.

8.18 Certain Documents. The Borrower has delivered to the Agent a complete and correct copy of (a) the Support Agreement, and (b) the Offer to Purchase and all other Tender Offer Documents (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any). The Support Agreement has not been amended or otherwise modified in any material respect and is in full force and effect, and the Board of Directors of the Target has not withdrawn its recommendation of the Tender Offer. The representations and warranties of the Borrower and the Offeror and, to the best of the knowledge of the Borrower, the Target set forth in the Support Agreement are true and correct in all material respects on the date hereof.

8.19 Accuracy of Information. All factual information heretofore or contemporaneously furnished by or on behalf of any Credit Party or any of its Affiliates to the Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all other such factual information hereafter furnished by or on behalf of any Credit Party or any of its Affiliates to the Agent or any Lender will be, true and accurate

in all material respects, taken as a whole, on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time.

8.20 Environmental Matters.

(a) To the best knowledge of the Borrower, the facilities and properties owned, leased or operated by the Borrower or any of its Subsidiaries (the "Properties") do not contain any Materials of Environmental Concern in amounts or concentrations which (i) constitute a violation of, or (ii) could reasonably be expected to give rise to liability to the Borrower or any of its Subsidiaries under, any Environmental Law which would have a Material Adverse Effect.

(b) To the best knowledge of the Borrower, the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the business operated by the Borrower or any of its Subsidiaries (the "Business") which could materially interfere with the continued operation of the Properties.

(c) To the best knowledge of the Borrower, neither the Borrower nor any of its Subsidiaries has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened except insofar as such notice or threatened notice, or any aggregation thereof, does not involve a matter or matters that could reasonably be expected to have a Material Adverse Effect.

(d) To the best knowledge of the Borrower, Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any

Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law except insofar as any such violation or liability referred to in this paragraph, or any aggregation thereof, could not reasonably be expected to have a Material Adverse Effect.

(e) To the best knowledge of the Borrower, no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law

with respect to the Properties or the Business except insofar as such proceeding, action, decree, order or other requirement, or any aggregation thereof, could not reasonably be expected to have a Material Adverse Effect.

(f) To the best knowledge of the Borrower, there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could reasonably give rise to liability under Environmental Laws except insofar as any such violation or liability referred to in this paragraph, or any aggregation thereof, could not reasonably be expected to have a Material Adverse Effect.

8.21 Year 2000 Matters. Any reprogramming, modification or replacement required to permit the proper functioning (but only to the extent that such proper functioning would otherwise be impaired by the occurrence of the year 2000) in and following the year 2000 of computer systems and other equipment containing embedded microchips, in either case owned or operated by the Borrower or any of its Subsidiaries or, to the Borrower's knowledge, used or relied upon in the conduct of their business (including any such systems and other equipment supplied by others), and the testing of all such systems and other equipment as so reprogrammed, modified or replaced is expected to be completed in all material respects by June 30, 1999. The costs to the Borrower and its Subsidiaries that have not been incurred as of the date hereof for such reprogramming, modification and/or replacement and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 could not reasonably be expected to have a Material Adverse Effect.

8.22 Guarantors. Set forth on Schedule 8.22 is a complete and correct list of all the Subsidiaries which are parties to the Guarantee and Collateral Agreement (as defined in the Existing Credit Agreement) on the date hereof.

SECTION 9. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Credit Commitments remain in effect, any Note, any Letter of Credit Obligation or any Acceptance Obligation remains outstanding and unpaid or any other amount is owing to any Lender or the Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

9.1 Financial Statements and Information. Deliver to each

Lender:

(a) as soon as available and, in any event, within 90 days following the end of each Fiscal Year, the Annual Report of the Borrower on Form 10-K for such Fiscal Year signed by a Responsible Officer of the Borrower;

(b) as soon as available and, in any event, within 75 days after the end of each Fiscal Quarter of the Borrower, the Quarterly Report of the Borrower on Form 10-Q for the relevant Fiscal Quarter signed by a Responsible Officer of the Borrower;

(c) concurrently with the delivery of each set of the financial statements referred to in paragraph (a) above, a certificate of the Accountants certifying such financial statements, stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (except as specified in such certificate);

(d) concurrently with the delivery of each set of the financial statements referred to in paragraphs (a) and (b) above, a certificate of a Responsible Officer of the Borrower (i) stating that such Officer has obtained no knowledge of any Default or Event of Default (except as specified in such certificate) and (ii) showing in reasonable detail the calculations supporting such statement in respect of subsections 10.1, 10.2, 10.3, 10.4, 10.7 and 10.9;

(e) forthwith upon the occurrence of any Default or Event of Default, a certificate of a Responsible Officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) immediately upon any authorized officer of the Borrower or any Guarantor or of any Commonly Controlled Entity obtaining knowledge of the occurrence of any (i) "reportable event", as such term is defined in Section 4043 of ERISA, or (ii) "prohibited transaction", as such term is defined in Section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Borrower or such Guarantor has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto, provided that, with respect to the occurrence of any "reportable event" as to which the PBGC has waived the 30-day reporting requirement, such written notice need be given only at the time notice is given to the PBGC;

(g) from time to time, such additional information regarding the business, affairs or financial or other position of the Borrower, any Guarantor and any other Credit Party as any Lender may reasonably request, such information to be provided as soon as practicable after such request; and

(h) within five days after the same are sent, copies of all financial statements and reports which the Borrower and/or its Subsidiaries sends to its public holders of Capital Stock or debtholders, and within five days after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the SEC or any successor or analogous Governmental Authority.

9.2 Corporate Existence; Nature of Business. Except as otherwise permitted under this Agreement, preserve and maintain its partnership or corporate or other (as the case may be) existence and all of its material rights, privileges and franchises; comply with all

Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect; and pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, unless the failure to pay and discharge any such taxes, assessments or governmental charges or levies could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; not discontinue, and will actively engage in and continue to pursue, the current business of the Borrower and its Subsidiaries, taken as a whole, and no other business which is not a Related Line of Business, provided that nothing in this subsection shall be deemed to prevent the Borrower or any Subsidiary from making an Investment permitted by subsection 10.7(g) in the Capital Stock of, or any assets constituting a business unit of, any other Person (including the Borrower or any of its Subsidiaries) which is engaged in a business that is not a Related Line of Business.

9.3 Payment of Obligations. Pay, discharge or otherwise satisfy when the same shall become due, all its obligations of whatever nature, except when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of the Borrower or the appropriate Subsidiary, as the case may be, in accordance with GAAP and, except to the extent that failure to comply with this subsection 9.3 results from a good faith error (which shall be corrected promptly following the Borrower becoming aware of such error) and such failure could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4 Maintenance of Properties; Insurance. Maintain or cause to be maintained in good working order and condition, ordinary wear and tear excepted, all material properties used in the businesses of the Borrower and its Subsidiaries, provided that the Borrower and its Subsidiaries, may in accordance with good business practices, make determinations with respect to the timeliness of necessary repairs. The Borrower and its Subsidiaries will maintain or cause to be maintained such insurance with respect to their respective properties and businesses as a prudent Person engaged in the same or similar business of a similar size and otherwise similarly situated would maintain.

9.5 Maintain Trademarks. Take all action reasonably necessary or desirable in accordance with good business practices to (a) maintain in full force and effect such domestic and foreign patents, trademarks, service marks, trade names, copyrights and licenses and such material rights with respect to the foregoing, in each case necessary for the conduct of its business as now conducted (collectively, the "Trademarks") and (b) protect all domestic and foreign Trademarks against infringement by third parties.

9.6 Inspection; Books and Records. Keep proper books of records and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities. The Borrower and each other Credit Party will permit on an annual basis at the request of the Agent (or at any time and from time to time after the occurrence and during the continuance of a

Default or Event of Default) any authorized representatives designated by the Lenders to visit and inspect any of the properties of the Borrower and such Credit Party, all during reasonable business hours, including their respective books of accounts, and to make copies and take extracts therefrom, and to

analyze such data of the Borrower and such Credit Party, and to discuss their respective affairs, finances and accounts with their respective officers and the Accountants (and by this provision the Borrower and each Credit Party authorize the Accountants to discuss with such representatives the affairs, finances and accounts of the Borrower and any such Credit Party, whether or not a representative of the Borrower or such Credit Party is present). The Borrower shall reimburse the Lenders for all reasonable costs and expenses incurred by such Lenders in connection with the audit and verification activities contemplated by the immediately preceding sentence. So long as no Default or Event of Default shall have occurred and be continuing, the Agent shall, prior to commencing any such verification activities, provide an estimate to the Borrower of the costs thereof, but any failure to give such an estimate shall not impair any of the rights of the Agent and the Lenders under this subsection.

9.7 Notices. Promptly give notice to the Agent and each Lender:

(a) of the occurrence of any Default or Event of Default (including, without limitation, any event referred to in Section 11(j));

(b) of any (i) default or event of default under any Contractual Obligation of the Borrower or any other Credit Party or (ii) litigation, investigation (known to the Borrower) or proceeding which may exist at any time between the Borrower or any other Credit Party and any Governmental Authority or Person, which in either case, if not cured or if adversely determined, as the case may be, would have a Material Adverse Effect;

(c) as soon as possible and in any event within five days after the Borrower knows or has reason to know of the following events: (i) the occurrence of any Reportable Event with respect to any Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by PBGC, the Borrower or any Commonly Controlled Entity, or any Multiemployer Plan with respect to the withdrawal from, Reorganization or Insolvency of, any Multiemployer Plan, or the terminating of any Plan; and

(d) of a material adverse change in the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

Each notice pursuant to this subsection 9.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

9.8 Guarantee Agreement Supplement. Each Domestic Subsidiary that is or becomes a "significant subsidiary" (as that term is defined in Regulation S-X (part 210 of the Code of Federal Regulations) shall promptly execute and deliver to the Agent (with a counterpart

for each Lender) a supplement to the Guarantee pursuant to which such Subsidiary shall become a party thereto as a Guarantor, together with such other documents and opinions as the Lenders shall reasonably request.

9.9 Use of Proceeds. The proceeds of the Loans shall be used by the Borrower solely for the purposes set forth in subsections 2.4 and 3.4. No portion of the proceeds of any Loan shall be used by the Borrower in any manner which might cause the borrowing or the application of such proceeds to violate Regulation T, U or X of the Board or any other regulation of such Board.

9.10 Observance of Agreements. Observe and perform all the terms and conditions of all material agreements to which any of them or any

other Credit Party is party and shall diligently protect and enforce their respective rights under all such agreements in a manner consistent with prudent business judgment.

SECTION 10. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Credit Commitments remain in effect, any Note, any Letter of Credit Obligation or any Acceptance Obligation remains outstanding and unpaid or any other amount is owing hereunder to any Lender or the Agent:

10.1 Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth as at the end of any Fiscal Quarter ending after the Closing Date to be less than $300,000,000.

10.2 Consolidated Indebtedness Ratio. The Borrower will not permit, for any period of four consecutive Fiscal Quarters ending after the Closing Date, the Consolidated Indebtedness Ratio to be greater than 2.25 : 1.

10.3 Limitation on Indebtedness. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness except:

(a) Indebtedness not secured by any Lien (including the Indebtedness incurred hereunder) in an aggregate principal amount (when added to the aggregate amount of such Indebtedness incurred during the Gap Period) not to exceed $200,000,000, provided that (i) no part of the principal of such Indebtedness (except in the case of any such Indebtedness in an aggregate principal amount, when added to the aggregate principal amount of Indebtedness then outstanding as permitted by subsections 10.3(g) and (h), not greater than $50,000,000) is stated to be payable or is required to be paid (whether by way of mandatory sinking fund, mandatory redemption, mandatory prepayment or otherwise) prior to the Termination Date, (ii) the material terms, conditions and restrictive covenants contained in the instrument governing such Indebtedness, taken as a whole, are no less favorable to the Borrower or any of its Subsidiaries, as the case may be, than the terms, conditions and restrictive covenants contained in this Agreement and (iii) no Default or Event of Default shall have occurred after giving effect to the incurrence of such Indebtedness;

(b) Indebtedness secured by Liens permitted by subsection 10.4(g) in an aggregate amount at any one time outstanding not in excess of the amount set forth in said subsection;

(c) Indebtedness existing on the Existing Closing Date, not otherwise permitted under this Agreement, described in Schedule 10.3 hereto, Indebtedness incurred under the Existing Credit Agreement, and any refinancings, refundings, renewals or extensions thereof on terms no less favorable (taken as a whole) to the Borrower or such Subsidiary, as the case may be, provided that the principal amount of such Indebtedness is not increased;

(d) Subordinated Indebtedness;

(e) Indebtedness incurred under this Agreement;

(f) Indebtedness of the Borrower to its Subsidiaries or Indebtedness of any Subsidiary of the Borrower to the Borrower or any of its Subsidiaries;

(g) Indebtedness of any Person which became a Subsidiary after the date of the Existing Credit Agreement or which becomes a Subsidiary of the Borrower after the date hereof (provided that (i) such

Indebtedness was in existence on the date such Person became a Subsidiary, (ii) such Indebtedness was not created, incurred or assumed in anticipation thereof, and (iii) the aggregate principal amount of such Indebtedness at any one time outstanding, when added to the aggregate principal amount of Indebtedness then outstanding as permitted by the parenthetical phrase included in clause (i) of the proviso to subsection 10.3(a), shall not be in excess of $50,000,000) and any Indebtedness resulting from the refinancing of any such Indebtedness; and

(h) Indebtedness secured by Liens permitted by subsection 10.4(k) provided that the aggregate principal amount of such Indebtedness at any one time outstanding, when added to the aggregate principal amount of Indebtedness then outstanding as permitted by the parenthetical phrase included in clause (i) of the proviso to subsection 10.3(a), shall not be in excess of $50,000,000.

For purposes of this subsection 10.3, any Person becoming a Subsidiary of the Borrower after the date of this Agreement or, in the case of subsection 10.3(g), after the date of the Existing Credit Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes or, in the case of such subsection 10.3(g), became a Subsidiary.

10.4 Limitation on Liens. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or acquire any property pursuant to any conditional sale, lease purchase or other title retention agreement, except:

(a) Liens created pursuant to the Security Documents or securing the Notes, the Letter of Credit Obligations, the Acceptance Obligations (as each such term is defined in the Existing Credit Agreement) and all amendments, extensions, renewals and substitutions thereof;

(b) Liens existing on the Existing Closing Date, not otherwise permitted under this Agreement, described in Schedule 10.4 hereto, securing the Indebtedness described in such Schedule, and extensions, renewals and substitutions thereof, provided that the principal amount so secured is not increased and the Lien is not extended to any other property;

(c) Liens for taxes and duties, assessments, governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, if adequate reserves with respect thereto are maintained on the books of the Company and its Subsidiaries in accordance with GAAP;

(d) Liens incurred in the ordinary course of and incidental to the conduct of the business of the Borrower and its Subsidiaries or the ownership of its property, including, without limitation, Liens incurred in connection with the sale, lease, transfer or other disposition of any credit card receivable of the Borrower or any of its Subsidiaries and Liens for workmen's compensation, bids, tenders, lessors, vendors, bank deposits, trade letters of credit and trust receipts, which were not incurred in connection with the borrowing of money and which do not in the aggregate materially detract from the value of the property of the Borrower and its Subsidiaries, taken as a whole, or materially impair the use thereof in the operation of the business of the Borrower and its Subsidiaries;

(e) Liens imposed by law in favor of mechanics, repairmen, carriers or warehousemen for sums not yet due or which are being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, if adequate reserves with respect thereto are maintained on the

books of the Borrower and its Subsidiaries in accordance with GAAP;

(f) Liens existing on property or assets of a Person immediately prior to its becoming a Subsidiary of the Borrower and which Lien was not created, incurred or assumed in anticipation thereof, provided that such Lien shall at all times be confined solely to the property subject thereto at the time such Person becomes a Subsidiary of the Borrower;

(g) Liens securing Indebtedness of the Borrower and its Subsidiaries (and any refinancings, refundings, renewals or extensions thereof on terms no less favorable (taken as a whole) to the Borrower or such Subsidiary, as the case may be, provided that the principal amount of such Indebtedness is not increased) incurred after the Existing Closing Date solely for the purpose of financing the acquisition by the Borrower or any of its Subsidiaries of real or personal property or solely for the purpose of financing the cost of construction or improvements to or on real or personal property, or Liens existing on such property so acquired at the time of acquisition thereof, provided that:

(i) each such Lien shall at all times be confined solely to the property so acquired;

(ii) the principal amount of Indebtedness secured by each such Lien shall at no time exceed the lesser of (A) the cost to such Person of the property subject thereto or (B) the fair value of such property (as determined in good faith by the Board of Directors of such Person) at the time of the acquisition thereof or completion of construction thereon.

(h) Liens solely constituting the right of any other Person to a share of any licensing royalties (pursuant to a licensing agreement or other related agreement entered into by the Borrower or any of its Subsidiaries with such Person in the ordinary course of the Borrower's or such Subsidiary's business) otherwise payable to the Borrower or any of its Subsidiaries, provided that such right shall have been conveyed to such Person for consideration received by the Borrower or such Subsidiary on an arm's-length basis;

(i) in the case of real property owned by the Borrower or any of its Subsidiaries, easements, rights of way, restrictive covenants, encroachments and other non-monetary Liens which Liens would not have, individually or in the aggregate, a Material Adverse Effect;

(j) Liens arising from precautionary Uniform Commercial Code financing statement filings with respect to operating leases entered into by the Borrower or any of its Subsidiaries in the ordinary course of business; and

(k) additional Liens on property or assets (other than receivables, Trademarks, inventory and/or licensing revenues) of the Borrower and its Subsidiaries securing Indebtedness permitted under subsection 10.3(h).

For purposes of this subsection 10.4, any Person becoming a Subsidiary of the Borrower after the date hereof shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Subsidiary of the Borrower, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

10.5 Sale of Assets. Except in the ordinary course of business (including the sale, lease, transfer or other disposition of any credit card receivable of the Borrower or any of its Subsidiaries), the Borrower will not, nor will it permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its assets or sell, transfer or otherwise dispose

of any of the Capital Stock of any of its Subsidiaries, provided that, so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, no such disposition of assets or Capital Stock out of the ordinary course of business shall constitute a violation of this subsection 10.5 so long as (i) the aggregate fair market value of the assets or Capital Stock so disposed of during any Fiscal Year of the Borrower shall not exceed 10% of Consolidated Net Worth as at the end of the preceding Fiscal Year, or (ii) the net cash proceeds are used within 180 days after the receipt thereof to purchase assets to be utilized by the Borrower in any Related Line of Business and if not so used within such time period or used within such time period to prepay Term Loans or reduce Revolving Credit Commitments (as each such term in this sentence is defined in the Existing Credit Agreement), such proceeds shall be applied to the prepayment of principal of any outstanding Term Loans in inverse order of maturity and thereafter, 50% of such proceeds shall, if Margin Level I Status then exists, be applied to the mandatory reduction of the

Revolving Credit Commitments. Notwithstanding anything contained in this subsection 10.5 to the contrary, neither the Borrower nor any of its Subsidiaries shall dispose of any of its right, title or interest in any Collateral (as defined in the Existing Credit Agreement) or any material Trademark or any receivables arising out of licensings of Trademarks, except for (i) licensing of Trademarks and sales of inventory in the ordinary course of business and (ii) sales, leases, transfers or other dispositions of Trademarks by the Borrower to any of its Subsidiaries which is a Guarantor or by any Subsidiary to any other Subsidiary which is a Guarantor or to the Borrower.

10.6 Limitation on Fundamental Changes. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, except:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving entity) or with or into any one or more wholly owned Subsidiaries of the Borrower (provided that the wholly owned Subsidiary or Subsidiaries shall be the continuing or surviving entity);

(b) any wholly owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other wholly owned Subsidiary of the Borrower;

(c) the Borrower or any Subsidiary may effect any Investment permitted by subsections 10.7(h), (i) or (j) by means of a merger of the Person that is the subject of such acquisition with the Borrower or any of its Subsidiaries (provided that, in the case of a merger with the Borrower, the Borrower is the survivor); and

(d) the Borrower may, and may permit any of its Subsidiaries to, enter into any transaction otherwise permitted pursuant to subsection 10.5.

10.7 Limitation on Loans, Advances and Other Investments. The Borrower will not, nor will it permit any of its Subsidiaries to, make any Investment other than:

(a) advances or loans made in the ordinary course of business to employees of the Borrower or any of its Subsidiaries;

(b) Investments in Cash Equivalents;

(c) Investments by the Borrower in and to its Domestic Subsidiaries and any Foreign Subsidiary that becomes a party to the Guarantee as a Guarantor or of which 66% of such Foreign Subsidiary's Capital Stock is pledged to the Lenders and the lenders under the Existing Credit Agreement pursuant to a pledge agreement in form and substance reasonably satisfactory to the Agent;

(d) Investments by any Subsidiaries of the Borrower in and to the Borrower and any of its Domestic Subsidiaries;

(e) Investments in Foreign Subsidiaries in an aggregate amount (when added to the aggregate amount of such Investments made during the Gap Period) not in excess of $150,000,000, provided, however, that the unused amount of such $150,000,000 basket at any time shall be subject to reduction (by an aggregate amount not to exceed $75,000,000) by the amount of each Investment in a Foreign Subsidiary made subsequent to the date hereof pursuant to subsection 10.7(c);

(f) existing Investments not otherwise permitted under this Agreement and described in Schedule 10.7 hereto;

(g) Investments received in connection with the bona fide settlement of any defaulted Indebtedness or other liability owed to the Borrower or any Subsidiary;

(h) Investments in Permitted Acquisitions provided that if, as a result of Permitted Acquisition, a new Domestic Subsidiary shall be created and such Domestic Subsidiary is a "Significant Subsidiary" (as that term is defined in Regulation S-X (part 210 of the Code of Federal Regulations)), such Domestic Subsidiary shall become a party to the Guarantee as a Guarantor;

(i) Investments in Permitted Acquisitions in Persons organized under the laws of a jurisdiction outside of the United States in an aggregate amount (when added to the aggregate amount of such Investments made during the Gap Period) not in excess of the sum of (x) $200,000,000 plus (y) the Annual Increase for each full Fiscal Year which shall have been completed and for which financial statements and the related compliance certificate shall have been delivered pursuant to subsections 9.1(a) and (d) hereof, during the period from the Existing Closing Date through the date at which compliance with this paragraph is being determined (as reflected in such financial statements and compliance certificate) less an amount equal to the aggregate amount of Investments, if any, made pursuant to clause (j) of this subsection 10.7 in excess of $100,000,000; and

(j) additional Investments in an amount (when added to the aggregate amount of such Investments made during the Gap Period) not in excess of an amount equal to the sum of (x) $100,000,000, and (y) the Annual Increase for each full Fiscal Year which shall have been completed, and for which financial statements and the related compliance certificate shall have been delivered pursuant to subsections 9.1(a) and (d) hereof, during the period from the Existing Closing Date through the date as at which compliance with this paragraph is being determined (as reflected in such financial statements and compliance certificate) less an amount equal to the aggregate amount of Investments, if any, made pursuant to clause (i) of this subsection 10.7 in excess of $200,000,000; provided that the Investments under this subsection 10.7(j) (when added to the aggregate amount of such Investments made during the Gap Period) shall in no event exceed $175,000,000.

10.8 Compliance with ERISA. The Borrower and its Subsidiaries will not:

(a) knowingly engage in any transaction in connection with which the Borrower or any Subsidiary might reasonably be likely to be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, terminate any Plan in a manner, or take any other action with respect to any such Plan, which is likely to result in any liability of the Borrower or any Subsidiary to the PBGC, fail to make full payment when due of all amounts which, under the provisions of any Plan, the Borrower or any Subsidiary is required to pay as contributions thereto, or permit to exist any accumulated funding deficiency, whether or not waived, with respect to any Plan (other than a Multiemployer Plan), if, in any such case, such penalty or tax or such liability, or the failure to make such payment, or the existence of such deficiency, as the case may be, would have a Material Adverse Effect; or

(b) permit at any time the aggregate complete or partial withdrawal liability of the Borrower and its Subsidiaries under Title IV of ERISA with respect to Multiemployer Plans to exceed 5% of Consolidated Net Worth as at the end of the then most recently ended Fiscal Quarter.

For purposes of subdivision (b) of this subsection 10.8, the amount of the withdrawal liability of the Borrower or its Subsidiaries at any date shall be the aggregate present value of the amount claimed to have been incurred less any portion thereof as to which the Borrower or its Subsidiaries reasonably believes, after appropriate consideration of possible adjustments arising under Sections 4219 and 4221 of ERISA, it and its Subsidiaries will have no liability, provided that the Borrower and its Subsidiaries shall obtain prompt written advice from independent actuarial consultants supporting such determination. The Borrower and its Subsidiaries shall, promptly upon request by any Lender, transmit a copy of any current statement of withdrawal liability from each Multiemployer Plan, if and when available, after the Borrower or any Subsidiary receives the same. As used in this subsection 10.8, the term "accumulated funding deficiency" has the meaning specified in Section 301 of ERISA and Section 412 of the Code, and the terms "accrued benefit" and "current value" have the meanings specified in Section 3 of ERISA.

10.9 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into any transactions, including, without limitation, the purchase, sale or exchange of property, the making of any Investment or the rendering of any service, with any Affiliate of the Borrower or a spouse or any relative (by blood, adoption or marriage) within the third degree of any such Affiliate or any other Person which is an Affiliate of any such spouse or relative, except (a) in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon reasonable terms no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person which is not an Affiliate of the Borrower, (b) any transaction listed in Schedule 10.9 hereto and (c) any transaction between the Borrower and any Subsidiary of the Borrower or between any Subsidiary and any other Subsidiary.

SECTION 11. EVENTS OF DEFAULT

Upon the occurrence of any of the following events:

(a) (i) The Borrower shall fail to pay any principal of any

Note, any Letter of Credit Obligation or any Acceptance Obligation, in each case within two days after such principal or Obligation becomes due or (ii) the Borrower shall fail to pay any interest on any Note, any Letter of Credit Obligation or any Acceptance Obligation, or any fee, commission or other amount owing hereunder, in each case within five days after such interest, fee or other amount is due; or

(b) Any representation or warranty made or deemed made by the Borrower herein or by the Borrower or any other Credit Party in any other Credit Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower shall default in the observance or performance of any covenant or agreement contained in Section 10 or subsection 6.19; or

(d) The Borrower shall default in the observance or performance of any covenant or agreement contained in this Agreement (other than in Section 10 or subsection 6.19 hereof); or any other Credit Party shall default in the observance or performance of any covenant or agreement contained in any Credit Document to which it is a party, and, in each case, such default is not remediable or, if remediable, continues unremedied for a period of 30 days after the earlier to occur of (i) the date on which such default is known or reasonably should have become known to any officer of the Borrower or such other Credit Party and (ii) the date on which the Agent or any Lender shall have notified the Borrower or such other Credit Party of such default; or

(e) The Guarantee shall cease, for any reason, to be in full force and effect, or

(f) The Borrower, any other Credit Party or any Foreign Subsidiary shall (A) default in any payment of principal of or interest on any Indebtedness (other than the Notes, the Acceptance Obligations or the Letter of Credit Obligations) or in the payment of any Guarantee Obligation in respect of Indebtedness (other than the Guarantee), the aggregate principal amount of which exceeds $5,000,000 in the case of the Borrower or any Subsidiary, beyond the period (without giving effect to any extensions, waivers, amendments or other modifications of or to such period) of grace, if any, provided in the instrument or agreement under which such Indebtedness or Guarantee Obligation was created; or (B) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Guarantee Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder

or holders or beneficiary or beneficiaries) to cause, with the giving of notice or the lapse of time, or both, if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; or

(g) (i) The Borrower, any other Credit Party or any Foreign Subsidiary shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation,

dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower, any other Credit Party or any Foreign Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any other Credit Party or any Foreign Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 45 days; or (iii) there shall be commenced against the Borrower, any other Credit Party or any Foreign Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 45 days from the entry thereof; or (iv) the Borrower, any other Credit Party or any Foreign Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Borrower, any other Credit Party or any Foreign Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; provided, however, that the occurrence of any of the events specified in this paragraph (g) with respect to any Person other than the Borrower shall not be deemed to be an Event of Default unless (x) the net assets of such Person, determined in accordance with GAAP, shall have exceeded $3,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to subsection 9.1 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Credit Parties and Foreign Subsidiaries in respect of which any of the events specified in this paragraph (g) shall have occurred shall have exceeded $5,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to subsection 9.1 or on the date of occurrence of any such event; or

(h) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or

appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability (except as set forth in Schedule 8.12) in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Borrower or any other Credit Party to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole; or

(i) One or more judgments or decrees shall be entered against the Borrower, any other Credit Party or any Foreign Subsidiary involving in the aggregate a liability (not paid or fully covered by insurance) of $5,000,000 or more and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

(j) Lauren, his estate or Persons related to him by blood, adoption or marriage and/or trusts or other entities principally for the benefit of any of the foregoing (the "Lauren Interests") shall cease to own in the aggregate, directly or indirectly either (x) Voting Stock of the Borrower having the voting power to elect a majority of the Board of Directors of the Borrower or (y) Voting Stock representing more than 25% of the voting power of the Borrower's Capital Stock;

then, and in any such event, (A) if such event is an Event of Default in respect of the Borrower specified in clause (i) or (ii) of paragraph (g) above, automatically the Revolving Credit Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of Letter of Credit Obligations whether or not the beneficiaries thereof shall have presented the documents required thereunder and all amounts of Acceptance Obligations whether or not matured) and the Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, any or all of the following actions may be taken: the Agent may, or upon the direction of the Required Lenders, the Agent shall, (i) declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; (ii) declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of Letter of Credit Obligations whether or not the beneficiaries thereof shall have presented the documents required thereunder and all amounts of Acceptance Obligations whether or not matured) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable; and (iii) exercise any and all remedies and other rights provided pursuant to this Agreement and/or the other Credit Documents.

With respect to all Letters of Credit and Acceptances that shall not have matured or been paid or with respect to which presentment for honor shall not have occurred, upon the

occurrence of an Event of Default, the Borrower shall deposit in an interest bearing cash collateral account opened by the Agent (and under the exclusive dominion and control of the Agent) an amount equal to the aggregate amount of the Letter of Credit Obligations plus the aggregate outstanding amount of Acceptance Obligations for application to payments of drafts drawn under Letters of Credit and to payment of Acceptances at maturity, and the unused portion thereof after such application, if any, shall be applied to repay other obligations of the Borrower hereunder or under the Notes or any of the other Credit Documents, and after all Letters of Credit have expired, all drafts and Acceptances have matured and been repaid and all other obligations of the Borrower hereunder or any of the other Credit Documents are paid in full, the balance, if any, shall be returned to the Borrower.

Except as expressly provided above in this Section 11, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 12. THE AGENT AND ISSUING LENDER

12.1 Appointment; Authorization. Each Lender hereby irrevocably designates and appoints Chase as the Agent of such Lender under this Agreement and each of the other Credit Documents, and each such Lender

irrevocably authorizes (a) Chase, as the Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and each of the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto and (b) Chase, in its capacity as Issuing Lender, to issue the Letters of Credit, subject to the terms and conditions hereof, to pay the amount of any draft presented under any Letter of Credit upon presentation of documents which, upon their face, conform to the terms of such Letter of Credit, to create Acceptances, to receive from the Borrower reimbursement for the amount of each draft paid under each Letter of Credit and each Acceptance and payment of all commissions, charges and interest in respect of the Letters of Credit and the Acceptances, and to take such action on behalf of such Lender under this Agreement, the Letter of Credit Documents and the Acceptance Documents and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Issuing Lender by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, neither the Agent nor the Issuing Lender shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the other Credit Documents or otherwise exist against the Agent or the Issuing Lender.

12.2 Delegation of Duties. Each of the Agent and the Issuing Lender may execute any of its duties under this Agreement or the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor the Issuing Lender shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

12.3 Exculpatory Provisions. Neither the Agent nor the Issuing Lender nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any Credit Document (except for its or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower, any other Credit Party or any officer thereof contained in this Agreement or any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent or the Issuing Lender under or in connection with, this Agreement or any other Credit Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any other Credit Document or the Notes or for any failure of the Borrower or any other Credit Party to perform its or his obligations hereunder or thereunder. Neither the Agent nor the Issuing Lender shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of the Borrower or any other Credit Party.

12.4 Reliance by Agent and Issuing Lender. Each of the Agent and the Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent or the Issuing Lender, as the case may be. The Agent may deem and treat the payee of any Note as the

owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. Each of the Agent and the Issuing Lender shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each of the Agent and the Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement, the Credit Documents and the Notes in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

12.5 Notice of Default. Neither the Agent nor the Issuing Lender shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give notice thereof to the Lenders. The Agent shall take such action with respect to any Default or Event of Default as shall be reasonably directed by the Required Lenders, provided that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take

such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

12.6 Non-Reliance on Agent, Issuing Lender or Other Lenders. Each Lender expressly acknowledges that neither the Agent nor the Issuing Lender nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent or the Issuing Lender hereinafter taken, including any review of the affairs of the Borrower or any other Credit Party, shall be deemed to constitute any representation or warranty by the Agent or the Issuing Lender to any Lender. Each Lender represents to the Agent and the Issuing Lender that it has, independently and without reliance upon the Agent, the Issuing Lender or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and the other Credit Parties and made its own decision to make its Loans, to purchase Acceptance Participating Interests, to purchase Letter of Credit Participating Interests and to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent, the Issuing Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and the other Credit Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent or the Issuing Lender hereunder, neither the Agent nor the Issuing Lender shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower or any other Credit Party, which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

12.7 Indemnification. The Lenders agree to indemnify the Agent

and the Issuing Lender in their capacities as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Combined Loan Percentages in effect on the date on which indemnification is sought under this subsection (or, if indemnification is sought after the date upon which the Revolving Credit Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with their Combined Loan Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes and all other amounts payable hereunder) be imposed on, incurred by or asserted against the Agent or the Issuing Lender, as the case may be, in any way relating to or arising out of this Agreement, the Notes, the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent or the Issuing Lender, as the case may be, under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's or Issuing

Lender's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

12.8 Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and the other Credit Parties as though the Agent were not the Agent hereunder. With respect to Loans made or renewed by it, Acceptances created by it, Letters of Credit issued by it, and any Note issued to it, Chase shall have the same rights and powers under this Agreement as any Lender (as well as those of the Issuing Lender) and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include Chase in its individual capacity.

12.9 Successor Agent. The Agent may resign as Agent upon 10 days' notice to the Lenders. If the Agent shall resign as Agent under this Agreement and the other Credit Documents, then the Required Lenders shall appoint a successor agent for the Lenders (and if no successor agent shall have been so appointed within 10 days of the retiring Agent's having given notice of its resignation, then the retiring Agent shall, on behalf of the Lenders, appoint a successor agent), which successor agent shall be approved by the Borrower (which approval shall not be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 13. MISCELLANEOUS

13.1 Amendments and Waivers. Neither this Agreement, any Note, any other Credit Document nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection 13.1. Upon the written consent of the Required Lenders, the Agent (or, in the case of the Letter of Credit Documents and the Acceptance Documents, the Issuing Lender) and the Borrower may, from time to time, enter into written amendments, supplements or modifications for the purpose of

adding, deleting or changing any provisions to this Agreement, the Notes or the other Credit Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or waiving, on such terms and conditions as the Agent (or the Issuing Lender, as the case may be) may specify in such instrument, any of the requirements of this Agreement or the Notes or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) extend the Termination Date, the Term Loan Termination Date or the maturity of any Note or any installment thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any fee payable to the Lenders hereunder, or reduce the principal amount of any Note, or increase the amount of any Lender's Revolving Credit Commitment or Term Loan Commitment, or amend, modify or waive any provision of this subsection 13.1, or amend or modify the percentage included in the definition of Required Lenders, or consent to the release of all or

substantially all of the Guarantors, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, in each case without the written consent of all the Lenders, or (b) amend, modify or waive any provision of Section 12 without the written consent of the then Agent and Issuing Lender. Any such waiver and any such amendment, supplement or modification shall apply to each of the Lenders equally and shall be binding upon the Borrower, the Lenders, the Issuing Lender, the Agent and all future holders of the Notes. In the case of any waiver, the Borrower, the Lenders and the Agent shall be restored to their former position and rights hereunder and under the outstanding Notes, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

13.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telegraph or facsimile), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or five days after being deposited in the United States mail, postage prepaid and return receipt requested, or, in the case of telegraphic notice, when delivered to the telegraph Borrower, or, in the case of facsimile, when sent, telephonic confirmation received, addressed as follows, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Borrower: Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022
Attention: Michael Newman,
Vice Chairman and C.O.O.
and Victor Cohen, Esq.,
Senior Vice President,
General Counsel and Secretary

Telecopier: (212) 318-7183
Telephonic Confirmation: (212) 318-7351

with a copy to:

Polo Ralph Lauren Corporation
9 Polito Avenue
Lyndhurst, New Jersey 07071
Attention: Nancy Platoni Poli
Senior Vice President-Chief Financial Officer

Facsimile No: (201) 896-9628
Telephonic Confirmation: (201) 531-6250

The Agent and the Issuing Lender:	The Chase Manhattan Bank 111 West 40th Street, 10th Floor New York, New York 10018 Attention: John Mulvey Vice President Facsimile: (212) 403-5081 Telephonic Confirmation: (212) 403-5112 with a copy to: The Chase Manhattan Bank One Chase Manhattan Plaza, 8th Floor New York, New York 10081 Attention: Janet Belden Loan Agency Service Group Facsimile No: (212) 552-5658 Telephonic Confirmation: (212) 552-7277
The Lenders:	To the addresses set forth on Schedule 1.1 hereto

provided that any notice, request or demand to or upon the Agent, the Issuing Lender or the Lenders pursuant to subsections 2.3, 3.3, 4.2, 4.3, 6.7 and 6.8 shall not be effective until received.

13.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided or provided in the other Credit Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Credit Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

13.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the negotiation, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Notes, the other Credit Documents and any other

documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the disbursements and reasonable fees of counsel to the Agent, (b) to pay or reimburse each Lender and the Agent for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes, the other Credit Documents and any such other documents, including, without limitation, disbursements and reasonable fees of counsel to the Agent and to the several Lenders, (c) to pay, indemnify, and hold each Lender and the Agent harmless from, any and all recording and filing fees, and

any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes, the other Credit Documents and any such other documents and (d) to pay, indemnify, and hold each Lender and the Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Notes, the other Credit Documents and any such other documents (all the foregoing, collectively, the "indemnified liabilities"), provided that the Borrower shall have no obligation hereunder to the Agent or any Lender with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of the Agent or any such Lender, or (ii) legal proceedings commenced against the Agent or any such Lender by any other Lender or by any Participant. The agreements in this subsection 13.5 shall survive repayment of the Notes and all other amounts payable hereunder.

13.6 Successors and Assigns; Participations. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender. Assignments by any Lender of its rights and obligations hereunder may be either in whole or in part.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, the Revolving Credit Commitment of such Lender, any Acceptance Participating Interest, any Letter of Credit Participating Interest or any other interest of such Lender hereunder. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower, the Agent and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Each participation agreement entered into between any Lender and any Participant shall provide that such Lender shall not be required to seek the consent of such Participant before agreeing to amend, waive or otherwise modify any Credit Document or taking any other action with respect thereto, except that such participation agreement may provide that the selling Lender thereunder must obtain the prior written consent

of the Participant thereunder to extend the Termination Date or the maturity of any Note or any installment thereof or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount of any Note. The Borrower agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in subsection 13.7. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 6.14, 6.16 and 6.17 with respect to its participation in the Commitments, the Acceptances, the Letters of Credit and the Loans outstanding from time to time; provided that no Participant shall be entitled to receive any

greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial lending business and in accordance with applicable law, at any time and from time to time assign to any Lender or any affiliate thereof or, with the consent of the Borrower and the Agent (which in each case shall not be unreasonably withheld), to any additional bank, financial institution or other lending entity (each an "Assignee"), all or any part of its rights and obligations under this Agreement and the Notes pursuant to an Assignment and Acceptance Agreement, in form and substance satisfactory to the Agent (each an "Assignment and Acceptance"), executed by such Assignee, such assigning Lender (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Agent and the Borrower) and delivered to the Agent for its acceptance and recording in the Register (as defined in paragraph (d) below); provided that any such assignment (in the case of any assignment to an Assignee that is not then a Lender or an affiliate thereof) shall be in an amount at least equal to $5,000,000 and that, in the event of an assignment of less than all of such rights and obligations of any Lender, such assigning Lender after such assignment shall retain Commitments and/or Loans aggregating at least $5,000,000; provided, further, that any such assignment by the Agent shall be in an amount or amounts in the sole and absolute discretion of the Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Revolving Credit Commitment and Term Loans as set forth therein, and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto).

(d) The Agent shall maintain at its address referred to in subsection 13.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitment and Term Loans of, and principal amount of the Loans owing to, each Lender from time to time.

The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Agent and the Borrower) together with payment to the Agent of a registration and processing fee of $4,000 (or $1,500 in the case of an Assignment to a Lender or affiliate thereof), the Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower. On or prior to such effective date, the Borrower, at its own expense, shall execute and deliver to the Agent (in exchange for the Notes of the assigning Lender) new Notes to the order of such Assignee in an amount equal to the Revolving Credit Commitment and Term Loan assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Revolving Credit Commitment and a Term Loan hereunder, new Notes to the order of the assigning

Lender in an amount equal to the Revolving Credit Commitment and Term Loan retained by it hereunder. Such new Notes shall be dated the Closing Date and shall otherwise be in the form of the Notes replaced thereby.

(f) The Borrower authorizes each Lender to disclose to any Participant, Assignee and any prospective Participant or Assignee any and all financial information in such Lender's possession concerning the Borrower and its affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its affiliates prior to becoming a party to this Agreement; provided that any prospective Participant or Assignee shall have acknowledged in writing that it is receiving such information subject to the provisions of subsection 13.8.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

13.7 Adjustments; Set-Off. (a) If any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or any other amount payable to it hereunder, or receive any collateral in respect thereof or any amount under any guarantee in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in paragraph (g) of Section 11, or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, or any other amount payable to it hereunder, such Benefitted Lender shall purchase for cash from the other Lender such portion of such other Lender's Loans, or shall provide such other Lender with the benefits of any such

collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law, upon the occurrence of an Event of Default and acceleration of the obligations owing in connection with this Agreement, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set-off and apply against any indebtedness, whether matured or unmatured, of the Borrower to such Lender, any amount owing from such Lender to the Borrower, at or at any time after, the happening of any of the above-mentioned events, and the aforesaid right of set-off may be exercised by such Lender against the Borrower or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or executor, judgment or attachment creditor of the Borrower, or against anyone else claiming through or against the Borrower or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or executor, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the making, filing or issuance, or service upon such Lender of, or of notice of, any such petition, assignment for the benefit of creditors, appointment or

application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Each Lender agrees promptly to notify the Borrower and the Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

13.8 Confidentiality. Each Lender agrees that it will not disclose Confidential Information (as hereinafter defined) to any Person other than (a) as may be consented to by the Borrower, (b) as may be required by law or pursuant to legal process and (c) to prospective Participants and Assignees and those of such Lender's directors, officers, employees, examiners and professional advisors who have a need to know the Confidential Information in accordance with customary banking practices and who receive the Confidential Information having been made aware of the restrictions of this subsection 13.8. As used herein, the term "Confidential Information" means all information contained in materials relating to the Borrower and its Subsidiaries provided to the Lenders by the Borrower or its representatives or agents other than (i) information which is at the time so provided or thereafter becomes generally available to the public other than as a result of a disclosure by one or more Lenders, (ii) information which was available to any Lender prior to its disclosure to the Lenders by the Borrower, its representatives or agents and (iii) information which becomes available to one or more Lenders from a source other than the Borrower, its representatives or agents.

13.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

13.10 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Agent.

13.11 No Third Party Beneficiaries. This Agreement is solely for the benefit of the Agent, the Lenders (and Participants and Assignees to the extent provided in subsection 13.6) and the Borrower, and nothing expressed in, or to be implied from, this Agreement shall or shall be deemed to confer upon anyone other than the Borrower, the Agent and the Lenders (and such Participants and Assignees) any benefit, or legal or equitable right, remedy or claim under or by virtue of this Agreement or any provision hereof, including, without limitation, the right to insist upon or to enforce the performance or observance of any of the obligations contained herein. All conditions to the obligations of the Lenders to make the Loans, the Issuing Lender and the Participating Lenders to issue and participate in the Letters of Credit and the Lenders to create and participate in the Acceptances are imposed solely and exclusively for the benefit of the Lenders, and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Lenders will not refuse to make such extensions of credit in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by the Lenders at any time if, in their sole discretion, the Lenders deem it advisable or desirable to do so.

13.12 SUBMISSION TO JURISDICTION; WAIVERS. (a) EACH OF THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(i) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(ii) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(iii) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO IT AT ITS ADDRESS SET FORTH IN SUBSECTION 13.2 OR AT SUCH OTHER ADDRESS OF WHICH THE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO; AND

(iv) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

(b) EACH OF THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN PARAGRAPH (a) ABOVE.

13.13 GOVERNING LAW. THIS AGREEMENT, THE NOTES AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT, THE NOTES AND THE OTHER CREDIT DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

13.14 Integration. This Agreement and the other Credit Documents represent the agreement of the Borrower, the Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Agent or any Lender relative to the subject matter hereof not expressly set forth herein or in the other Credit Documents.

13.15 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement, the Notes and the other Credit Documents;

(b) neither the Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between the Agent and the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

13.16 Satisfaction in Dollars. The obligation of the Borrower

hereunder, under the Notes and in respect of Letter of Credit Obligations and Acceptance Obligations to make payments in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than Dollars or any other realization in such currency, whether as proceeds of set-off, security, guarantee, distributions, or otherwise, except to the extent to which such tender, recovery or realization shall result in the effective receipt by the Agent and the Lenders of the full amount of Dollars expressed to be payable hereunder, under the Notes and in respect of Letter of Credit Obligations and Acceptance Obligations and the Borrower shall indemnify the Agent and each Lender (as an alternative or additional cause of action) for the amount (if any) by which such effective receipt shall fall short of the full amount of Dollars expressed to be payable hereunder, under the Notes and in respect of Letter of Credit Obligations and Acceptance Obligations and such obligation to indemnify shall not be affected by judgment being obtained for any other sums due under this Agreement, the Notes and in respect of Letter of Credit Obligations and Acceptance Obligations.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

POLO RALPH LAUREN CORPORATION

By: /s/ Michael J. Newman

Name: MICHAEL J. NEWMAN
Title: VICE CHAIRMAN AND CHIEF OPERATING OFFICER

THE CHASE MANHATTAN BANK, as Agent, Issuing Lender and a Lender

By: /s/ John Mulvey

Name: John Mulvey
Title: VP

FLEET BANK, as a Lender

By: /s/ Steven R. Navarro

Name: Steven R. Navarro
Title: Senior Vice President

THE BANK OF NEW YORK, as a Lender

By: /s/ Joanne M. Collett

Name: Joanne M. Collett
Title: Vice President

EUROPEAN AMERICAN BANK, as a Lender

By: /s/ George L. Stirling

Name: George L. Stirling
Title: Vice President

ISRAEL DISCOUNT BANK OF NEW YORK, as a Lender

By: /s/ Scott Fishbein

Name: Scott Fishbein
Title: Vice President

By: /s/ Ron Bongiovanni

Name: Rob Bongiovanni
Title: Vice President

83

SUNTRUST BANKS, INC., as a Lender

By: /s/ Laura Kahn

Name: Laura Kahn
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A., as a Lender

By: /s/ Terry Rocha

Name: Terry Rocha
Title: Vice President

NATIONSBANK, N.A., as a Lender

By: /s/ Leesa C. Sluder

Name: Leesa C. Sluder
Title: Senior Vice President

CANADIAN IMPERIAL BANK OF COMMERCE,
as a Lender

By: /s/ Mario Biscardi

Name: Mario Biscardi
Title: Commercial Lending Specialist

84

COMERICA BANK, as a Lender

By: /s/ David W. Shirey

Name: David W. Shirey
Title: Assistant Vice President

FIRST UNION NATIONAL BANK, as a Lender

By: /s/ Christopher M. McLaughlin

Name: Christopher M. McLaughlin
Title: Vice President

MERCANTILE BANK OF ST. LOUIS, as a Lender

By: /s/ Timothy W. Hassler

Name: Timothy W. Hassler
Title: Vice President

EXHIBIT 10.23

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AGREEMENT made effective as of the 4th day of April, 1999, between Polo Ralph Lauren Corporation, a Delaware corporation (the "Company"), and Ralph Lauren (the "Executive").

The Executive is the founder of the predecessor entities of the Company and has acted as Chief Executive Officer of such entities for more than thirty-one years.

The Executive has heretofore been employed by the Company pursuant to an employment agreement made effective as of June 9, 1997 (the "Prior Agreement");

The Company recognizes that the Executive's talents and abilities are unique and have been integral to the success of the Company. The Company wishes to retain the services of the Executive and recognizes that the Executive's contribution to the growth and success of the Company will be substantial. The Company desires to provide for the continued employment of the Executive and to make employment arrangements that which will reinforce and encourage the attention and dedication to the Company of the Executive as a member of the Company's senior management, in the best interest of the Company. The Executive is willing to commit himself to serve the Company, on the terms and conditions herein provided.

The Company and the Executive wish to amend and restate the Prior Agreement as evidenced by this Agreement effective as of the date hereof in order to provide for the modification of certain provisions of the Prior Agreement;

In order to effect the foregoing, the Company and the Executive wish to enter into an Agreement on the terms and conditions set forth below. Accordingly, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. Effective as of April 4, 1999, the Executive's employment with the Company shall be governed by this Agreement, which restates and supercedes the Prior Agreement.

2. Term. The term of the Executive's employment hereunder shall commence as of the date hereof and shall continue until the close of business on June 17, 2002, subject to earlier termination in accordance with the terms of this Agreement (the "Term"). The Term shall be automatically extended for successive one year periods thereafter unless either party notifies the other in writing of its intention not to so extend the Term at least ninety (90) days prior to the commencement of the next scheduled one year extension.

3. Position and Duties.

(a) Title and Duties. The Executive shall serve as Chief Executive Officer of the Company and Chairman of the Board of Directors of the Company (the "Board"), and shall have such duties, authority and responsibilities as are normally associated with and appropriate for such positions. The Executive shall report directly to the Board. The Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company.

(b) Office and Facilities. The Executive shall be provided with

appropriate office and secretarial facilities in each of the Company's principal executive offices in New York City and any other location that the Executive reasonably deems necessary to have an office and support services in order for the Executive to perform his duties to the Company. In addition, the Executive shall continue to be entitled to have certain employees of the Company perform services for the Executive which are non-Company related in a manner consistent with past practice; provided that the Executive reimburses the Company for the full amount of salary, benefits and other expenses relating to such employees.

4. Compensation.

(a) Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of $1,000,000. The Executive's base salary shall be paid in substantially equal installments on a basis consistent with the Company's payroll practices and shall be subject to such increases, if any, as may be determined in the sole discretion of the Board. The Executive's base salary, as in effect at any time, is hereinafter referred to as the "Base Salary."

(b) Annual Bonus. For each fiscal year of the Company that occurs during the Term (including the fiscal year beginning on April 4, 1999 and ending April 1, 2000), the Executive shall be eligible to earn an annual cash bonus (the "Bonus") based upon the achievement by the Company and its subsidiaries of performance goals for each such fiscal year established by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been satisfied. The range of the Bonus opportunity for each fiscal year will be $0 to $8,000,000 based upon the extent to which such performance goals are achieved. The Bonus, if any, payable to the Executive in respect of each such fiscal year will be paid at the same time that bonuses are paid to other executives of the Company, but in any event within seventy-five days after the conclusion of each applicable fiscal year. Notwithstanding any provision of this Agreement to the contrary, the Executive's entitlement to payment of a Bonus during any period when the compensation payable to the Executive pursuant to this Agreement is subject to the deduction limitations of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), shall be subject to shareholder approval of a plan or arrangement evidencing such Bonus opportunity that complies with the requirements of section 162(m) of the Code.

5. Stock Options.

(a) For at least each of the fiscal year ending April 1, 2000 and the fiscal year ending March 31, 2001, as of a date no later than June 11 of each fiscal year (or the first business day thereafter if June 11 falls on a holiday), the Executive will be granted options (the "Annual Options") to purchase 250,000 shares of the Class A Common Stock of the Company (the "Common Shares") pursuant to the terms of the Company's 1997 Long-Term Stock Incentive Plan (the "Option Plan"). The Annual Options will have a term of ten (10) years (subject to earlier termination as described below and in Section 7) and will be transferable by the Executive to family members (or trusts for their benefit) pursuant to the terms of the Option Plan.

(b) The Annual Options will vest and become exercisable ratably over three (3) years on each of the first three anniversaries of the date of grant, subject to the Executive's continued employment through each vesting date and subject to the provisions of Section 7, and will have an exercise price per Common Share equal to the fair market value per Common Share as of the date of grant.

6. Employee Benefits.

(a) Benefit Plans. The Executive shall continue to participate in all existing employee benefit plans, perquisite and fringe benefit arrangements of the Company or its affiliates in which he is currently participating and shall be entitled to participate in any future employee benefit plans, perquisite and

fringe benefit arrangements of the Company or its affiliates that are provided to other officers of the Company on terms no less favorable than are provided to any other senior executive of the Company.

(b) Life Insurance. The Company shall, until fully funded in accordance with applicable insurance projections, continue to maintain, and make premium contributions with respect to, those certain split dollar and other life insurance arrangements between the Company and the Executive, his family members and/or life insurance trusts for the benefit of any of them, that are currently maintained or contributed to by the Company or its affiliates or predecessor entities.

(c) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company (including hotel, travel and meal expenses for the Executive's spouse should the Executive's spouse elect to travel with Executive), provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company.

(d) Perquisites. The Company shall (i) provide the Executive with a car and driver for his use during the term of his employment with the Company and (ii) reimburse the Executive for club dues and initiation fees at a social club or country club of the Executive's choosing.

(e) Corporate Aircraft. For security purposes, the Executive and his family members shall be required to use the Company's or other acceptable private aircraft for any travel; provided that in connection with any use which is solely for personal non-business reasons, the Executive shall reimburse the Company at swap rates charged to owners of airplanes, which rates are set by an independent management company.

(f) Vacations. The Executive shall be entitled to vacations and holidays on a basis consistent with that offered to other senior executive officers of the Company.

(g) Indemnification. The Company shall indemnify the Executive to the fullest extent permitted by applicable law against damages and expenses (including fees and disbursements of counsel) in connection with his status or performance of duties as an officer or director of the Company and its affiliates (including any predecessor entities) and shall use reasonable commercial efforts to maintain customary and appropriate directors and officers liability insurance for the benefit of the Executive's protection. The Company's obligations under this Section 6(g) shall survive any termination of the Executive's employment hereunder.

7. Termination of Employment. The Company and the Executive may each terminate the Executive's employment hereunder and the Term for any reason.

(a) Termination by the Company without Cause, Non-Extension of Term or by the Executive for Good Reason. If the Company shall terminate the Executive's employment without "Cause" (as defined in Section 7(e)), if the Company elects not to extend the Term, or if the Executive resigns for Good Reason (as defined in Section 7(e)) then, the Executive shall be entitled to the following:

(i) A lump sum cash payment equal to the sum of:

(1) The Executive's Base Salary that would be payable through the later of (A) June 11, 2002, or (B) three years from the date of the Executive's termination of employment (the "Severance Period");

(2) Any accrued but unpaid compensation as of the date

of termination of employment; and

(3) A Bonus for each full or partial fiscal year that occurs during the Severance Period equal to the average annual bonus paid to the

5

Executive in each of the immediately preceding two fiscal years prior to the Executive's termination of employment, provided, however, that the amount of the Bonus for any partial fiscal year beyond the third fiscal year following the date of the Executive's termination of employment will be prorated; and

(ii) During the Severance Period, the Company shall (A) continue to provide the Executive with office facilities and secretarial assistance in New York City and any other location that the Executive maintained an office during the term of his employment that the Executive reasonably deems necessary, (B) permit the Executive to continue to participate in all welfare and medical plans on the same terms as active officers of the Company, and (C) continue to provide the Executive with the use of a car and driver; and

(iii) Any unvested options granted pursuant to Section 5 will of this Agreement and Section 5 of the Prior Agreement continue to vest on their scheduled vesting dates, subject to and conditioned upon the Executive's compliance with Section 9 hereof. In addition, subject to, and conditioned upon, the Executive's compliance with Section 9 hereof, any vested options (and any options that continue to vest as described above) will remain exercisable until the latest to occur of (A) June 11, 2002, (B) one (1) year from the date of the Executive's termination of employment and (C) thirty (30) days from the date the option becomes vested and exercisable.

(iv) Except as expressly provided above and for the Company's obligations under Sections 6(b) and (6)g hereof, the Company will have no further obligations to the Executive hereunder following the Executive's termination of employment under the circumstances described in this Section 7(a).

(b) Termination due to Death or Disability. If the Executive's employment is terminated due to his death or "Disability" (as defined in Section 7(e)), the Executive (or his estate) shall be entitled to the following:

(i) A lump sum cash payment equal to the sum of:

(1) the Executive's Base Salary through the date on which his termination due to death or Disability occurred;

(2) any accrued and unpaid compensation for any prior fiscal year; and

(3) a pro-rata portion of the Bonus he would otherwise have received for the fiscal year in which his termination due to death or Disability occurred; and

6

(ii) Any unvested options granted pursuant to Section 5 of this Agreement and Section 5 of the Prior Agreement will vest immediately and options held by the Executive, or his estate, will remain exercisable for three (3) years from the date of the Executive's death or termination due to Disability.

(iii) Except as expressly provided above and for the Company's obligations under Sections 6(b) and 6(g) hereof, the Company will have no further obligations to the Executive hereunder following the Executive's termination of employment under the circumstances described in this Section 7(b).

(c) Termination by the Company for Cause, by Executive Other than for Good Reason or Due To The Executive's Election Not To Extend The Term. If the Executive's employment is terminated by the Company for Cause, by the Executive other than for Good Reason or due to the Executive's election not to extend the Term, the Executive shall be entitled to:

(i) an immediate lump sum cash payment equal to the sum of:

(1) his Base Salary through the date of termination; and any accrued but unpaid compensation for any prior fiscal year; and

(2) a pro-rata portion of his Bonus for the fiscal year in which the termination occurred, to be paid when bonuses are paid to other executives of the Company; and

(ii) Any options granted pursuant to Section 5 of this Agreement and Section 5 of the Prior Agreement that have not previously been exercised shall be forfeited.

(iii) Except as expressly provided above and for the Company's obligations under Sections 6(b) and 6(g) hereof, the Company will have no further obligations to the Executive hereunder following the Executive's termination of employment under the circumstances described in this Section 7(c).

(d) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to the Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 11 hereof. If the Company terminates the Executive's employment for Cause or due to Disability or if the Executive resigns for Good Reason, the "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(e) Definitions. For purpose of this Agreement:

(i) "Cause" shall mean (A) the willful and continued failure by the Executive to substantially perform his duties hereunder after demand for substantial performance is delivered by the Company that specifically identifies the manner in which the Company believes the Executive has not substantially performed his duties; or (B) the Executive's conviction of, or plea of nolo contendre to, a crime (whether or not involving the Company) constituting a felony; or (C) willful engaging by the Executive in gross misconduct relating to the Executive's employment that is materially injurious to the Company or subjects the Company, monetarily or otherwise (including, but not limited to, conduct that constitutes competitive activity, in violation of Section 9) or which subjects, or if generally known, would subject the Company to public ridicule or embarrassment. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the forgoing, the Executive shall not be deemed to have been terminated for Cause without (x) reasonable written notice to the Executive setting forth the reasons for the Company's intention to

terminate for Cause, (y) an opportunity for the Executive, together with his counsel, to be heard before the Board, and (z) delivery to the Executive of a Notice of Termination, as defined in Section 7(d) hereof, from the Board finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth above in clauses (A) through (C) hereof, and specifying the particulars thereof in detail.

(ii) "Good Reason" shall mean (A) a material diminution in the Executive's duties or the assignment to the Executive of a title or duties inconsistent with his position as Chairman of the Board and Chief Executive Officer of the Company, (B) a reduction in the Executive's salary or annual incentive bonus opportunity, (C) a failure of the Company to comply with any material provision of this Agreement or (D) the Executive's ceasing to be entitled to the payment of an annual incentive bonus as a result of the failure of the Company's shareholders to approve a plan or arrangement evidencing such annual incentive bonus in a manner that complies with the requirements of section 162(m) of the Internal Revenue Code of 1986; provided that the events described in clauses (A), (B) and (C) above shall not constitute Good Reason unless and until such diminution, reduction or failure (as applicable) has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company.

(iii) For purposes of this Agreement, "Disability" shall mean that as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months, and within thirty (30) days after written Notice of Termination is given by the Company (which may occur before or after the end of such six month

period) the Executive shall not have returned to the performance of his duties hereunder on a full-time basis.

8. No Mitigation. The Executive shall have no duty to mitigate the payments provided for hereunder by seeking other employment or otherwise and such payment shall not be subject to reduction for any compensation received by the Executive from employment in any capacity following the termination of the Executive's employment with the Company.

9. Non-Solicitation/Non-Competition.

(a) The Executive agrees that for the duration of his employment and for a period of three (3) years from the date of termination thereof, he will not, on his own behalf or on behalf of any other person or entity, hire, solicit, or encourage to leave the employ of the Company or its subsidiaries or affiliates any person who is an employee of any of such companies.

(b) The Executive agrees that for the duration of his employment and for a period of three (3) years from the date of termination thereof, the Executive will take no action which is intended, or would reasonably be expected, to harm (e.g., making public derogatory statements or misusing confidential Company information, it being acknowledged that the Executive's employment with a competitor in and of itself shall not be deemed to be harmful to the Company for purposes of this Section 9(b)) the Company or any of its subsidiaries or affiliates of their reputation.

(c) The Executive agrees that during the duration of his employment and;

(i) in the event of the Executive's termination of employment due to the Executive's resignation without Good Reason, until the later of (x) June 11, 2002 and (y) two (2) years from the date of such termination of employment; and

(ii) in the event of the Executive's termination of employment

by the Company without Cause or the Executive's resignation for Good Reason pursuant to Section 7(a), for two (2) years from the date of such termination of employment; and

(iii) in the event of the Executive's termination of employment by the Company for Cause, at the election of the Company in consideration for the payment to the Executive of an amount equal to the Executive's salary and Bonus (equal to the average Bonus paid to the Executive over the preceding two years) for each year within such period, for a period of up to two (2) years from the date of such termination of employment,

then, during the period specified in clause (i), (ii) or (iii) above, as applicable, the Executive shall not, directly or indirectly, (A) engage in any "Competitive Business" (as defined below) for his own account, (B) enter into the employ of, or render any services to, any person engaged in a Competitive Business, or (C) become interested in any entity engaged in a Competitive Business, directly or indirectly as an individual, partner, shareholder, officer, director, principal, agent, employee, trustee, consultant, or in any other relationship or capacity; provided that the Executive may own, solely as an investment, securities of any entity which are traded on a national securities exchange if the Executive is not a controlling person of, or a member of a group that controls such entity and does not, directly or indirectly, own 2% or more of any class of securities of such entity.

(iv) For purposes of this Agreement the term "Competitive Business" shall include the design, manufacture, sale, marketing or distribution of branded or designer apparel and other products in the categories of products sold by, or under license from, the Company or its affiliates within the United States.

(d) The Executive will not at any time (whether during or after his employment with the Company) disclose or use for his own benefit or purposes or the benefit or purposes of any other person, entity or enterprise, other than the Company or any of its affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company generally, or any affiliate of the Company; provided that the foregoing shall not apply to information which is not unique to the Company or which is generally known to the industry or the public other than as a result of the Executive's breach of this covenant. The Executive agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates.

(e) If the Executive breaches, or threatens to commit a breach of, any of the provisions of this Section 9 (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or equity:

(i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company;

(ii) The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Executive as the result of any transactions constituting a breach of any of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Company; and

(iii) The right to discontinue the payment of any amounts owing to the Executive under the Agreement.

(f) If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portion. In addition, if any court construes any of the Restrictive Covenants, or any part thereof, to be unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

10. Successors; Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 10 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts are payable to him hereunder all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

11. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered with receipt acknowledged or five business days after having been mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Mr. Ralph Lauren
c/o Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022

If to the Company:

Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing

in accordance herewith, except that notices of change of address shall be effective only upon receipt.

12. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of law principles.

13. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

15. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the City of New York in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent

any continuation of any violation of the provisions of Section 9 of this Agreement and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Company's posting any bond, and provided further that the Executive shall be entitled to seek specific performance of his right to be paid until the date of termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

16. Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to applicable law or regulation.

17. Prior Agreements; Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and the Executive has hereunto set his hand, effective as of the 4th day of April, 1999.

POLO RALPH LAUREN CORPORATION

By: /s/ Michael J. Newman

/s/ Ralph Lauren

Executive: Ralph Lauren

EXHIBIT 10.24

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") made effective as of the 10th day of November, 1998, by and between Polo Ralph Lauren Corporation, a Delaware corporation (the "Corporation"), and Hamilton South (the "Executive").

WHEREAS, the Executive is currently employed by the Corporation as its Senior Vice President of Worldwide Communications and Special Projects;

WHEREAS, the Corporation has appointed Executive, effective as of this date, to be its Group President and Chief Marketing Officer;

WHEREAS, the Corporation and the Executive wish to enter into an employment agreement effective as of the date hereof and intend this Agreement to supersede all prior agreements between the Corporation and Executive;

NOW, THEREFORE, intending to be bound the parties hereby agree as follows with effect from the date first above written.

1. Employment/Prior Agreement. The Corporation hereby agrees to employ the Executive, and the Executive hereby agrees to serve the Corporation, on the terms and conditions set forth herein. From and after the date hereof, the terms of this Agreement shall supersede in all respects the terms of any prior arrangement or agreement, if any, dealing with the matters herein.

2. Term. The employment of the Executive by the Corporation as provided in Section 1 pursuant to this Agreement will be effective on the date hereof. The term of the Executive's employment under this Employment Agreement shall continue until the close of business of the third anniversary of the date of this Agreement, subject to earlier termination in accordance with the terms of this Agreement (the "Term"). The Term shall be automatically extended for successive one year periods thereafter unless either party notifies the other in writing of its intention not to so extend the Term at least twelve (12) months prior to the commencement of the next scheduled one year extension.

3. Position and Duties. The Executive shall serve as a Group President and Chief Marketing Officer of the Corporation with responsibilities for the Corporation's advertising, public and investor relations and marketing activities and such other related responsibilities and duties as may be assigned to him from time to time by the Chairman and Chief Executive Officer or the Vice Chairman and Chief Operating Officer (who comprise the Office of the Chairman) of

the Corporation, to whom Executive shall report jointly. The Executive shall devote substantially all his working time and efforts to the business and affairs of the Corporation.

4. Compensation and Related Matters.

(a) Salary and Incentive Bonus

(i) Salary. From and after the date of this Agreement the Corporation shall pay to the Executive an annual salary of not less than $500,000. Such salary shall be paid in substantially equal installments on a basis consistent with the Corporation's payroll practices and shall be subject to annual increases, if any, as may be determined in the sole discretion of the Corporation.

(ii) Incentive Bonus. Executive shall participate in the Corporation's Executive Incentive Plan (the "EIP"), and any substitute therefor, and be eligible to earn an annual cash bonus for each fiscal year during the term of this Agreement (the "Bonus"). For fiscal year 1999, Executive's Bonus opportunity shall be prorated, with the applicable Bonus opportunity percentages referred to in the following sentence multiplied against base salary earned during the period from the date of this Agreement to the end of the fiscal year. Beginning with fiscal year 2000 and for each fiscal year thereafter Executive's Bonus opportunity shall range from 50% to 100% of Executive's annual salary based upon the extent to which corporate performance goals established by the Compensation Committee (the "Compensation Committee") of the Corporation's Board of Directors (the "Board") are achieved. The Bonus, if any, payable to the Executive in respect of each fiscal year will be paid at the same time that bonuses are paid to other executives under the EIP. Notwithstanding any provision of this Agreement to the contrary, the Executive's entitlement to payment of an annual incentive bonus during any period when the compensation payable to the Executive pursuant to this Agreement is subject to the deduction limitations of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), shall be subject to shareholder approval of a plan or arrangement evidencing such annual incentive bonus opportunity that complies with the requirements of section 162(m) of the Code.

(b) Expenses. During the term of the Executive's employment hereunder, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel (at the standard established from time to time for Group Presidents) and living expenses while away from home on business or at the request of and in the service of the Corporation, provided that such expenses are incurred and

accounted for in accordance with the policies and procedures established by the Corporation.

(c) Other Benefits. During the term of the Executive's employment hereunder, the Executive shall be entitled to participate in or receive benefits under any medical, pension, profit sharing or other employee benefit plan or arrangement generally made available by the Corporation now or in the future to its executives and key management employees (or to their family members), subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Executive pursuant to paragraph (a) of this Section.

(d) Vacations. The Executive shall be entitled to reasonable vacations consistent with past practice.

(e) Options. Effective on or prior to the end of the third quarter of fiscal 1999, Executive shall be granted options to purchase 25,000 shares of the Corporation's Class A Common Stock pursuant to the terms of the Corporation's 1997 Long-Term Stock Incentive Plan. Executive shall thereafter, during at least fiscal years 2000 and 2001, be eligible to receive grants of additional options at the level of a Group President, the determination whether to make such grants,

individually and/or as a group, and the amount thereof being in the sole discretion of the Compensation Committee. Options granted to the Executive pursuant to the foregoing will vest and become exercisable ratably over three (3) years on each of the first three anniversaries of the date of grant, subject to the Executive's continued employment through each vesting date, and will have an exercise price equal to the fair market value per shares as of the date of grant. Options hereinafter granted to Executive shall provide that, to the extent vested at or prior to the termination of Executive's employment with the Corporation and unless they expire sooner, they shall remain exercisable for a period of no less than 120 days from the date of such termination; provided that if Executive's employment is terminated by the Corporation pursuant to Section 6(d)(iii) for Cause or by the Executive for other than Good Reason (excluding a Permitted Resignation pursuant to Section 8(c) hereof) then such options shall only be exercisable prior to the date of termination.

5. Termination.

(a) Termination by Corporation. The Executive's employment hereunder may be terminated at any time with or without Cause.

(b) Termination by The Executive. The Executive may terminate his employment hereunder with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean (A) a material diminution in the Executive's duties or the assignment to the Executive of a title or duties inconsistent with his position as a Group President and Chief Marketing Officer of the Corporation, (B) a material change in Executive's reporting line (as hereinafter defined), (C) a reduction in the Executive's salary or annual incentive bonus opportunity or the Corporation's electing to eliminate the EIP without substituting therefor a plan which provides for a reasonably comparable annual incentive bonus opportunity or the Executive's ceasing to be entitled to the payment of an annual incentive bonus as a result of the failure of the Corporation's shareholders to approve a plan or arrangement evidencing such annual incentive bonus in a manner that complies with the requirements of Section 162(m) of the Code, or (D) a failure of the Corporation to comply with any material provision of this Agreement provided that the events described in clauses (A), (B), (C) and (D) above shall not constitute Good Reason unless and until such diminution, change, reduction or failure (as applicable) has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Corporation. A material change in Executive's reporting line shall mean Executive no longer reports to the Office of the Chairman (as defined in Section 3 hereof), provided that if such office no longer exists or no longer comprises the primary functions of the Corporation's chief executive officer then a material change in Executive's reporting function shall exist if Executive does not report to the chief executive officer or to the chief executive officer and chief operating officer jointly.

(c) Any termination of the Executive's employment by the Corporation or by the Executive (other than termination pursuant to Section 6(d)(i) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 10 hereof. If termination is pursuant to Sections 6(d)(ii)-(iii) or 5(b) hereof, the "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

6. Compensation Upon Termination.

(a) If the Corporation shall terminate the Executive's employment for any reason other than an Enumerated Reason as set forth in Section 6(d) hereof and other than due to the Corporation's election not to extend the Term of this Agreement as contemplated by Section 2, or if the Executive resigns for Good Reason pursuant to Section 5(b) hereof, then so long as the Executive complies with Section 8 hereof the Executive shall be entitled to the following:

5

(i) an amount equal to the greater of:

(A) the sum of (I) two (2) times the Executive's salary at the rate in effect on such date (unless employment is terminated by the Executive for Good Reason pursuant to Section 5(b) hereof as a result of a salary reduction, in which case, at the rate in effect prior to such reduction), plus (II) one and one-half (1-1/2) times the average annual incentive bonus paid to the Executive over the preceding two years; plus a pro rata annual incentive bonus for the year of termination (based on the average annual incentive bonus paid to the Executive over the preceding two years and based upon the percentage of the calendar year in which such termination occurs that shall have elapsed through the date of termination (a "Pro Rata Annual Incentive Bonus")); and

(B) the sum of (I) (three (3) minus the number of years (including fractions thereof) that shall have elapsed from the date of this Agreement times the Executive's salary at the rate in effect on such date (unless employment is terminated by the Executive for Good Reason pursuant to Section 5(b) hereof as a result of a salary reduction, in which case, at the rate in effect prior to such reduction), plus (II) one and one-half (1-1/2) times the average annual incentive bonus paid to the Executive over the preceding two (2) years; plus a Pro Rata Annual Incentive Bonus for the year of termination.

Any amounts paid pursuant to either clause (A) or clause (B) above shall be paid in equal monthly installments from the date of termination for a period two (2) years in the case of clause (A) above and for a period of up to three (3) years less the fraction of a year which shall have elapsed from the date of this Agreement in the case of clause (B) above (such periods, whichever is applicable, hereinafter referred to as the "Severance Period"), except that the Pro Rata Annual Incentive Bonus shall be paid in a lump sum in cash within thirty (30) days following the date of the Executive's termination of employment.

(ii) Continued participation in the Corporation's health benefit plans during the Severance Period; provided that if the Executive is provided with similar coverage by a successor employer, any such coverage by the Corporation shall cease;

(iii) Continued use of the Corporation automobile during the Severance Period or until the then existing auto lease term expires, whichever is shorter;

6

(iv) Waiver of collateral interest securing return to the Corporation of premiums paid by the Corporation for the Executive's existing split dollar life insurance policy;

(v) If a Change of Control shall have occurred prior to the date of termination, the Executive shall be entitled at his option, exercisable in writing within fifteen days of the date of termination, to receive the equivalent of the salary and bonus payments pursuant to subsection (i) above in two equal lump sum installments, the first payable within 30 days of the date of termination and the second on the first anniversary of the date of termination. As used herein, the term "Change of Control" shall mean Ralph Lauren or members of his family (or trusts or entities created for their benefit) no longer control 50% or more of the voting power of the then outstanding securities of the Corporation entitled to vote for the election of the Corporation's directors; and

(vi) Except as provided above, the Corporation will have no further obligations to the Executive under this Agreement following the Executive's termination of employment under the circumstances described in this Section 6(a).

(b) If the Executive's employment is terminated by his death or by the Corporation due to the Executive's Disability (as defined below), the Corporation shall pay any amounts due to the Executive through the date of his death or the date of his termination due to Disability, including a Pro Rata Annual Incentive Bonus for the year of termination. The Corporation will have no further obligations to the Executive under this Agreement.

(c) If the Executive's employment shall be terminated by the Corporation pursuant to Section 6(d) (iii) for Cause or by the Executive for other than Good Reason, the Corporation shall pay the Executive his full salary through the date of termination at the rate in effect prior to such termination and the Corporation shall have no further obligations to the Executive under Section 6 of this Agreement or otherwise but the Executive shall be bound by Section 8 hereof as applicable.

(d) The term "Enumerated Reason" with respect to termination by the Corporation of the Executive's employment shall mean any one of the following reasons:

(i) Death. The Executive's employment hereunder shall terminate upon his death.

(ii) Disability. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties

7

hereunder on a full-time basis for the entire period of six consecutive months, and within thirty (30) days after written Notice of Termination is given (which may occur before or after the end of such six month period) shall not have returned to the performance of his duties hereunder on a full-time basis (a "Disability"), the Corporation may terminate the Executive's employment hereunder.

(iii) Cause. The Corporation shall have "Cause" to terminate the Executive's employment hereunder upon (1) the willful and continued failure by the Executive to substantially perform his duties hereunder after demand for substantial performance is delivered by the Corporation that specifically identifies the manner in which the Corporation believes the Executive has not substantially performed his duties, or (2) Executive's conviction of, or plea of nolo contendere to, a crime (whether or not involving the Corporation) constituting any felony or (3) the willful engaging by the Executive in gross misconduct relating to the Executive's employment that is materially injurious to the Corporation, monetarily or otherwise (including, but not limited to, conduct that constitutes competitive activity, in violation of Section 8) or which subjects, or if generally known, would subject the Corporation to public ridicule or embarrassment. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without (x) reasonable written notice to the Executive setting forth the reasons for the Corporation's intention to terminate for Cause, (y) the opportunity to cure (if curable) within 10 days of such written notice the event(s) giving rise to such notice, and (z) an opportunity for the Executive, together with his counsel, to be heard.

(e) If the Executive's employment with the Corporation shall terminate due to the Corporation's election not to extend the Term of this Agreement as contemplated by Section 2, Executive shall be entitled to receive an amount, payable in equal monthly installments over a one year period, equal to the sum of (x) his annual salary, plus (y) his average annual incentive bonus paid over the two years preceding the date of termination. Except as provided in the foregoing sentence and in Section 6(f), the Corporation shall have no further obligations to the Executive under this Agreement following the Executive's termination of employment under the circumstances described in this Section 6(e).

(f) If the Executive's employment with the Corporation shall terminate due to either the Corporation's or Executive's election not to extend the Term of this Agreement as contemplated by Section 2, Executive shall be entitled to receive his full salary through

the date of termination plus the Bonus, if any, that Executive would have been entitled to receive had he remained in the Corporation's employment through the end of its fiscal year, prorated to the date of termination. Such prorated Bonus shall be payable at the same time as the Corporation pays bonuses to other executives under the EIP.

7. Mitigation. The Executive shall have no duty to mitigate the payments provided for in Sections 6(a) or 6(e) by seeking other employment or otherwise and such payment shall not be subject to reduction for any compensation received by the Executive from employment in any capacity following the termination of the Executive's employment with the Corporation.

8. Noncompetition.

(a) The Executive agrees that for the duration of his

employment and for a period two (2) years from the date of termination thereof, he will not, on his own behalf or on behalf of any other person or entity, hire, solicit, or encourage to leave the employ of the Corporation or its subsidiaries, affiliates or licensees any person who is an employee of any of such companies.

(b) The Executive agrees that for the duration of his employment and for a period of two (2) years from the date of termination thereof, the Executive will take no action which is intended, or would reasonably be expected, to harm (e.g. making public derogatory statements or misusing confidential Corporation information, it being acknowledged that the Executive's employment with a competitor in and of itself shall not be deemed to be harmful to the Corporation for purposes of this Section 8(b)) the Corporation or any of its subsidiaries, affiliates or licensees or their reputation.

(c) The Executive agrees that during the duration of his employment and;

(i) in the event of the Executive's termination of employment due to the Executive's resignation without Good Reason, until the later of (x) three (3) years from the date of this Agreement and (y) twelve (12) months from the date of such termination of employment; and

(ii) in the event of the Executive's termination of employment by the Corporation without Cause or the Executive's resignation for Good Reason pursuant to Section 5(b), for twelve (12) months from the date of such termination of employment; and

(iii) in the event of the Executive's termination of employment by the Corporation for Cause, at the election of the Corporation in consideration for the payment to the Executive of an amount equal to the Executive's salary and annual

incentive bonus (equal to the average annual incentive bonus paid to the Executive over the preceding two years) for each year within such period, for a period of up to twelve (12) months from the date of such termination of employment,

then, during the period specified in clause (i), (ii) or (iii) above, as applicable, the Executive shall not, directly or indirectly, (A) engage in any "Competitive Business" (as defined below) for his own account, (B) enter into the employ of, or render any services to, any person engaged in a Competitive Business, or (C) become interested in any entity engaged in a Competitive Business, directly or indirectly as an individual, partner, shareholder, officer, director, principal, agent, employee, trustee, consultant, or in any other relationship or capacity; provided that the Executive may own, solely as an investment, securities of any entity which are traded on a national securities exchange if the Executive is not a controlling person of, or a member of a group that controls such entity and does not, directly or indirectly, own 2% or more of any class of securities of such entity.

For purposes of this Agreement the term "Competitive Business" shall mean any of the brands and companies that the Corporation and the Executive have jointly designated in writing as being in competition with the Corporation or its subsidiaries, affiliates or licensees, and any modification thereto which the parties may agree to in writing from time to time.

The provisions of this Section 8(c) shall not apply if Executive elects

to terminate his employment with the Corporation other than for Good Reason after the date Ralph Lauren ceases to be chief executive officer of the Corporation, provided (i) Executive has remained in his position for a period of nine months following such date, (ii) Executive has given the Corporation no less than 90 days' prior written notice of such termination referring to the provisions of this section and (iii) no more than 18 months shall have elapsed from the date of Ralph Lauren's ceasing to be the chief executive officer of the Corporation, prior to the giving of notice of termination hereunder by Executive (a "Permitted Resignation").

(d) The Executive will not at any time (whether during or after his employment with the Corporation) disclose or use for his own benefit or purposes or the benefit or purposes of any other person, entity or enterprise, other than the Corporation or any of its subsidiaries or affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Corporation generally, or any subsidiary, affiliate or licensee of the Corporation; provided that the foregoing shall not apply to information which is not unique to the Corporation or which is generally known to the industry or the public other than as a result of the Executive's breach of this covenant or to disclosure which is required by law or to enforce the terms

of this Agreement upon reasonable notice to the Corporation and further provided Executive may disclose to his attorneys and accountants confidential information reasonably required in connection with their services to Executive provided they sign and agree to be bound to the terms of a confidentiality agreement with the Corporation. The Executive agrees that upon termination of his employment with the Corporation for any reason, he will return to the Corporation immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Corporation or its subsidiaries or affiliates or licensees.

(e) If the Executive breaches, or threatens to commit a breach of, any of the provisions of this Section 8 (the "Restrictive Covenants"), the Corporation shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Corporation under law or equity:

(i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Corporation and that money damages will not provide an adequate remedy to the Corporation;

(ii) The right and remedy to require the Executive to account for and pay over to the Corporation all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Executive as the result of any transactions constituting a breach of any of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Corporation; and

(iii) The right to discontinue the payment of any

amounts owing to the Executive under the Agreement.

(f) If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portion. In addition, if any court construes any of the Restrictive Covenants, or any part thereof, to be unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

9. Successors; Binding Agreement.

(a) The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts are payable to him hereunder all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

10. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered with receipt acknowledged or five business days after having been mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Mr. Hamilton South
458 Greenwich Street, Apt. 3
New York, New York 10013

If to the Corporation:

Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Corporation as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of law principles.

12. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the City of New York before a single arbitrator in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Corporation shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of the provisions of Section 8 of this Agreement and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Corporation's posting any bond, and provided further that the Executive shall be entitled to seek specific performance of his right to be paid until the date of termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. Fees and expenses payable to the American Arbitration Association and the arbitrator shall be shared equally by the Corporation and by the Executive, but the parties shall otherwise bear their own costs in connection with the arbitration; provided that the arbitrator shall be entitled to include as part of the award to the prevailing party the reasonable legal fees and expenses incurred by such party in an amount not to exceed $25,000.

15. Withholding. The Corporation may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to applicable law or regulation.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed and the Executive has hereunto set his hand, each on the date set forth below, but effective as of the 10th day of November, 1998.

POLO RALPH LAUREN CORPORATION

By: /s/ Michael J. Newman

Date: March 29, 1999

/s/ Hamilton South

Executive: Hamilton South

Date: March 25, 1999

EXHIBIT 21.1

POLO RALPH LAUREN CORPORATION
SIGNIFICANT SUBSIDIARIES

All the significant subsidiaries are wholly-owned by Polo Ralph Lauren Corporation and/or one or more of its wholly-owned subsidiaries.

Name	Jurisdiction in which Organized
Fashions Outlet of America, Inc.	Delaware
PRL USA Holdings, Inc.	Delaware
PRL International, Inc.	Delaware

Exhibit 24.1

POWER-OF-ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ralph Lauren, Michael Newman and Nancy A. Platoni Poli, and each of them, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities to sign any and all amendments to the Annual Report on Form 10-K for the fiscal year ended April 3, 1999 of Polo Ralph Lauren Corporation, and to file the same with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and things requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURE	TITLE(S)	DATE
/s/ Ralph Lauren --- Ralph Lauren	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 25, 1999
/s/ Michael J. Newman --- Michael J. Newman	Vice Chairman of the Board of Directors and Chief Operating Officer	June 25, 1999
/s/ Nancy A. Platoni Poli --- Nancy A. Platoni Poli	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 25, 1999
/s/ Frank A. Bennack, Jr. --- Frank A. Bennack, Jr.	Director	June 25, 1999
/s/ Joel L. Fleishman --- Joel L. Fleishman	Director	June 25, 1999
/s/ Richard A. Friedman --- Richard A. Friedman	Director	June 25, 1999
/s/ Allen Questrom --- Allen Questrom	Director	June 25, 1999
/s/ Terry S. Semel --- Terry S. Semel	Director	June 25, 1999
/s/ Peter Strom --- Peter Strom	Director	June 25, 1999

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