**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# Form 10-Q

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

**For the Quarterly Period Ended December 30, 2006**

**or**

o **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)* | *(I.R.S. Employer Identification No.)* |
| **650 Madison Avenue, New York, New York** | **10022** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**Registrant's telephone number, including area code**
**212-318-7000**

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 registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

At February 2, 2007, 60,581,186 shares of the registrant's Class A Common Stock, $.01 par value, were outstanding and 43,280,021 shares of the registrant's Class B Common Stock, $.01 par value, were outstanding.

**POLO RALPH LAUREN CORPORATION**

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**POLO RALPH LAUREN CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

| | December 30, 2006 | April 1, 2006 |
|---|---|---|
| | (millions) (unaudited) | |
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 751.8 | $ 285.7 |
| Accounts receivable, net of allowances of $124.9 and $115.0 million | 366.8 | 484.2 |
| Inventories | 483.9 | 485.5 |
| Deferred tax assets | 37.8 | 32.4 |
| Prepaid expenses and other | 74.5 | 90.7 |
| **Total current assets** | 1,714.8 | 1,378.5 |
| Property and equipment, net | 557.3 | 548.8 |
| Deferred tax assets | 12.2 | — |
| Goodwill | 710.0 | 699.7 |
| Intangible assets, net | 246.1 | 258.5 |
| Other assets | 290.2 | 203.2 |
| **Total assets** | $ 3,530.6 | $ 3,088.7 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 168.4 | $ 202.2 |
| Income tax payable | 69.5 | 46.6 |
| Accrued expenses and other | 367.0 | 314.3 |
| Current maturities of debt | — | 280.4 |
| **Total current liabilities** | 604.9 | 843.5 |
| Long-term debt | 393.8 | — |
| Deferred tax liabilities | 20.5 | 20.8 |
| Other non-current liabilities | 205.4 | 174.8 |
| Commitments and contingencies (Note 12) | | |
| **Total liabilities** | 1,224.6 | 1,039.1 |
| **Stockholders' equity:** | | |
| Class A common stock, par value $.01 per share; 68.5 million and 66.4 million shares issued; 61.1 million and 62.1 million shares outstanding | 0.7 | 0.7 |
| Class B common stock, par value $.01 per share; 43.3 million shares issued and outstanding | 0.4 | 0.4 |
| Additional paid-in-capital | 853.0 | 783.6 |
| Retained earnings | 1,691.2 | 1,379.2 |
| Treasury stock, Class A, at cost (7.4 million and 4.3 million shares) | (281.5) | (87.1) |
| Accumulated other comprehensive income | 42.2 | 15.5 |
| Unearned compensation | — | (42.7) |
| **Total stockholders' equity** | 2,306.0 | 2,049.6 |
| **Total liabilities and stockholders' equity** | $ 3,530.6 | $ 3,088.7 |

See accompanying notes.

**POLO RALPH LAUREN CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions, except per share data) (unaudited) | | | |
| Net sales | $ 1,076.2 | $ 933.2 | $ 3,084.0 | $ 2,592.5 |
| Licensing revenue | 67.5 | 62.3 | 180.1 | 182.3 |
| **Net revenues** | 1,143.7 | 995.5 | 3,264.1 | 2,774.8 |
| Cost of goods sold[a] | (529.7) | (464.0) | (1,486.0) | (1,277.4) |
| **Gross profit** | 614.0 | 531.5 | 1,778.1 | 1,497.4 |
| **Other costs and expenses:** | | | | |
| Selling, general and administrative expenses[a] | (426.8) | (381.7) | (1,229.2) | (1,082.9) |
| Amortization of intangible assets | (3.0) | (1.8) | (12.4) | (4.3) |
| Impairments of retail assets | — | (4.4) | — | (9.4) |
| Restructuring charges | — | — | (4.0) | — |
| **Total other costs and expenses** | (429.8) | (387.9) | (1,245.6) | (1,096.6) |
| **Operating income** | 184.2 | 143.6 | 532.5 | 400.8 |
| Foreign currency gains (losses) | (1.3) | (0.6) | (1.2) | (6.6) |
| Interest expense | (7.1) | (3.3) | (16.0) | (8.6) |
| Interest income | 6.9 | 3.8 | 15.4 | 9.6 |
| Equity in income of equity-method investees | 1.4 | 1.6 | 3.1 | 4.6 |
| Minority interest expense | (3.3) | (2.0) | (10.9) | (7.3) |
| **Income before provision for income taxes** | 180.8 | 143.1 | 522.9 | 392.5 |
| Provision for income taxes | (70.3) | (52.4) | (195.2) | (146.9) |
| **Net income** | $ 110.5 | $ 90.7 | $ 327.7 | $ 245.6 |
| **Net income per common share:** | | | | |
| Basic | $ 1.06 | $ 0.87 | $ 3.13 | $ 2.36 |
| Diluted | $ 1.03 | $ 0.84 | $ 3.04 | $ 2.30 |
| **Weighted average common shares outstanding:** | | | | |
| Basic | 104.2 | 104.7 | 104.6 | 104.0 |
| Diluted | 107.6 | 107.8 | 107.7 | 106.9 |
| Dividends declared per share | $ 0.05 | $ 0.05 | $ 0.15 | $ 0.15 |
| [a] Includes total depreciation expense of: | $ (29.8) | $ (34.5) | $ (91.8) | $ (90.2) |

See accompanying notes.

**POLO RALPH LAUREN CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine Months Ended | |
|---|---|---|
| | December 30, 2006 | December 31, 2005 |
| | (millions) (unaudited) | |
| **Cash flows from operating activities:** | | |
| Net income | $ 327.7 | $ 245.6 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 104.2 | 94.5 |
| Deferred income tax expense (benefit) | (11.4) | (16.3) |
| Minority interest expense | 10.9 | 7.3 |
| Equity in the income of equity-method investees, net of dividends received | (0.7) | (4.6) |
| Non-cash stock compensation expense | 31.2 | 21.1 |
| Non-cash impairments of retail assets | — | 9.4 |
| Non-cash provision for bad debt expense | 1.5 | 0.9 |
| Loss on disposal of property and equipment | 2.5 | 1.6 |
| Non-cash foreign currency losses (gains) | 5.4 | 3.8 |
| Non-cash restructuring charges | 1.8 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 124.0 | 107.8 |
| Inventories | 11.3 | 4.5 |
| Accounts payable and accrued liabilities | 48.1 | (7.4) |
| Other balance sheet changes | (2.4) | 25.4 |
| **Net cash provided by operating activities** | 654.1 | 493.6 |
| **Cash flows from investing activities:** | | |
| Acquisitions, net of cash acquired and purchase price settlements | (1.3) | (114.0) |
| Capital expenditures | (104.0) | (97.6) |
| Cash deposits restricted in connection with taxes (Note 12) | (52.4) | — |
| **Net cash used in investing activities** | (157.7) | (211.6) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of debt | 380.0 | — |
| Repayment of debt | (291.6) | — |
| Debt issuance costs | (2.1) | — |
| Payments of capital lease obligations | (3.7) | (1.0) |
| Payments of dividends | (15.7) | (15.7) |
| Distributions to minority interest holders | (4.5) | — |
| Repurchases of common stock | (180.5) | (3.2) |
| Proceeds from exercise of stock options | 48.2 | 44.9 |
| Excess tax benefits from stock-based compensation arrangements | 29.6 | — |
| **Net cash (used in) provided by financing activities** | (40.3) | 25.0 |
| Effect of exchange rate changes on cash and cash equivalents | 10.0 | (13.6) |
| Net increase (decrease) in cash and cash equivalents | 466.1 | 293.4 |
| Cash and cash equivalents at beginning of period | 285.7 | 350.5 |
| Cash and cash equivalents at end of period | $ 751.8 | $ 643.9 |

See accompanying notes.

**POLO RALPH LAUREN CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In millions, except per share data and where otherwise indicated)**
**(Unaudited)**

## 1. Description of Business

Polo Ralph Lauren Corporation ("PRLC") is a global leader in the design, marketing and distribution of premium lifestyle products including men's, women's and children's apparel, accessories, fragrances and home furnishings. PRLC's long-standing reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. PRLC's brand names include *Polo, Polo by Ralph Lauren, Ralph Lauren Purple Label, Ralph Lauren Black Label, RLX, Ralph Lauren, Blue Label, Lauren, RL, Rugby, Chaps* and *Club Monaco*, among others. PRLC and its subsidiaries are collectively referred to herein as the "Company," "we," "us," "our" and "ourselves," unless the context indicates otherwise.

The Company classifies its businesses into three segments: Wholesale, Retail and Licensing. The Company's wholesale sales are made principally to major department and specialty stores located throughout the United States and Europe. The Company also sells directly to consumers through full-price and factory retail stores located throughout the United States, Canada, Europe, South America and Asia, and through its jointly owned retail internet site located at www.Polo.com. In addition, the Company often licenses the right to third parties to use its various trademarks in connection with the manufacture and sale of designated products, such as apparel, eyewear and fragrances, in specified geographical areas for specified periods.

## 2. Basis of Presentation

***Basis of Consolidation***

The accompanying consolidated financial statements present the financial position, results of operations and cash flows of the Company and all entities in which the Company has a controlling voting interest. The consolidated financial statements also include the accounts of any variable interest entities in which the Company is considered to be the primary beneficiary and such entities are required to be consolidated in accordance with accounting principles generally accepted in the United States ("US GAAP"). In particular, pursuant to the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R ("FIN 46R"), the Company consolidates (a) Polo Ralph Lauren Japan Corporation ("PRL Japan," formerly known as New Polo Japan, Inc.), a 50%-owned venture with Onward Kashiyama Co. Ltd (45%) and The Seibu Department Stores, Ltd (5%), and (b) Ralph Lauren Media, LLC ("RL Media"), a 50%-owned venture with NBC Universal, Inc. and affiliated companies (collectively, "NBC"). RL Media conducts the Company's e-commerce initiatives through a jointly owned internet site known as Polo.com.

All significant intercompany balances and transactions have been eliminated in consolidation.

***Fiscal Year***

The Company's fiscal year ends on the Saturday closest to March 31. As such, all references to "Fiscal 2007" represent the 52-week fiscal year ending March 31, 2007 and references to "Fiscal 2006" represent the 52-week fiscal year ending April 1, 2006.

The financial position and operating results of the Company's consolidated 50% interest in PRL Japan are reported on a one-month lag. Similarly, prior to the fourth quarter of Fiscal 2006, the financial position and operating results of RL Media were reported on a three-month lag. During the fourth quarter of Fiscal 2006, RL Media changed its fiscal year, which was formerly on a calendar-year basis, to conform with the Company's fiscal-year basis. In connection with this change, the three-month reporting lag for RL Media was eliminated. Accordingly, the Company's operating results included in this Form 10-Q for the third quarter of Fiscal 2007 include the operating results of RL Media for the three-month and nine-month periods ended December 30, 2006, whereas the third quarter of Fiscal 2006 include the operating results of RL Media for the three-month and nine-

month periods ended September 30, 2005. The net effect from this change in RL Media's fiscal year was not material to the consolidated financial statements.

***Interim Financial Statements***

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The accompanying consolidated financial statements are unaudited. In the opinion of management, however, such consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial condition, results of operations and changes in cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures herein are adequate to make the information presented not misleading.

The consolidated balance sheet data as of April 1, 2006 is derived from the audited financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended April 1, 2006 (the "Fiscal 2006 10-K"), which should be read in conjunction with these financial statements. Reference is made to the Fiscal 2006 10-K for a complete set of financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include reserves for customer returns, discounts, end-of-season markdown allowances and operational chargebacks; reserves for the realizability of inventory; reserves for litigation and other contingencies; impairments of long-lived tangible and intangible assets; depreciation and amortization expense; accounting for income taxes and related contingencies; the valuation of stock-based compensation and related forfeiture rates; and accounting for business combinations under the purchase method of accounting.

***Seasonality of Business***

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 and key vacation travel, back-to-school and holiday periods in the retail segment. Accordingly, the Company's operating results and cash flows for the three-month and nine-month periods ended December 30, 2006 are not necessarily indicative of the results that may be expected for Fiscal 2007 as a whole.

***Reclassifications***

Certain reclassifications have been made to the prior period's financial information to conform to the current period's presentation.

**3. Summary of Significant Accounting Policies**

***Revenue Recognition***

Revenue within the Company's wholesale segment is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdown allowances, certain cooperative advertising allowances and operational chargebacks. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for

end-of-season markdown allowances are based on historical trends, seasonal results, an evaluation of current economic and market conditions, and retailer performance. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Retail store revenue is recognized net of estimated returns at the time of sale to consumers. E-commerce revenue from sales of products ordered through the Company's jointly owned retail internet site known as Polo.com is recognized upon delivery and receipt of the shipment by its customers. Such revenue also is reduced by an estimate of returns.

Licensing revenue is initially recognized based upon the higher of (a) contractually guaranteed minimum royalty levels and (b) estimates of actual sales and royalty data received from the Company's licensees.

***Accounts Receivable***

In the normal course of business, the Company extends credit to customers that satisfy defined credit criteria. Accounts receivable, net, as shown in the Company's consolidated balance sheet, is net of certain reserves and allowances. These reserves and allowances consist of (a) reserves for returns, discounts, end-of-season markdown allowances and operational chargebacks and (b) allowances for doubtful accounts. These reserves and allowances are discussed in further detail below.

A reserve for trade discounts is determined based on open invoices where trade discounts have been extended to customers, and is treated as a reduction of revenue.

Estimated end-of-season markdown allowances are included as a reduction of revenue. These provisions are based on retail sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions.

A reserve for operational chargebacks represents various deductions by customers relating to individual shipments. This reserve, net of expected recoveries, is included as a reduction of revenue. The reserve is based on chargebacks received as of the date of the financial statements and past experience. Costs associated with potential returns of products also are included as a reduction of revenues. These return reserves are based on current information regarding retail performance, historical experience and an evaluation of current market conditions. The Company's historical estimates of these operational chargeback and return costs have not differed materially from actual results.

A rollforward of the activity for the three and nine-month periods ended December 30, 2006 and December 31, 2005, respectively, in the Company's reserves for returns, discounts, end-of-season markdown allowances and operational chargebacks is presented below:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| Beginning reserve balance | $ 114.3 | $ 89.7 | $ 107.5 | $ 100.0 |
| Amounts charged against revenue to increase reserve | 94.2 | 66.6 | 273.3 | 200.4 |
| Amounts credited against customer accounts to decrease reserve | (93.5) | (66.0) | (267.0) | (209.0) |
| Foreign currency translation | 1.1 | (0.2) | 2.3 | (1.3) |
| Ending reserve balance | $ 116.1 | $ 90.1 | $ 116.1 | $ 90.1 |

An allowance for doubtful accounts is determined through analysis of periodic aging of accounts receivable, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the

**POLO RALPH LAUREN CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Company's customers, and an evaluation of the impact of economic conditions. A rollforward of the activity for the three and nine-month periods ended December 30, 2006 and December 31, 2005, respectively, in the Company's allowances for doubtful accounts is presented below:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| Beginning reserve balance | $ 8.3 | $ 8.3 | $ 7.5 | $ 11.0 |
| Amount charged to expense to increase reserve | 0.5 | 0.2 | 1.5 | 0.9 |
| Amount written off against customer accounts to decrease reserve | (0.3) | (0.7) | (0.7) | (3.8) |
| Foreign currency translation | 0.3 | (0.3) | 0.5 | (0.6) |
| Ending reserve balance | $ 8.8 | $ 7.5 | $ 8.8 | $ 7.5 |

***Net Income Per Common Share***

Net income per common share is determined in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). Under the provisions of FAS 128, basic net income per common share is computed by dividing the net income applicable to common shares after preferred dividend requirements, if any, by the weighted average of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B Common Stock. Diluted net income per common share adjusts basic net income per common share for the effects of outstanding stock options, restricted stock, restricted stock units and any other potentially dilutive financial instruments, only in the periods in which such effect is dilutive under the treasury stock method.

The weighted-average number of common shares outstanding used to calculate basic net income per common share is reconciled to those shares used in calculating diluted net income per common share as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| Basic | 104.2 | 104.7 | 104.6 | 104.0 |
| Dilutive effect of stock options, restricted stock and restricted stock units | 3.4 | 3.1 | 3.1 | 2.9 |
| Diluted shares | 107.6 | 107.8 | 107.7 | 106.9 |

Options to purchase shares of common stock at an exercise price greater than the average market price of the common stock are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding performance-based restricted stock units that are issuable only upon the satisfaction of certain performance goals. Such units only are included in the computation of diluted shares to the extent the underlying performance conditions (a) are satisfied prior to the end of the reporting period or (b) would be satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. As of December 30, 2006, there was an aggregate of approximately 1.2 million additional shares issuable upon the exercise of anti-dilutive options and/or the contingent vesting of performance-based restricted stock units that were excluded from the diluted share calculations.

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**4. Recently Issued Accounting Standards**

***Stock-Based Compensation***

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payments" ("FAS 123R") and, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107"). SAB 107 provides implementation guidance for companies to use in their adoption of FAS 123R. FAS 123R supersedes both Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), which permitted the use of the intrinsic-value method in accounting for stock-based compensation, and Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("FAS 123"), which allowed companies applying APB 25 to just disclose in their financial statements the pro forma effect on net income from applying the fair-value method of accounting for stock-based compensation. The Company adopted FAS 123R as of April 2, 2006 (see Note 11).

***Financial Statement Misstatements***

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on the process of quantifying financial statement misstatements, advising companies to use both a balance sheet ("iron curtain") and an income statement ("rollover") approach when quantifying and evaluating the materiality of a misstatement. The iron curtain approach quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the reporting period. The rollover approach quantifies a misstatement based on the amount of the error originating in the current period income statement, including the reversing effect of prior year misstatements. The use of this method can lead to the accumulation of misstatements in the balance sheet. PRLC has historically used the rollover method for quantifying identified financial statement misstatements.

Under the guidance of SAB 108, companies will be required to adjust their financial statements if either the iron curtain or rollover approach results in the quantification of a material misstatement. Previously filed reports would not be amended, but would be corrected the next time the company files prior year financial statements. Companies are allowed to record a one-time cumulative effect adjustment to correct errors in prior years that previously had been considered immaterial based on their previous approach. SAB 108 is effective for the Company upon issuance of its Fiscal 2007 annual financial statements. However, early application of SAB 108 is permitted for interim periods prior to the issuance of the annual financial statements. The Company currently is evaluating the effect of SAB 108 on its financial statements.

***Accounting for Uncertainty in Income Taxes***

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The Company first will be required to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. A tax position that meets the "more-likely-than-not" recognition threshold will then be measured to determine the amount of benefit to recognize in the financial statements based upon the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 is effective for the Company as of the beginning of Fiscal 2008 (April 1, 2007). The Company currently is evaluating the effect of FIN 48 on its financial statements.

***Other Recently Issued Accounting Standards***

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers Accounting for Defined Benefit Pension and other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132R" ("FAS 158"). FAS 158 requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to recognize the funded status of a benefit plan — measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation — in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. FAS 158 is effective for fiscal years ending after December 15, 2006. Because the Company does not currently maintain any defined benefit plans, the application of FAS 158 is not expected to have an effect on the Company's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in US GAAP and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The application of FAS 157 is not expected to have a material effect on the Company's financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("FAS 154"). FAS 154 generally requires that accounting changes and errors be applied retrospectively. Effective April 2, 2006, the Company adopted the provisions of FAS 154. The application of FAS 154 did not have an effect on the Company's financial statements.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs" ("FAS 151"). FAS 151 clarifies standards for the treatment of abnormal amounts of idle facility expense, freight, handling costs and spoilage. Effective April 2, 2006, the Company adopted the provisions of FAS 151. The application of FAS 151 did not have a material effect on the Company's financial statements.

**5. Acquisitions**

***Acquisition of Polo Jeans Business***

On February 3, 2006, the Company acquired from Jones Apparel Group, Inc. and its subsidiaries ("Jones") all of the issued and outstanding shares of capital stock of Sun Apparel, Inc., the Company's licensee for men's and women's casual apparel and sportswear in the United States and Canada (the "Polo Jeans Business"). The acquisition cost was approximately $260 million, including $3 million of transaction costs. In addition, simultaneous with the transaction, the Company settled all claims under its litigation with Jones for a cost of $100 million.

The results of operations for the Polo Jeans Business have been consolidated in the Company's results of operations commencing February 4, 2006. In addition, the purchase price has been allocated on a preliminary basis as follows: inventory of $36 million; finite-lived intangible assets of $159 million (consisting of the re-acquired license of $97 million, customer relationships of $57 million and order backlog of $5 million); goodwill of $126 million; and deferred tax and other liabilities, net, of $61 million. Other than inventory, Jones retained the right to all working capital balances on the date of closing.

The Company is in the process of completing its assessment of the fair value of assets acquired and liabilities assumed. As a result, the purchase price allocation is subject to change. The Company also entered into a transition services agreement with Jones to provide a variety of operational, financial and information systems services over a period of six to twelve months from the date of the acquisition of the Polo Jeans Business.

***Acquisition of Footwear Business***

On July 15, 2005, the Company acquired from Reebok International, Ltd. ("Reebok") all of the issued and outstanding shares of capital stock of Ralph Lauren Footwear Co., Inc., the Company's global licensee for men's, women's and children's footwear, as well as certain foreign assets owned by affiliates of Reebok (collectively, the "Footwear Business"). The acquisition cost was approximately $112 million in cash, including $2 million of transaction costs. In addition, Reebok and certain of its affiliates entered into a transition services agreement with the Company to provide a variety of operational, financial and information systems services over a period of twelve to eighteen months from the date of the acquisition of the Footwear Business.

The results of operations for the Footwear Business for the period are included in the consolidated results of operations commencing July 16, 2005. In addition, the accompanying consolidated financial statements include the following allocation of the acquisition cost to the net assets acquired based on their respective fair values: trade receivables of $17 million; inventory of $26 million; finite-lived intangible assets of $62 million (consisting of the footwear license at $38 million, customer relationships at $23 million and order backlog at $1 million); goodwill of $20 million; other assets of $1 million; and liabilities of $14 million.

## 6. Inventories

Inventories consist of the following:

| | December 30, 2006 | April 1, 2006 |
|---|---|---|
| | (millions) | |
| Raw materials | $ 8.2 | $ 6.0 |
| Work-in-process | 35.2 | 22.0 |
| Finished goods | 440.5 | 457.5 |
| | $ 483.9 | $ 485.5 |

## 7. Restructuring

The Company has recorded restructuring liabilities over the past few years relating to various cost-savings initiatives, as well as certain of its acquisitions. In accordance with US GAAP, restructuring costs incurred in connection with an acquisition are capitalized as part of the purchase accounting for the transaction. Such acquisition-related restructuring costs were not material in any period. Liabilities for costs associated with non-acquisition-related restructuring initiatives are expensed and initially measured at fair value when incurred in accordance with US GAAP. A description of the nature of significant non-acquisition-related restructuring activities and related costs is presented below.

***Fiscal 2006 Restructuring***

During the fourth quarter of Fiscal 2006, the Company committed to a plan to restructure its Club Monaco retail business. In particular, this plan consisted of the closure of all five Club Monaco factory stores and the intention to dispose of by sale or closure all eight of Club Monaco's Caban Concept Stores (the "Caban Stores" and, collectively, the "Club Monaco Restructuring Plan"). In connection with this plan, an aggregate restructuring-related charge of $12 million was recognized in Fiscal 2006.

During the first quarter of Fiscal 2007, the Company ultimately decided to close all Caban Stores and recognized an additional $2.2 million of restructuring charges, primarily relating to lease termination costs. During the second quarter of Fiscal 2007, the Company incurred additional restructuring charges of approximately $1.8 million, principally relating to additional Caban store lease termination costs for space that was still being used at the end of the first quarter of Fiscal 2007.

A summary of the activity in Fiscal 2007 in the Club Monaco Restructuring Plan liability is as follows:

| | Lease and Contract Termination Costs |
|---|---|
| | (millions) |
| Balance at April 1, 2006 | $ 1.2 |
| Additions charged to expense | 4.0 |
| Cash payments charged against reserve | (2.9) |
| Balance at December 30, 2006 | $ 2.3 |

**8. Debt**

***Euro Debt***

The Company had outstanding approximately €227 million principal amount of 6.125% notes that were due on November 22, 2006, from an original issuance of €275 million in 1999 (the "1999 Euro Debt"). On October 5, 2006, the Company completed a new issuance of €300 million principal amount of 4.50% notes due October 4, 2013 (the "2006 Euro Debt"). The Company used a portion of the net proceeds from the financing of approximately $380 million (based on the exchange rate in effect upon issuance) to repay the remaining 1999 Euro Debt at par on its maturity date. The balance of such net proceeds will be used for general corporate and working capital purposes. The Company has the option to redeem all of the 2006 Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the 2006 Euro Debt at any time at par plus accrued interest, in the event of certain developments involving United States tax law. Partial redemption of the 2006 Euro Debt is not permitted in either instance. In the event of a change of control of the Company, each holder of the 2006 Euro Debt has the option to require the Company to redeem the 2006 Euro Debt at its principal amount plus accrued interest.

As of December 30, 2006, the carrying value of the 2006 Euro Debt was $393.8 million.

***Revolving Credit Facility***

The Company has a credit facility, which was amended on November 28, 2006, (the "Credit Facility") that provides for a $450 million unsecured revolving line of credit. The Credit Facility also is used to support the issuance of letters of credit. As of December 30, 2006, there were no borrowings outstanding under the Credit Facility, but the Company was contingently liable for $36.8 million of outstanding letters of credit (primarily relating to inventory purchase commitments).

The Company amended certain terms of its Credit Facility as a result of recent upgrades in the Company's credit ratings from Standard & Poors and Moody's. Key changes under the amendment include:

- An increase in the ability of the Company to expand its additional borrowing availability from $525 million to $600 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments;
- An extension of the term of the Credit Facility to November 2011 from October 2009;
- A reduction in the margin over LIBOR paid by the Company on amounts drawn under the Credit Facility to 35 basis points from 50 basis points;
- A reduction in the commitment fee for the unutilized portion of the Credit Facility to 8 basis points from 12.5 basis points; and
- The elimination of the coverage ratio financial covenant.

There are no mandatory reductions in borrowing ability throughout the term of the Credit Facility.

Borrowings under the Credit Facility bear interest, at the Company's option, either at (a) a base rate determined by reference to the higher of (i) the prime commercial lending rate of JP Morgan Chase Bank, N.A. in effect from time to time and (ii) the weighted-average overnight Federal funds rate (as published by the Federal Reserve Bank of New York) plus 50 basis points or (b) a LIBOR rate in effect from time to time, as adjusted for the Federal Reserve Board's Euro currency liabilities maximum reserve percentage plus a margin defined in the Credit Facility ("the applicable margin"). The applicable margin of 35 basis points is subject to adjustment based on the Company's credit ratings.

In addition to paying interest on any outstanding borrowings under the Credit Facility, the Company is required to pay a commitment fee to the lenders under the Credit Facility in respect of the unutilized commitments. The commitment fee rate of 8 basis points under the terms of the Credit Facility also is subject to adjustment based on the Company's credit ratings.

The Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Credit Facility requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio"), as such terms are defined in the Credit Facility. As of December 30, 2006, no Default or Event of Default (as such terms are defined pursuant to the Credit Facility) has occurred under the Company's Credit Facility.

Upon the occurrence of an Event of Default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility, and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal and interest payments or to satisfy the covenants, including the financial covenant described above. Additionally, the Credit Facility provides that an event of default will occur if Mr. Ralph Lauren, the Company's Chairman and Chief Executive Officer, and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

## 9. Derivative Financial Instruments

The Company has exposure to changes in foreign currency exchange rates relating to both the cash flows generated by its international operations and the fair value of its foreign operations, as well as exposure to changes in the fair value of its fixed-rate debt relating to changes in interest rates. Consequently, the Company uses derivative financial instruments to manage such risks. The Company does not enter into derivative transactions for speculative purposes. The following is a summary of the Company's risk management strategies and the effect of those strategies on the Company's financial statements.

### *Foreign Currency Risk Management*

*Foreign Currency Exchange Contracts*

The Company enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce its risk from exchange rate fluctuations on inventory purchases and intercompany royalty payments. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily exposure to changes in the value of the Euro and the Japanese Yen, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year period. In doing so, the Company uses foreign exchange contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

At December 30, 2006, the Company had contracts for the sale of $215.5 million of foreign currencies at fixed rates. Of these $215.5 million of sales contracts, $173.0 million were for the sale of Euros and $42.5 million were for the sale of Japanese Yen. The fair value of the forward contracts was an unrealized loss of $1.5 million.

The Company records foreign currency exchange contracts at fair value in its balance sheet and designates these derivative instruments as cash flow hedges in accordance with FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and subsequent amendments (collectively, "FAS 133"). As such, the related gains or losses on these contracts are deferred in stockholders' equity as a component of accumulated other comprehensive income. These deferred gains and losses are then either recognized in income in the period in which the related royalties being hedged are received, or in the case of inventory purchases, recognized as part of the cost of the inventory being hedged when sold. However, to the extent that any of these foreign currency exchange contracts are not considered to be perfectly effective in offsetting the change in the value of the royalties or inventory purchases being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in earnings. No significant gains or losses relating to ineffective hedges were recognized in the periods presented.

*Hedge of a Net Investment in Certain European Subsidiaries*

Prior to the repayment of the 1999 Euro Debt in November 2006, the entire principal amount was designated as a hedge of the Company's net investment in certain of its European subsidiaries in accordance with FAS 133. Contemporaneous with this repayment, the Company designated the entire principal amount of the 2006 Euro Debt, issued in October 2006 (see Note 8), as a hedge of its net investment in certain of its European subsidiaries. As required by FAS 133, the changes in fair value of a derivative instrument or a non-derivative financial instrument (such as debt) that is designated as, and is effective as, a hedge of the net investment in a foreign operation are reported in the same manner as a translation adjustment under FASB Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," to the extent it is effective as a hedge. As such, changes in the fair value of the 1999 Euro Debt and the 2006 Euro Debt resulting from changes in the Euro exchange rate have been and continue to be reported in stockholders' equity as a component of accumulated other comprehensive income.

***Interest Rate Risk Management***

*Interest Rate Swaps*

Historically, the Company has used floating-rate interest rate swap agreements to hedge changes in the fair value of its fixed-rate 1999 Euro Debt. These interest rate swap agreements, which effectively converted fixed interest rate payments on the Company's 1999 Euro Debt to a floating-rate basis, were designated as a fair value hedge in accordance with FAS 133. All interest rate swap agreements were terminated in late Fiscal 2006 and there were no outstanding agreements at the end of Fiscal 2006.

During the first six months of Fiscal 2007, the Company entered into three forward-starting interest rate swap contracts aggregating €200 million notional amount of indebtedness in anticipation of the Company's proposed refinancing of the 1999 Euro Debt which was completed in October 2006. The Company designated these agreements as a cash flow hedge of a forecasted transaction to issue new debt in connection with the planned refinancing of its 1999 Euro Debt. The interest rate swaps hedged a total of €200.0 million, a portion of the underlying interest rate exposure on the anticipated refinancing. Under the terms of the three interest swap contracts, the Company paid a weighted-average fixed rate of interest of 4.1% and received variable interest based upon six-month EURIBOR. The Company terminated the swaps on September 28, 2006, which was the date the interest rate for the 2006 Euro Debt was determined. As a result, the Company made a payment of approximately €3.5 million ($4.4 million based on the exchange rate in effect on that date) in settlement of the swaps. An amount of $0.2 million was recognized as a loss for the three months ending September 30, 2006 due to the partial ineffectiveness of the cash flow hedge as a result of the forecasted transaction closing on October 5, 2006 instead of November 22, 2006 (the maturity date of the 1999 Euro Debt). The remaining loss of $4.2 million has been

deferred as a component of comprehensive income within stockholders' equity and is being recognized in income as an adjustment to interest expense over the seven-year term of the 2006 Euro Debt.

**10. Stockholders' Equity**

***Summary of Changes in Stockholders' Equity***

| | Nine Months Ended | |
|---|---|---|
| | December 30, 2006 | December 31, 2005 |
| | (millions) | |
| Balance at beginning of period | $ 2,049.6 | $ 1,675.7 |
| Comprehensive income: | | |
| Net income | 327.7 | 245.6 |
| Foreign currency translation gains (losses) | 45.4 | (31.6) |
| Net realized and unrealized derivative financial instrument gains (losses) | (18.7) | 26.2 |
| Total comprehensive income | 354.4 | 240.2 |
| Dividends declared | (15.6) | (15.7) |
| Repurchases of common stock | (191.3) | (3.3) |
| Other, primarily shares issued and equity grants made pursuant to stock compensation plans | 108.9 | 78.5 |
| Balance at end of period | $ 2,306.0 | $ 1,975.4 |

***Common Stock Repurchase Program***

In August 2006, the Company's Board of Directors approved an expansion of the Company's common stock repurchase program that allows the Company to repurchase, at its discretion from time to time, up to an additional $250 million of Class A common stock. Share repurchases are subject to overall business and market conditions. Share repurchases under both this expanded program and the pre-existing program for the nine months ended December 30, 2006 amounted to 3.1 million shares of Class A common stock at a cost of $191.3 million, including $10.8 million (0.1 million shares) that was traded prior to the end of the period for which settlement occurred in January 2007. The remaining availability under the current common stock repurchase program was $158.3 million as of December 30, 2006. Repurchased shares are accounted for as treasury stock at cost and will be held in treasury for future use.

In February 2007, the Company's Board of Directors approved a further expansion of this repurchase program for an additional $250 million.

***Dividends***

Since 2003, the Company has had a regular quarterly cash dividend program of $0.05 per share, or $0.20 per share on an annual basis, on its common stock. The third quarter Fiscal 2007 dividend of $0.05 per share was declared on December 18, 2006, payable to shareholders of record at the close of business on December 29, 2006, and was paid on January 12, 2007. Dividends paid during the nine months ended December 30, 2006 and December 31, 2005 amounted to $15.7 million for both periods.

**11. Stock-Based Compensation**

Effective April 2, 2006, the Company adopted FAS 123R using the modified prospective application transition method. Under this transition method, the compensation expense recognized in the consolidated statement of operations beginning April 2, 2006 includes compensation expense for (a) all stock-based payments granted prior to, but not yet vested as of, April 1, 2006, based on the grant-date fair value estimated in accordance with the original

provisions of FAS 123, and (b) all stock-based payments granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS 123R.

***Impact on Results***

Due to the timing of grants of stock-based compensation awards primarily late in the first quarter of Fiscal 2007, stock-based compensation costs recognized during the nine-month period ended December 30, 2006 are not indicative of the level of compensation costs expected to be incurred for Fiscal 2007 as a whole. A summary of the total compensation expense and associated income tax benefits recognized related to stock-based compensation arrangements is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005(a) | December 30, 2006 | December 31, 2005(a) |
| | (millions) | | | |
| Compensation expense | $ (11.9) | $ (10.1) | $ (31.2) | $ (21.1) |
| Income tax benefit | $ 4.3 | $ 3.8 | $ 11.4 | $ 7.9 |

A summary of the incremental impact of adopting FAS 123R is as follows:

| | Three Months Ended December 30, 2006 | Nine Months Ended December 30, 2006 |
|---|---|---|
| | (millions, except per share data) | |
| Income before provision for income taxes | $ (1.8) | $ (10.1) |
| Income tax benefit | 0.5 | 3.5 |
| Net income | $ (1.3) | $ (6.6) |
| Basic net income per common share | $ (0.01) | $ (0.06) |
| Diluted net income per common share | $ (0.01) | $ (0.06) |
| Cash flows from operating activities(b) | | $ (29.6) |
| Cash flows from financing activities | | $ 29.6 |
| Unearned compensation(c) | | $ 43.0 |
| Additional paid-in capital | | $ (43.0) |

(a) Prior to the adoption of FAS 123R and in accordance with existing accounting principles, the Company recognized stock-based compensation expense in connection with both service-based and performance-based restricted stock units, as well as for shares of restricted stock.

(b) Prior to the adoption of FAS 123R, benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. FAS 123R requires excess tax benefits to be reported as a financing cash inflow rather than as a reduction of taxes paid.

(c) Unearned compensation was eliminated against additional paid-in capital as part of the adoption of FAS 123R as of April 2, 2006.

***Transition Information***

Prior to April 2, 2006, the Company accounted for stock-based compensation plans under the intrinsic value method in accordance with APB 25 and adopted the disclosure-only provisions of FAS 123. Under this standard, the Company did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price at the date of grant. However, as required, the Company disclosed, in the notes to the

consolidated financial statements, the pro forma expense impact of the stock option grants as if the fair-value-based recognition provisions of FAS 123 were applied. Compensation expense was previously recognized for restricted stock and restricted stock units. The effect of forfeitures on restricted stock and restricted stock units was recognized when such forfeitures occurred.

In accordance with the modified prospective application transition method, prior period financial statements have not been restated to reflect the effects of implementing FAS 123R. The following table presents the Company's pro forma net income and net income per share if compensation expense for fixed stock option grants had been determined based on the fair value at the grant dates of such awards as defined by FAS 123 for the three and nine-month periods ended December 31, 2005:

| | Three Months Ended December 31, 2005 | Nine Months Ended December 31, 2005 |
|---|---|---|
| | (millions, except per share data) | |
| Net income as reported | $ 90.7 | $ 245.6 |
| Add: stock-based employee compensation expense included in reported net income, net of tax | 6.3 | 13.2 |
| Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of tax | (9.6) | (23.1) |
| Pro forma net income | $ 87.4 | $ 235.7 |
| Net income per share as reported: | | |
| Basic | $ 0.87 | $ 2.36 |
| Diluted | $ 0.84 | $ 2.30 |
| Pro forma net income per share: | | |
| Basic | $ 0.83 | $ 2.27 |
| Diluted | $ 0.81 | $ 2.20 |

***Long-term Stock Incentive Plan***

The Company's 1997 Long-Term Stock Incentive Plan (as amended) (the "1997 Plan") authorizes the grant of awards to participants with respect to a maximum of 26.0 million shares of the Company's Class A Common Stock; however, there are limits as to the number of shares available for certain awards and to any one participant. Equity awards that may be made under the 1997 Plan include (a) stock options, (b) restricted stock, and (c) restricted stock units.

***Stock Options***

Stock options have been granted to employees and non-employee directors with exercise prices equal to fair market value at the date of grant. Generally, the options become exercisable ratably (a graded-vesting schedule), over a three-year vesting period for employees or over a two-year vesting period for non-employee directors. Employee stock options generally expire either seven or ten years from the date of grant. The Company recognizes compensation expense for share-based awards that have graded vesting and no performance conditions on an accelerated basis.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of subjective assumptions. The Company developed its assumptions by analyzing the

historical exercise behavior of employees and non-employee directors. The Company's assumptions used for the three and nine-month periods ended December 30, 2006 and December 31, 2005 were as follows:

*Expected Term* — The estimate of expected term is based on the historical exercise behavior of employees and non-employee directors, as well as the contractual life of the option grants.

*Expected Volatility* — The expected volatility factor is based on the historical volatility of the Company's common stock for a period equal to the stock option's expected term.

*Expected Dividend Yield* — The expected dividend yield is based on the regular quarterly cash dividend of $0.05 per share.

*Risk-free Interest Rate* — The risk-free interest rate is determined using the implied yield for a traded zero-coupon U.S. Treasury bond with a term equal to the option's expected term.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| Expected term (years) | 4.0 | 5.2 | 4.5 | 5.2 |
| Expected volatility | 29.5% | 29.1% | 33.2% | 29.1% |
| Expected dividend yield | 0.33% | 0.44% | 0.39% | 0.47% |
| Risk-free interest rate | 4.5% | 3.7% | 4.9% | 3.7% |
| Weighted-average option grant date fair value | $ 21.32 | $ 18.63 | $ 19.26 | $ 14.41 |

A summary of the stock option activity under all plans during the nine months ended December 30, 2006 is as follows:

| | Number of Shares (thousands) | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value(a) (millions) |
|---|---|---|---|---|
| Options outstanding at April 2, 2006 | 8,268 | $ 28.69 | | |
| Granted | 864 | 56.13 | | |
| Exercised | (1,981) | 25.92 | | |
| Cancelled/Forfeited | (125) | 41.04 | | |
| Options outstanding at December 30, 2006 | 7,026 | $ 32.62 | 6.0 | $ 320.7 |
| Options vested and expected to vest(b) at December 30, 2006 | 6,754 | $ 32.11 | 6.0 | $ 311.7 |
| Options exercisable at December 30, 2006 | 4,681 | $ 26.28 | 5.2 | $ 243.4 |

(a) The intrinsic value is the amount by which the market price at the end of the period of the underlying share of stock exceeds the exercise price of the stock option.

(b) The number of options expected to vest takes into consideration estimated expected forfeitures.

The aggregate intrinsic value of stock options exercised during the nine months ended December 30, 2006 and December 31, 2005 was $74.0 million and $40.2 million, respectively. As of December 30, 2006, there was $12.8 million of total unrecognized compensation expense related to nonvested stock options granted and the unrecognized compensation expense is expected to be recognized over a weighted-average period of 1.1 years. Cash received from the exercise of stock options during the nine months ended December 30, 2006 and December 31,

2005 was $48.2 million and $44.9 million, respectively, and the related tax benefits realized were $29.6 million and $15.2 million, respectively.

***Restricted Stock and Restricted Stock Units ("RSUs")***

The Company grants restricted shares of Class A common stock and service-based restricted stock units to certain of its senior executives. In addition, the Company grants performance-based restricted stock units to such senior executives and other key executives, and certain other employees of the Company.

Restricted shares of Class A common stock, which entitle the holder to receive a specified number of shares of Class A common stock at the end of a vesting period, are accounted for at fair value at the date of grant. Generally, restricted stock grants vest over a five-year period of time, subject to the executive's continuing employment.

Restricted stock units entitle the grantee to receive shares of Class A common stock at the end of a vesting period. Service-based restricted stock units are payable in shares of Class A common stock and generally vest over a five-year period of time, subject to the executive's continuing employment. Performance-based restricted stock units also are payable in shares of Class A common stock and generally may vest over (1) a three-year period of time (cliff vesting), subject to the employee's continuing employment and the Company's satisfaction of certain performance goals over the three-year period; or (2) ratably over a three-year period of time (graded vesting), subject to the employee's continuing employment during the applicable vesting period and the achievement by the Company of separate annual performance goals. In addition, holders of certain restricted stock units are entitled to receive dividend equivalents in the form of additional restricted stock units in connection with the payment of dividends on the Company's Class A common stock. Restricted stock units, including shares resulting from dividend equivalents paid on such units, are accounted for at fair value at the date of grant. The fair value of a restricted security is based on the fair value of unrestricted Class A common stock, as adjusted to reflect the absence of dividends for those restricted securities that are not entitled to dividend equivalents. Compensation expense for performance-based restricted stock units is recognized over the service period when attainment of the performance goals is probable.

A summary of the restricted stock and restricted stock unit activity during the nine months ended December 30, 2006 is as follows:

| | Restricted Stock | | Service-Based RSUs | | Performance-Based RSUs | |
|---|---|---|---|---|---|---|
| | Number of Shares (thousands) | Weighted-Average Grant Date Fair Value | Number of Shares (thousands) | Weighted-Average Grant Date Fair Value | Number of Shares (thousands) | Weighted-Average Grant Date Fair Value |
| Nonvested at April 2, 2006 | 180 | $ 24.47 | 550 | $ 34.46 | 806 | $ 39.38 |
| Granted | — | — | 100 | 55.43 | 571 | 55.17 |
| Vested | (75) | 21.97 | — | — | (63) | 34.23 |
| Cancelled | — | — | — | — | (14) | 51.12 |
| Nonvested at December 30, 2006 | 105 | $ 26.25 | 650 | $ 37.69 | 1,300 | $ 46.44 |

| | Restricted Stock | Service-Based RSUs | Performance-Based RSUs |
|---|---|---|---|
| Total unrecognized compensation at December 30, 2006 (millions) | $ 2.2 | $ 12.5 | $ 32.3 |
| Weighted-average years expected to be recognized over (in years) | 2.1 | 2.0 | 1.8 |

There were no restricted stock awards granted during the nine months ended December 31, 2005. The total fair value of restricted stock awards vested during the nine months ended December 30, 2006 and December 31, 2005 was $4.2 million and $4.9 million, respectively. The weighted-average grant date fair value of service-based restricted stock units granted during the nine months ended December 31, 2005 was $43.20. No service-based restricted stock units vested during the nine months ended December 30, 2006 or December 31, 2005. The weighted-average grant date fair value of performance-based restricted stock units granted during the nine months ended December 31, 2005 was $43.14. The total fair value of performance-based restricted stock units vested during the nine months ended December 30, 2006 and December 31, 2005 was $3.4 million and $2.7 million, respectively.

## 12. Commitments and Contingencies

***Credit Card Matters***

The Company is indirectly subject to various claims relating to allegations of security breaches in certain of its retail store information systems. These claims have been made by various credit card associations, issuing banks and credit card processors with respect to cards issued by them pursuant to the rules imposed by certain credit card issuers, particularly Visa® and MasterCard®. The allegations include fraudulent credit card charges, the cost of replacing credit cards, related monitoring expenses and other related claims.

In Fiscal 2005, the Company was subject to various claims relating to an alleged security breach of its point-of-sale systems that occurred at certain Polo retail stores in the United States. The Company has recorded a reserve in an aggregate amount of $13 million to provide for its best estimate of losses related to these claims, of which $6.8 million was recorded during the second quarter of Fiscal 2006 and $6.2 million was recorded during Fiscal 2005. The Company has paid approximately $11 million through January 2007 in settlement of these various claims, and the eligibility period for filing any new claims expired at the end of January 2007.

In addition, in the third quarter of Fiscal 2007, the Company was notified of an alleged compromise of its retail store information systems that process its credit card data for certain Club Monaco stores in Canada. While the investigation of the alleged Club Monaco compromise is ongoing, the evidence to date indicates that only numerical credit card data may have been accessed and not customer names or contact information. The Company's Canadian credit card processor has required the Company to establish a reserve of $2 million to cover potential claims relating to this alleged compromise and is in the process of deducting funds from Club Monaco credit card transactions for this reserve.

The Company is cooperating with law enforcement authorities in both the United States and Canada in their investigations of these matters. The Company is also assessing its potential aggregate financial exposure with respect to its Club Monaco retail store information systems as a result of the alleged compromise. Although the claims could exceed the amount of the remaining $2 million approximate reserve, management believes that this reserve should be sufficient to cover the Company's future financial exposure in connection with these matters. The ultimate resolution of these matters is not in any event expected to have a material adverse effect on the Company's liquidity or financial position.

***Wathne Imports Litigation***

On August 19, 2005, Wathne Imports, Ltd., our domestic licensee for luggage and handbags ("Wathne"), filed a complaint in the U.S. District Court in the Southern District of New York against us and Ralph Lauren, our Chairman and Chief Executive Officer, asserting, among other things, Federal trademark law violations, breach of contract, breach of obligations of good faith and fair dealing, fraud and negligent misrepresentation. The complaint sought, among other relief, injunctive relief, compensatory damages in excess of $250 million and punitive damages of not less than $750 million. On September 13, 2005, Wathne withdrew this complaint from the U.S. District Court and filed a complaint in the Supreme Court of the State of New York, New York County, making

substantially the same allegations and claims (excluding the Federal trademark claims), and seeking similar relief. On February 1, 2006, the court granted our motion to dismiss all of the causes of action, including the cause of action against Mr. Lauren, except for the breach of contract claims, and denied Wathne's motion for a preliminary injunction against our production and sale of men's and women's handbags. On May 16, 2006, a discovery schedule was established for this case running through November 2006. Depositions commenced in this case in October 2006 and are expected to take place through February 2007. On October 31, 2006, the court denied Wathne's motion for a preliminary injunction which sought to bar the Company's Rugby stores from selling certain bags and to prevent the Company from using certain gift bags that were furnished to customers who made purchases at the Company's United States Tennis Open temporary store. A trial date is not yet set for this lawsuit but the Company does not currently anticipate that this trial will occur prior to the fall of 2007. We believe this suit to be without merit and intend to continue to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

***Polo Trademark Litigation***

On October 1, 1999, we filed a lawsuit against the United States Polo Association Inc. ("USPA"), Jordache, Ltd. and certain other entities affiliated with them, alleging that the defendants were infringing on our trademarks. In connection with this lawsuit, on July 19, 2001, the USPA and Jordache filed a lawsuit against us in the United States District Court for the Southern District of New York. This suit, which was effectively a counterclaim by them in connection with the original trademark action, asserted claims related to our actions in connection with our pursuit of claims against the USPA and Jordache for trademark infringement and other unlawful conduct. Their claims stemmed from our contacts with the United States Polo Association's and Jordache's retailers in which we informed these retailers of our position in the original trademark action. All claims and counterclaims, except for our claims that the defendants violated the Company's trademark rights, were settled in September 2003. We did not pay any damages in this settlement. On July 30, 2004, the Court denied all motions for summary judgment, and trial began on October 3, 2005 with respect to the four "double horseman" symbols that the defendants sought to use. On October 20, 2005, the jury rendered a verdict, finding that one of the defendant's marks violated our world famous Polo Player Symbol trademark and enjoining its further use, but allowing the defendants to use the remaining three marks. On November 16, 2005, we filed a motion before the trial court to overturn the jury's decision and hold a new trial with respect to the three marks that the jury found not to be infringing. The USPA and Jordache opposed our motion, but did not move to overturn the jury's decision that the fourth double horseman logo did infringe on our trademarks. On July 7, 2006, the judge denied our motion to overturn the jury's decision. On August 4, 2006, the Company filed an appeal of the judge's decision to deny the Company's motion for a new trial to the United States Court of Appeals for the Second Circuit. The Company is awaiting a decision from the Court with respect to this appeal.

***California Labor Law Litigation***

On September 18, 2002, an employee at one of our stores filed a lawsuit against the Company and our Polo Retail, LLC subsidiary in the United States District Court for the District of Northern California alleging violations of California antitrust and labor laws. The plaintiff purported to represent a class of employees who had allegedly been injured by a requirement that certain retail employees purchase and wear Company apparel as a condition of their employment. The complaint, as amended, sought an unspecified amount of actual and punitive damages, disgorgement of profits and injunctive and declaratory relief. The Company answered the amended complaint on November 4, 2002. A hearing on cross motions for summary judgment on the issue of whether the Company's policies violated California law took place on August 14, 2003. The Court granted partial summary judgment with respect to certain of the plaintiff's claims, but concluded that more discovery was necessary before it could decide the key issue as to whether the Company had maintained for a period of time a dress code policy that violated California law. On January 12, 2006, a proposed settlement of the purported class action was submitted to the court for approval. A hearing on the settlement was held before the Court on June 29, 2006. On October 26, 2006, the

Court granted preliminary approval of the settlement and agreed to begin the process of sending out claim forms to members of the class. The proposed settlement cost of $1.5 million does not exceed the reserve for this matter that we established in Fiscal 2005. The proposed settlement would also result in the dismissal of the similar purported class action filed in San Francisco Superior Court as described below.

On April 14, 2003, a second putative class action was filed in the San Francisco Superior Court. This suit, brought by the same attorneys, alleges near identical claims to these in the Federal class action. The class representatives consist of former employees and the plaintiff in the federal court action. Defendants in this class action include us and our Polo Retail, LLC, Fashions Outlet of America, Inc., Polo Retail, Inc. and San Francisco Polo, Ltd. subsidiaries as well as a non-affiliated corporate defendant and two current managers. As in the federal action, the complaint seeks an unspecified amount of actual and punitive restitution of monies spent, and declaratory relief. If the judge in the federal class action accepts the proposed $1.5 million settlement, the state court class action would subsequently be dismissed. As noted above, on October 26, 2006, the Court granted preliminary approval of the settlement.

On March 2, 2006, a former employee at our Club Monaco store in Los Angeles, California filed a lawsuit against us in the San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiff purports to represent a class of Club Monaco store employees who allegedly have been injured by being improperly classified as exempt employees and thereby not receiving compensation for overtime and not receiving meal and rest breaks. The complaint seeks an unspecified amount of compensatory damages, disgorgement of profits, attorneys' fees and injunctive relief. We believe this suit is without merit and intend to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

On June 2, 2006, a second putative class action was filed by different attorneys by a former employee of our Club Monaco store in Cabazon, California against us in the Los Angeles Superior Court alleging virtually identical claims as the San Francisco action and consisting of the same class members. As in the San Francisco action, the complaint sought an unspecified amount of compensatory damages, disgorgement of profits, attorneys' fees and injunctive relief. On August 21, 2006, the plaintiff voluntarily withdrew his lawsuit.

On May 30, 2006, four former employees of our Ralph Lauren stores in Palo Alto and San Francisco, California filed a lawsuit in San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiffs purport to represent a class of employees who allegedly have been injured by not properly being paid commission earnings, not being paid overtime, not receiving rest breaks, being forced to work off of the clock while waiting to enter or leave the store and being falsely imprisoned while waiting to leave the store. The complaint seeks an unspecified amount of compensatory damages, damages for emotional distress, disgorgement of profits, punitive damages, attorneys' fees and injunctive and declaratory relief. We believe this suit is without merit and intend to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

***French Income Tax Audit***

The French tax authorities are in the process of auditing one of the Company's French subsidiaries for the taxable years 2000 through 2005. Among other matters still under review, the French tax authorities have asserted that certain intercompany royalty payments made by the Company's French subsidiary to a related U.S. subsidiary were excessive and that a portion should be disallowed as a deduction under French tax law.

The Company disagrees with the position of the French tax authorities that such royalties were excessive. It is expected that the matter ultimately will be resolved under the competent authority procedures of the US-France Income Tax Treaty in order to avoid the double taxation of such income.

Under French tax law, the Company was required to provide bank guarantees for the payment of the asserted tax assessment prior to resolution under the competent authority procedures. Accordingly, the Company has

arranged for certain banks to guarantee payment to the French tax authorities on behalf of the Company in the amount of €41.3 million. In order to secure these guarantees, primarily in Fiscal 2007, the Company placed a corresponding amount of cash in escrow with the banks as collateral for the guarantees. Such cash has been classified as "restricted cash" and reported as a component of "other assets" in the Company's consolidated balance sheet. Management does not expect that the ultimate resolution of the asserted excess royalties matter will have a material adverse effect on the Company's financial condition or results of operations.

The French tax authorities are required to complete their audit by December 31, 2007. While no significant adjustments other than the asserted excess royalty matter have been formally proposed by the French tax authorities as of the end of January 2007, certain tax positions taken by the Company in connection with the restructuring of its European operations in Fiscal 2004 could be challenged. The Company maintains a tax reserve against this potential exposure based on its best estimate of the probable outcome. However, if asserted, it is reasonably possible that an unfavorable settlement could exceed the Company's established reserves by an estimated amount of up to approximately $30 million, including related employee profit-sharing obligations required under French law based on the reassessed higher level of taxable income. Nevertheless, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial condition.

***Other Matters***

We are otherwise involved from time to time in legal claims involving trademark and intellectual property, licensing, employee relations and other matters incidental to our business. We believe that the resolution of these other matters currently pending will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations.

**13. Segment Reporting**

The Company has three reportable segments: Wholesale, Retail and Licensing. Such segments offer a variety of products through different channels of distribution. Our Wholesale segment consists of women's, men's and children's apparel, accessories and related products which are sold to major department stores, specialty stores and our owned and licensed retail stores in the United States and overseas. Our Retail segment consists of the Company's worldwide retail operations, which sell our products through our full-price and factory stores, as well as Polo.com, our 50%-owned e-commerce website. The stores and the website sell products purchased from our licensees, our suppliers and our Wholesale segment. Our Licensing segment generates revenues from royalties earned on the sale of our apparel, home and other products internationally and domestically through our licensing alliances. The licensing agreements grant the licensees rights to use our various trademarks in connection with the manufacture and sale of designated products in specified geographical areas for specified periods.

The accounting policies of our segments are consistent with those described in Notes 2 and 3 to the Company's consolidated financial statements included in the Fiscal 2006 10-K. Sales and transfers between segments are recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon operating income before restructuring charges and one-time items, such as legal charges. Corporate overhead expenses (exclusive of expenses for senior management, overall branding-related expenses and certain other corporate-related expenses) are allocated to the segments based upon specific usage or other allocation methods.

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net revenues and operating income for each segment are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| **Net revenues:** | | | | |
| Wholesale | $ 535.8 | $ 454.0 | $ 1,687.0 | $ 1,368.7 |
| Retail | 540.4 | 479.2 | 1,397.0 | 1,223.8 |
| Licensing | 67.5 | 62.3 | 180.1 | 182.3 |
| | $ 1,143.7 | $ 995.5 | $ 3,264.1 | $ 2,774.8 |
| **Operating income:** | | | | |
| Wholesale | $ 91.4 | $ 82.2 | $ 339.0 | $ 271.6 |
| Retail | 94.9 | 63.8 | 226.3 | 138.8 |
| Licensing | 41.9 | 38.2 | 105.8 | 113.6 |
| | 228.2 | 184.2 | 671.1 | 524.0 |
| Less: | | | | |
| Unallocated corporate expenses | (44.0) | (40.6) | (134.6) | (123.2) |
| Unallocated restructuring charges[a] | — | — | (4.0) | — |
| | $ 184.2 | $ 143.6 | $ 532.5 | $ 400.8 |

(a) Consists of restructuring charges relating to the Retail segment. See Note 7.

Depreciation and amortization expense for each segment is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| **Depreciation and amortization:** | | | | |
| Wholesale | $ 10.8 | $ 11.0 | $ 34.1 | $ 29.3 |
| Retail | 13.2 | 16.9 | 42.1 | 40.4 |
| Licensing | 1.0 | 1.5 | 3.4 | 4.5 |
| Unallocated corporate expenses | 7.8 | 6.9 | 24.6 | 20.3 |
| | $ 32.8 | $ 36.3 | $ 104.2 | $ 94.5 |

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 14. Additional Financial Information

***Cash Interest and Taxes***

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| Cash paid for interest | $ 18.6 | $ 5.9 | $ 20.2 | $ 10.1 |
| Cash paid for income taxes | $ 36.9 | $ 37.5 | $ 126.1 | $ 146.7 |

***Non-cash Transactions***

Significant non-cash investing activities during the nine months ended December 30, 2006 included the capitalization of fixed assets and recognition of related obligations in the amount of $16.0 million. There were no other significant non-cash financing and investing activities for the nine months ended December 30, 2006. Significant non-cash investing activities during the nine months ended December 31, 2005 included the non-cash allocation of the fair value of the assets acquired and liabilities assumed in the acquisition of the Footwear Business as more fully described in Note 5.

***Licensing-related Transactions***

*Eyewear Licensing Agreement*

As previously disclosed in the Company's Fiscal 2006 10-K, in February 2006, the Company announced that it had entered into a ten-year exclusive licensing agreement with Luxottica Group, S.p.A. and affiliates ("Luxottica") for the design, production and distribution of prescription frames and sunglasses under the Polo Ralph Lauren brand (the "Eyewear Licensing Agreement").

The Eyewear Licensing Agreement took effect on January 1, 2007 after the Company's pre-existing licensing agreement with another licensee expired. In early January, the Company received a prepayment of $181.5 million, net of certain tax withholdings, in consideration of the annual minimum royalty and design-services fees to be earned over the life of the contract. The prepayment is non-refundable, except with respect to certain breaches of the agreement by the Company, in which case only the unearned portion of the prepayment as determined based on the specific terms of the agreement would be required to be repaid.

*Underwear Licensing Agreement*

The Company licensed the right to manufacture and sell Chaps-branded underwear under a long-term license agreement, which was scheduled to expire in December 2009. During the third quarter of Fiscal 2007, the Company and the licensee agreed to terminate the licensing and related design-services agreements. In connection with this agreement, the Company received a portion of the minimum royalty and design-service fees due to it under the underlying agreements on an accelerated basis. The approximate $8 million of proceeds received by the Company has been recognized as licensing revenue in the accompanying consolidated financial statements for the three months ended December 30, 2006.

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

**Special Note Regarding Forward-Looking Statements**

Various statements in this Form 10-Q or incorporated by reference into this Form 10-Q, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our 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. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "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 actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements include statements regarding, among other items:

- our anticipated growth strategies;
- our plans to expand internationally;
- our plans to open new retail stores;
- our ability to make certain strategic acquisitions of certain selected licensees;
- our intention to introduce new products or enter into new alliances;
- anticipated effective tax rates in future years;
- future expenditures for capital projects;
- our ability to continue to pay dividends and repurchase Class A common stock;
- our ability to continue to maintain our brand image and reputation;
- our ability to continue to initiate cost cutting efforts and improve profitability; and
- our efforts to improve the efficiency of our distribution system.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. Significant factors that have the potential to cause our actual results to differ materially from our expectations are described in this Form 10-Q under the heading of "Risk Factors." Our Annual Report on Form 10-K for the fiscal year ended April 1, 2006 (the "Fiscal 2006 10-K") contains a detailed discussion of these risk factors. There are no material changes to such risk factors, nor are there any identifiable previously undisclosed risks as set forth in Part II, Item IA, "Risk Factors," of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In this Form 10-Q, references to "Polo," "ourselves," "we," "our," "us" and the "Company" refer to Polo Ralph Lauren Corporation and its subsidiaries, unless the context requires otherwise. Due to the collaborative and ongoing nature of our relationships with our licensees, such licensees are sometimes referred to in this Form 10-Q as "licensing alliances." We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. Fiscal year 2007 will end on March 31, 2007 and will be a 52-week period ("Fiscal 2007"). Fiscal year 2006 ended on April 1, 2006 and reflected a 52-week period ("Fiscal 2006"). In turn, the third quarter for Fiscal 2007 ended December 30, 2006 and was a 13-week period. The third quarter for Fiscal 2006 ended December 31, 2005 and was also a 13-week period.

**INTRODUCTION**

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the accompanying unaudited interim financial statements and footnotes to help provide an understanding of our financial condition, changes in financial condition and results of our operations. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, a summary of financial performance for the three-month and nine-month periods ended December 30, 2006 and December 31, 2005, as well as a discussion of transactions affecting comparability that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.
- *Results of Operations.* This section provides an analysis of our results of operations for the three-month and nine-month periods ended December 30, 2006 and December 31, 2005.
- *Financial Condition and Liquidity.* This section provides an analysis of our cash flows for the nine-month periods ended December 30, 2006 and December 31, 2005, as well as a discussion of our financial condition and liquidity as of December 30, 2006. The discussion of our financial condition and liquidity includes (i) our available financial capacity under our credit facility, (ii) a summary of our key debt compliance measures and (iii) any material changes in financial condition and certain contractual obligations since the end of Fiscal 2006.
- *Market Risk Management.* This section discusses any significant changes in our interest rate and foreign currency exposures, the types of derivative instruments used to hedge those exposures, or underlying market conditions since the end of Fiscal 2006.
- *Critical Accounting Policies.* This section discusses any significant changes in our accounting policies since the end of Fiscal 2006 considered to be important to our financial condition and results of operations and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Notes 3 and 4 to our audited financial statements included in our Fiscal 2006 10-K.

**OVERVIEW**

Our Company is a global leader in the design, marketing and distribution of premium lifestyle products including men's, women's and children's apparel, accessories, fragrances and home furnishings. Our long-standing reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. Our brand names include *Polo*, *Polo by Ralph Lauren, Ralph Lauren Purple Label, Ralph Lauren Black Label, RLX, Ralph Lauren, Blue Label, Lauren, RL, Rugby, Chaps, and Club Monaco*, among others.

We classify our businesses into three segments: Wholesale, Retail and Licensing. Our wholesale business consists of wholesale-channel sales made principally to major department and specialty stores located throughout the United States and Europe. Our retail business consists of retail-channel sales directly to consumers through full-price and factory retail stores located throughout the United States, Canada, Europe, South America and Asia, and through our jointly owned retail internet site located at www.Polo.com. In addition, our licensing business consists of royalty-based arrangements under which we license the right to third parties to use our various trademarks in connection with the manufacture and sale of designated products, such as apparel, eyewear and fragrances, in specified geographical areas for specified periods.

Our business is affected by seasonal trends, with higher levels of wholesale sales in our second and fourth quarters and higher retail sales in our second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school and holiday periods in the retail segment. Accordingly, our operating results and cash flows for the three-month and nine-month periods ended December 30, 2006 are not necessarily indicative of the results and cash flows that may be expected for Fiscal 2007 as a whole.

***Summary of Financial Performance***

*Three Months Ended December 30, 2006 Compared to Three Months Ended December 31, 2005*

During the three-month period ended December 30, 2006, we reported revenues of $1.144 billion, net income of $110.5 million and net income per diluted share of $1.03. This compares to revenues of $995.5 million, net income of $90.7 million and net income per diluted share of $0.84 during the three-month period ended December 31, 2005. Our strong operating performance for the fiscal third quarter was primarily driven by 14.9% revenue growth led by our Wholesale and Retail segments (including the effect of certain acquisitions that occurred in Fiscal 2006) and gross profit percentage expansion of 30 basis points to 53.7%. Excluding the effect of acquisitions, revenues increased by 9.6%. Operating results for Fiscal 2007 reflect a change in accounting for stock-based compensation relating to the Company's adoption of Statement of Financial Accounting Standards No. 123R, "Share-Based Payments," ("FAS 123R") as of April 2, 2006. Total stock-based compensation costs were $11.9 million on a pretax basis ($7.6 million after-tax) in the third quarter of Fiscal 2007, compared to $10.1 million on a pretax basis ($6.3 million after-tax) in the third quarter of Fiscal 2006. In turn, net income per diluted share was reduced by stock compensation costs in the amount of $0.07 per share in the third quarter of Fiscal 2007, compared to $0.06 per share in the third quarter of Fiscal 2006. Offsetting the higher stock-based compensation costs and contributing to the growth in net income and net income per diluted share in the third quarter was a net reduction of approximately $4.4 million of pretax charges related to the impairments of retail assets in Fiscal 2007 as compared to Fiscal 2006. See "*Transactions Affecting Comparability of Results of Operations and Financial Condition"* described below.

*Nine Months Ended December 30, 2006 Compared to Nine Months Ended December 31, 2005*

During the nine-month period ended December 30, 2006, we reported revenues of $3.264 billion, net income of $327.7 million and net income per diluted share of $3.04. This compares to revenues of $2.775 billion, net income of $245.6 million and net income per diluted share of $2.30 during the nine-month period ended December 31, 2005. Our strong operating performance for the nine months of the fiscal year was primarily driven by 17.6% revenue growth led by our Wholesale and Retail segments (including the effect of certain acquisitions that occurred in Fiscal 2006) and gross profit percentage expansion of 50 basis points to 54.5%. Excluding the effect of acquisitions, revenues increased by 11.9%. Total stock-based compensation costs reflecting the adoption of FAS 123R were $31.2 million on a pretax basis ($19.8 million after-tax) in the nine-month period ending December 30, 2006, compared to $21.1 million on a pretax basis ($13.2 million after-tax) in the nine-month period ending December 31, 2005. In turn, net income per diluted share was reduced by stock-based compensation costs in the amount of $0.18 per share during the nine-month period ending December 30, 2006, compared to $0.12 per share during the nine-month period ended December 31, 2005. Offsetting the higher stock-based compensation costs and contributing to the growth in net income and net income per diluted share during the nine-month period ended December 30, 2006 was a net reduction in Fiscal 2007 as compared to Fiscal 2006 of approximately $12.2 million of pretax charges related to restructurings, asset impairments and credit card contingencies. See "*Transactions Affecting Comparability of Results of Operations and Financial Condition"* described below.

See Note 11 to the accompanying unaudited consolidated financial statements for further discussion of the impact of adopting FAS 123R.

*Financial Condition and Liquidity*

Our financial position continues to reflect the strength of our business results. We ended the first nine months of Fiscal 2007 with a net cash position (total cash and cash equivalents less total debt) of $358.0 million, compared to $5.3 million at April 1, 2006. In addition, our stockholders' equity increased to $2.306 billion at December 30, 2006, compared to $2.050 billion at the end of Fiscal 2006. During the third quarter of Fiscal 2007, we successfully completed the issuance of €300 million principal amount of 4.50% notes due October 4, 2013 (the "2006 Euro Debt"). We used the net proceeds from this issuance to repay approximately €227 million principal amount of Euro debt obligations that matured on November 22, 2006 (the "1999 Euro Debt") and for general corporate and working capital purposes. Also during this quarter, we took advantage of our recent credit rating upgrades and amended our credit facility to increase our borrowing capacity, lower our financing costs and eliminate certain financial covenants (see Note 8 to the accompanying unaudited consolidated financial statements). We generated

$654.1 million of cash from operations during the nine months ended December 30, 2006, compared to $493.6 million in the comparable prior period. Our Board of Directors approved an expansion of our existing stock repurchase program to an additional $250 million of authorized repurchases as announced during the second quarter of Fiscal 2007 (see Note 10 to the accompanying unaudited consolidated financial statements). As part of this program, we purchased an additional 0.9 million shares of Class A common stock at a cost of $61.7 during the three months ended December 30, 2006.

Subsequent to the end of the quarter, in January 2007, our financial position improved further through the receipt of approximately $180 million of prepaid royalty and design-service fees from Luxottica Group, S.p.A. and affiliates ("Luxottica") in connection with the start of our new, ten-year eyewear licensing agreement with Luxottica (see Note 14 to the accompanying unaudited consolidated financial statements).

***Transactions Affecting Comparability of Results of Operations and Financial Condition***

The comparability of the Company's operating results has been affected by certain acquisitions that occurred in Fiscal 2006. In particular, the Company acquired the Polo Jeans Business on February 3, 2006 and the Footwear Business on July 15, 2005 (each as defined in Note 5 to the accompanying unaudited consolidated financial statements). In addition, as noted above, the comparability of the Company's operating results also has been affected by the change in accounting for stock-based compensation effective as of the beginning of Fiscal 2007 and by certain pretax charges related to restructurings, asset impairments and credit card contingencies. A summary of the effect of these items on pretax income for each period is presented below:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| Stock-based compensation costs (see Note 11) | $ (11.9) | $ (10.1) | $ (31.2) | $ (21.1) |
| Restructuring charges (see Note 7) | — | — | (4.0) | — |
| Impairments of retail assets | — | (4.4) | — | (9.4) |
| Credit card contingency charge (see Note 12) | — | — | — | (6.8) |
| | $ (11.9) | $ (14.5) | $ (35.2) | $ (37.3) |

The following discussion of results of operations highlights, as necessary, the significant changes in operating results arising from these items and transactions. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users individually should consider the types of events and transactions that have affected operating trends.

**RESULTS OF OPERATIONS**

***Three Months Ended December 30, 2006 Compared to Three Months Ended December 31, 2005***

The following table sets forth the amounts and the percentage relationship to net revenues of certain items in our consolidated statements of operations for the three months ended December 30, 2006 and December 31, 2005:

| | Three Months Ended | | Three Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| **Net revenues** | $ 1,143.7 | $ 995.5 | 100.0% | 100.0% |
| Cost of goods sold[a] | (529.7) | (464.0) | (46.3)% | (46.6)% |
| **Gross profit** | 614.0 | 531.5 | 53.7% | 53.4% |
| Selling, general and administrative expenses[a] | (426.8) | (381.7) | (37.3)% | (38.3)% |
| Amortization of intangible assets | (3.0) | (1.8) | (0.3)% | (0.2)% |
| Impairments of retail assets | — | (4.4) | 0.0% | (0.4)% |
| **Operating income** | 184.2 | 143.6 | 16.1% | 14.4% |
| Foreign currency gains (losses) | (1.3) | (0.6) | (0.1)% | (0.1)% |
| Interest expense | (7.1) | (3.3) | (0.6)% | (0.3)% |
| Interest income | 6.9 | 3.8 | 0.6% | 0.4% |
| Equity in income of equity-method investees | 1.4 | 1.6 | 0.1% | 0.2% |
| Minority interest expense | (3.3) | (2.0) | (0.3)% | (0.2)% |
| **Income before provision for income taxes** | 180.8 | 143.1 | 15.8% | 14.4% |
| Provision for income taxes | (70.3) | (52.4) | (6.1)% | (5.3)% |
| **Net income** | $ 110.5 | $ 90.7 | 9.7% | 9.1% |
| **Net income per share — Basic** | $ 1.06 | $ 0.87 | | |
| **Net income per share — Diluted** | $ 1.03 | $ 0.84 | | |

(a) Includes depreciation expense of $29.8 million and $34.5 million for the three-month periods ended December 30, 2006 and December 31, 2005, respectively.

*Net Revenues.* Net revenues for the third quarter of Fiscal 2007 were $1.144 billion, an increase of $148.2 million over net revenues for the third quarter of Fiscal 2006 due to a combination of organic growth and acquisitions. Wholesale revenues increased by $81.8 million primarily as a result of revenues from the newly acquired Polo Jeans Business, increased global sales in our menswear and womenswear product lines and the continued success of the Chaps for women and boys product lines launched during the first quarter of Fiscal 2007. The increase in net revenues also was driven by a $61.2 million revenue increase in our retail segment as a result of improved comparable global retail store sales, continued store expansion (including our new Tokyo flagship store) and growth in Polo.com sales. Licensing revenue increased by $5.2 million primarily due to the accelerated receipt

and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a licensing agreement. Net revenues by business segment were as follows:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| **Net revenues:** | | | | |
| Wholesale | $ 535.8 | $ 454.0 | $ 81.8 | 18.0% |
| Retail | 540.4 | 479.2 | 61.2 | 12.8% |
| Licensing | 67.5 | 62.3 | 5.2 | 8.3% |
| | $ 1,143.7 | $ 995.5 | $ 148.2 | 14.9% |

*Wholesale net sales* — the net increase primarily reflects:

- the inclusion of $57 million of revenue from the newly acquired Polo Jeans Business;
- a $20 million aggregate net increase led by our global menswear and womenswear businesses, primarily driven by growth in our Lauren product line, and the continued success from the domestic launch of our Chaps for women and boys product lines, partially offset by declines in our childrenswear and footwear product lines; and
- a $5 million increase in revenues as a result of a favorable foreign currency effect due to the strengthening of the Euro in comparison to the U.S. dollar in the current period.

*Retail net sales* — For purposes of the discussion of retail operating performance below, we refer to the measure "comparable store sales." Comparable store sales refers to the growth of sales in stores that are open for at least one full fiscal year. Sales for stores that are closing during a fiscal year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater) or closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until stores have been in their location for at least a full fiscal year. Comparable store sales information includes both Ralph Lauren stores and Club Monaco stores.

The increase in retail net sales primarily reflects:

- an aggregate $30 million increase in comparable full-price and factory store sales on a global basis. This increase was driven by a 7.2% increase in comparable full-price store sales and a 7.5% increase in comparable factory store sales. Excluding a favorable $4 million effect on revenues from foreign currency exchange rates, comparable full-price store sales increased 6.1% and comparable factory store sales increased 6.6%;
- a net increase in global store count of 2 stores compared to the prior period, to a total of 299 stores, as several new openings were offset by the closure of certain Club Monaco stores in the fourth quarter of Fiscal 2006 and the second quarter of Fiscal 2007; and
- an approximate $22 million increase in sales at Polo.com, including a $16 million seasonal effect from a change in fiscal year in the legal entity that operates Polo.com enacted in the fourth quarter of Fiscal 2006.

*Licensing revenues* — the net increase in revenue reflects:

- the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a licensing agreement;
- the loss of licensing revenues from our Polo Jeans Business now included as part of the Wholesale segment; and
- an increase in international licensing royalties, which partially offset a decline in Home licensing royalties.

The following table sets forth the operating costs and expenses included in our consolidated statement of operations for the three months ended December 30, 2006 and December 31, 2005:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| Cost of goods sold | $ (529.7) | $ (464.0) | $ (65.7) | 14.2% |
| Selling, general and administrative expenses | (426.8) | (381.7) | (45.1) | 11.8% |
| Amortization of intangible assets | (3.0) | (1.8) | (1.2) | 66.7% |
| Impairments of retail assets | — | (4.4) | 4.4 | (100.0)% |

*Cost of Goods Sold.* Cost of goods sold was $529.7 million for the three months ended December 30, 2006, compared to $464.0 million for the three months ended December 31, 2005. Expressed as a percentage of net revenues, cost of goods sold was 46.3% for the three months ended December 30, 2006, compared to 46.6% for the three months ended December 31, 2005. The net reduction in cost of goods sold as a percentage of revenues primarily reflects reduced markdown activity as a result of improved inventory management and better full-price sell-through of our products in all channels of distribution, in addition to the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a license agreement.

*Gross Profit.* Gross profit was $614.0 million for the three months ended December 30, 2006, an increase of $82.5 million, or 15.5%, compared to $531.5 million for the three months ended December 31, 2005. Gross profit as a percentage of net revenues increased to 53.7% in the third quarter of Fiscal 2007, compared to 53.4% in the third quarter of Fiscal 2006. The increase in gross profit reflected higher net sales and improved merchandise margins, generally across our wholesale product lines and retail businesses. However, the improvement in gross profit margins was partially offset by the lower gross profit performance of our newly acquired Polo Jeans business associated with the liquidation of existing inventory in anticipation of our redesign and launch of our new denim and casual sportswear product lines scheduled for spring 2007.

*Selling, General and Administrative Expenses.* SG&A expenses were $426.8 million for the three months ended December 30, 2006, an increase of $45.1 million, or 11.8%, compared to $381.7 million for the three months ended December 31, 2005. SG&A expenses as a percent of net revenues decreased to 37.3% from 38.3%. The $45.1 million net increase in SG&A expenses was primarily driven by:

- higher compensation-related expenses (excluding stock-based compensation) of approximately $18.6 million, principally relating to increased selling costs associated with higher retail sales and our ongoing worldwide retail store and product line expansion, and higher investment in infrastructure to support the ongoing growth of our businesses;
- the inclusion of SG&A costs for our newly acquired Polo Jeans Business;
- higher facilities costs to support the ongoing growth of our businesses; and
- incremental stock-based compensation expense of $1.8 million as a result of the adoption of FAS 123R as of April 2, 2006 (refer to Note 11 to the accompanying unaudited consolidated financial statements).

*Amortization of Intangible Assets.* Amortization of intangible assets increased to $3.0 million during the three months ended December 30, 2006 from $1.8 million during the three months ended December 31, 2005, primarily as a result of amortization of intangible assets related to the Polo Jeans Business acquired in February 2006.

*Impairments of Retail Assets.* A non-cash impairment charge of $4.4 million was recognized during the three months ended December 31, 2005 to reduce the carrying value of fixed assets relating to our Club Monaco brand. No impairment charges were recognized in Fiscal 2007.

*Operating Income.* Operating income increased $40.6 million, or 28.3%, for the three months ended December 30, 2006 over the three months ended December 31, 2005. Operating income for our three business segments is provided below:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| **Operating income:** | | | | |
| Wholesale | $ 91.4 | $ 82.2 | $ 9.2 | 11.2% |
| Retail | 94.9 | 63.8 | 31.1 | 48.7% |
| Licensing | 41.9 | 38.2 | 3.7 | 9.7% |
| | 228.2 | 184.2 | 44.0 | 23.9% |
| Less: | | | | |
| Unallocated corporate expenses | (44.0) | (40.6) | (3.4) | 8.4% |
| | $ 184.2 | $ 143.6 | $ 40.6 | 28.3% |

*Wholesale operating income* increased by $9.2 million primarily as a result of higher sales and improved gross margin rates in most product lines, as well as the incremental contribution from the newly acquired Polo Jeans business and new product lines. These increases were partially offset by increases in SG&A expenses and higher amortization expenses associated with intangible assets recognized in acquisitions.

*Retail operating income* increased by $31.1 million primarily as a result of increased net sales and improved gross margin rates, as well as the absence of a non-cash impairment charge of $4.4 million recognized in Fiscal 2006. These increases were partially offset by an increase in selling salaries and related costs in connection with the increase in retail sales and worldwide store expansion, including the new Tokyo flagship store.

*Licensing operating income* increased by $3.7 million primarily due to the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a license agreement, as well as an increase in international licensing royalties. These increases were partially offset by the loss of royalty income formerly collected in connection with the Polo Jeans Business, which has now been acquired and a decline in Home licensing royalties.

*Unallocated corporate expenses* increased by $3.4 million due to increases in compensation-related and facilities costs to support the ongoing growth of our businesses. The increase in compensation-related costs included higher stock-based compensation expenses due to the adoption of FAS 123R.

The following table sets forth the non-operating income and expenses included in our consolidated statement of operations for the three months ended December 30, 2006 and December 31, 2005:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| Foreign currency gains (losses) | $ (1.3) | $ (0.6) | $ (0.7) | 116.7% |
| Interest expense | (7.1) | (3.3) | (3.8) | 115.2% |
| Interest income | 6.9 | 3.8 | 3.1 | 81.6% |
| Equity in income of equity-method investees | 1.4 | 1.6 | (0.2) | (12.5)% |
| Minority interest expense | (3.3) | (2.0) | (1.3) | 65.0% |

*Foreign Currency Gains (Losses).* The effect of foreign currency exchange rate fluctuations resulted in a loss of $1.3 million during the three months ended December 30, 2006, compared to a loss of $0.6 million in the comparable prior period. The increase in foreign currency losses for the three months ended December 30, 2006 is the result of unsettled intercompany receivables and payables that were not of a long-term investment nature and were affected by the strengthening of the Euro during the period. Foreign currency gains and losses are unrelated to

the impact of changes in the value of the U.S. dollar when operating results of our foreign subsidiaries are translated to U.S. dollars at period-ends.

*Interest Expense.* Interest expense increased to $7.1 million during the three months ended December 30, 2006, compared to $3.3 million in the comparable prior period. The increase is primarily due to overlapping interest on debt during the period between the issuance of the 2006 Euro Debt and the repayment of the 1999 Euro Debt.

*Interest Income.* Interest income increased to $6.9 million during the three months ended December 30, 2006, compared to $3.8 million in the comparable prior period. This increase is due largely to higher balances of our invested excess cash.

*Equity in Income of Equity-Method Investees.* Equity in the income of equity-method investees was $1.4 million during the three months ended December 30, 2006, compared to $1.6 million in the comparable prior period. This income relates to our 20% investment in Impact 21, a company that holds the sublicenses with PRL Japan for our men's, women's and jeans businesses in Japan ("Impact 21"). There were no significant fluctuations in equity income of equity-method investees.

*Minority Interest Expense.* Minority interest expense increased to $3.3 million during the three months ended December 30, 2006, compared to $2.0 million in the comparable prior period. The net increase is primarily related to the improved operating performance of RL Media and the associated allocation of income to the minority partners.

*Provision for Income Taxes.* The provision for income taxes increased to $70.3 million during the three months ended December 30, 2006, compared to $52.4 million in the comparable prior period. This is a result of the increase in pretax income, as well as an increase in our reported effective tax rate to 38.9% during the third quarter of Fiscal 2007 from 36.6% during the comparable prior period. The change in the reported effective tax rate for the three months ended December 30, 2006 compared to the comparable prior period is principally due to tax reserve adjustments associated with anticipated disallowed expense deductions in certain foreign jurisdictions. In addition, in accordance with APB No. 28, "Interim Financial Reporting," the rate differential for the quarter also resulted from the required changes to the quarterly tax provision associated with the Company's ongoing refinement of its best estimate of the effective tax rate expected for the full fiscal year.

*Net Income.* Net income increased to $110.5 million during the three months ended December 30, 2006, compared to $90.7 million during the three months ended December 31, 2005. The $19.8 million increase in net income, or 21.8%, principally related to the $40.6 million increase in operating income, as previously discussed, offset in part by higher income taxes of $17.9 million.

*Net Income Per Diluted Share.* Net income per diluted share increased to $1.03 during the three months ended December 30, 2006, compared to $0.84 during the three months ended December 31, 2005. The increase in diluted per share results was primarily due to the higher level of net income associated with our underlying operating performance.

*Nine Months Ended December 30, 2006 Compared to Nine Months Ended December 31, 2005*

The following table sets forth the amounts and the percentage relationship to net revenues of certain items in our consolidated statements of operations for the nine months ended December 30, 2006 and December 31, 2005:

| | Nine Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | December 30, 2006 | December 31, 2005 |
| | (millions) | | | |
| **Net revenues** | $ 3,264.1 | $ 2,774.8 | 100.0% | 100.0% |
| Cost of goods sold[a] | (1,486.0) | (1,277.4) | (45.5)% | (46.0)% |
| **Gross profit** | 1,778.1 | 1,497.4 | 54.5% | 54.0% |
| Selling, general and administrative expenses[a] | (1,229.2) | (1,082.9) | (37.7)% | (39.0)% |
| Amortization of intangible assets | (12.4) | (4.3) | (0.4)% | (0.2)% |
| Impairments of retail assets | — | (9.4) | 0.0% | (0.3)% |
| Restructuring charges | (4.0) | — | (0.1)% | 0.0% |
| **Operating income** | 532.5 | 400.8 | 16.3% | 14.4% |
| Foreign currency gains (losses) | (1.2) | (6.6) | (0.0)% | (0.2)% |
| Interest expense | (16.0) | (8.6) | (0.5)% | (0.3)% |
| Interest income | 15.4 | 9.6 | 0.5% | 0.3% |
| Equity in income of equity-method investees | 3.1 | 4.6 | 0.1% | 0.2% |
| Minority interest expense | (10.9) | (7.3) | (0.3)% | (0.3)% |
| **Income before provision for income taxes** | 522.9 | 392.5 | 16.0% | 14.1% |
| Provision for income taxes | (195.2) | (146.9) | (6.0)% | (5.3)% |
| **Net income** | $ 327.7 | $ 245.6 | 10.0% | 8.9% |
| **Net income per share — Basic** | $ 3.13 | $ 2.36 | | |
| **Net income per share — Diluted** | $ 3.04 | $ 2.30 | | |

[a] Includes depreciation expense of $91.8 million and $90.2 million for the nine-month periods ended December 30, 2006 and December 31, 2005, respectively.

*Net Revenues.* Net revenues for the nine months ended December 30, 2006 were $3.264 billion, an increase of $489.3 million over net revenues for the nine months ended December 31, 2005 due to a combination of organic growth and acquisitions. Wholesale revenues increased by $318.3 million, primarily as a result of revenues from the newly acquired Polo Jeans and Footwear Businesses, the successful launch of the Chaps for women and boys product lines, and increased sales in our global menswear and womenswear product lines. The increase in net revenues also was driven by a $173.2 million revenue increase in our retail segment as a result of improved comparable global retail store sales, continued store expansion (including our new Tokyo flagship store) and growth in Polo.com sales. Licensing revenue decreased by $2.2 million primarily as a result of the loss of Polo Jeans and

Footwear Business product licensing revenue (now included as part of the Wholesale segment). Net revenues by business segment were as follows:

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | | (millions) | | |
| **Net revenues:** | | | | |
| Wholesale | $ 1,687.0 | $ 1,368.7 | $ 318.3 | 23.3% |
| Retail | 1,397.0 | 1,223.8 | 173.2 | 14.2% |
| Licensing | 180.1 | 182.3 | (2.2) | (1.2)% |
| | $ 3,264.1 | $ 2,774.8 | $ 489.3 | 17.6% |

*Wholesale net sales* — the net increase primarily reflects:

- the inclusion of $174 million of revenues from our newly acquired Footwear and Polo Jeans Business;
- a $131 million aggregate net increase in our global menswear, womenswear and childrenswear businesses, primarily driven by strong growth in our Lauren product line, increased full-price sell-through performance in our menswear business and the effects from the successful domestic launch of our Chaps for women and boys product lines; and
- a $13 million increase in revenues due to a favorable foreign currency effect, primarily related to the strengthening of the Euro in comparison to the U.S. dollar in Fiscal 2007.

*Retail net sales* — the net increase primarily reflects:

- an aggregate $85 million increase in comparable full-price and factory store sales on a global basis. This increase was driven by a 7.8% increase in comparable full-price store sales and an 8.0% increase in comparable factory store sales. Excluding a net favorable $5 million effect on revenues from foreign currency exchange rates, comparable full-price and factory store sales increased 7.4% and 7.7%, respectively;
- an average net increase in store count of 5 stores compared to the prior period, to a total of 299 stores, as several new openings were offset by the closure of certain Club Monaco stores in the fourth quarter of Fiscal 2006 and the second quarter of Fiscal 2007; and
- a $38 million increase in sales at Polo.com, including a $18 million seasonal effect from a change in fiscal year in the legal entity that operates Polo.com enacted in the fourth quarter of Fiscal 2006.

*Licensing revenue* — the net decrease primarily reflects:

- the loss of licensing revenues from our Polo Jeans Business and Footwear Business now included as part of the Wholesale segment; and
- a decline in Home licensing royalties, partially offset by an increase in international licensing royalties and the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a license agreement.

The following table sets forth the operating costs and expenses included in our consolidated statement of operations for the nine months ended December 30, 2006 and December 31, 2005:

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| Cost of goods sold | $ (1,486.0) | $ (1,277.4) | $ (208.6) | 16.3% |
| Selling, general and administrative expenses | (1,229.2) | (1,082.9) | (146.3) | 13.5% |
| Amortization of intangible assets | (12.4) | (4.3) | (8.1) | 188.4% |
| Impairments of retail assets | — | (9.4) | 9.4 | (100.0)% |
| Restructuring charges | (4.0) | — | (4.0) | NM |

NM - Not Meaningful

*Cost of Goods Sold.* Cost of goods sold was $1.486 billion for the nine months ended December 30, 2006, compared to $1.277 billion for the nine months ended December 31, 2005. Expressed as a percentage of net revenues, cost of goods sold was 45.5% for the nine months ended December 30, 2006, compared to 46.0% for the nine months ended December 31, 2005. The net reduction in cost of goods sold as a percentage of revenues primarily reflects the ongoing focus on inventory management, sourcing efficiencies, reduced markdown activity as a result of better full-price sell-through of our products, and the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a license agreement.

*Gross Profit.* Gross profit was $1.778 billion for the nine months ended December 30, 2006, an increase of approximately $281.0 million, or 18.8%, compared to $1.497 billion for the nine months ended December 31, 2005. Gross profit as a percentage of net revenues increased to 54.5%, compared to 54.0% in the comparable period of the prior year. The increase in gross profit reflected higher net sales and improved merchandise margins, generally across our wholesale product lines and retail businesses. However, the improvement in gross profit margins was partially offset by the lower gross profit performance of our newly acquired Polo Jeans business associated with the liquidation of existing inventory in anticipation of our redesign and launch of our new denim and casual sportswear product lines scheduled for spring 2007.

*Selling, General and Administrative Expenses.* SG&A expenses were $1.229 billion for the nine months ended December 30, 2006, an increase of $146.3 million, or 13.5%, compared to $1.083 billion for the nine months ended December 31, 2005. SG&A expenses as a percent of net revenues decreased to 37.7% from 39.0%. The $146.3 million net increase in SG&A expenses was primarily driven by:

- higher compensation-related expenses (excluding stock-based compensation) of approximately $58.0 million, principally relating to increased selling costs associated with higher retail sales and our ongoing worldwide retail store and product line expansion, and higher investment in infrastructure to support the ongoing growth of our businesses;
- the inclusion of SG&A costs for our newly acquired Footwear and Polo Jeans Businesses;
- higher brand-related marketing and facilities costs to support the ongoing growth of our businesses;
- incremental stock-based compensation expense of $10.1 million as a result of the adoption of FAS 123R as of April 2, 2006 (refer to Note 11 to the accompanying unaudited consolidated financial statements); and
- a reduction in costs of $6.8 million due to the absence of the credit card contingency charge recognized in Fiscal 2006.

*Amortization of Intangible Assets.* Amortization of intangible assets increased to $12.4 million during the nine months ended December 30, 2006 from $4.3 million during the nine months ended December 31, 2005 as a result of amortization of intangible assets related to the Polo Jeans Business acquired in February 2006 and the Footwear Business acquired in July 2005.

*Impairments of Retail Assets.* A non-cash impairment charge of $9.4 million was recognized during the nine months ended December 31, 2005 to reduce the carrying value of fixed assets largely relating to our Club Monaco brand. No impairment charges were recognized in Fiscal 2007.

*Restructuring Charges.* Restructuring charges of $4.0 million were recognized during the nine months ended December 30, 2006, principally associated with the Club Monaco Restructuring Plan. No restructuring charges were recognized during the comparable period in Fiscal 2006.

*Operating Income.* Operating income increased $131.7 million, or 32.9%, for the nine months ended December 30, 2006 over the nine months ended December 31, 2005. Operating income for our three business segments is provided below:

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | | (millions) | | |
| **Operating income:** | | | | |
| Wholesale | $ 339.0 | $ 271.6 | $ 67.4 | 24.8% |
| Retail | 226.3 | 138.8 | 87.5 | 63.0% |
| Licensing | 105.8 | 113.6 | (7.8) | (6.9)% |
| | 671.1 | 524.0 | 147.1 | 28.1% |
| Less: | | | | |
| Unallocated corporate expenses | (134.6) | (123.2) | (11.4) | 9.3% |
| Unallocated restructuring charges | (4.0) | — | (4.0) | NM |
| | $ 532.5 | $ 400.8 | $ 131.7 | 32.9% |

NM - Not Meaningful

*Wholesale operating income* increased by $67.4 million primarily as a result of higher sales and improved gross margin rates in most product lines, as well as the incremental contribution from the newly acquired Polo Jeans business and new product lines. These increases were partially offset by increases in SG&A expenses and higher amortization expenses associated with intangible assets recognized in acquisitions.

*Retail operating income* increased by $87.5 million primarily as a result of increased net sales and improved gross margin rates, as well as the absence of a non-cash impairment charge of $9.4 million recognized in Fiscal 2006. These increases were partially offset by an increase in selling salaries and related costs in connection with the increase in retail sales and worldwide store expansion, including the new Tokyo flagship store.

*Licensing operating income* decreased by $7.8 million primarily due to the loss of royalty income formerly collected in connection with the Footwear and Polo Jeans Businesses, which have now been acquired. The decline in Home licensing royalties also contributed to the decrease, partially offset by the accelerated receipt and recognition of approximately $8 million of minimum royalty and design-service fees in connection with the termination of a license agreement as well as an increase in international licensing royalties.

*Unallocated corporate expenses* increased by $11.4 million primarily as a result of increases in brand-related marketing, payroll-related and facilities costs to support the ongoing growth of our businesses. The increase in compensation-related costs includes higher stock-based compensation expense due to the adoption of FAS 123R. Such increases were partially offset by the absence of a $6.8 million charge recognized in Fiscal 2006 to increase our reserve against the financial exposure associated with the credit card contingency.

*Unallocated restructuring charges.* Unallocated restructuring charges were $4.0 million during the nine months ended December 30, 2006, principally associated with the Club Monaco Restructuring Plan (as defined in Note 7 to the accompanying unaudited consolidated financial statements). There were no restructuring charges recognized in the comparable period of Fiscal 2006.

The following table sets forth the non-operating income and expenses included in our consolidated statement of operations for the nine months ended December 30, 2006 and December 31, 2005:

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | December 30, 2006 | December 31, 2005 | Increase/ (Decrease) | % Change |
| | (millions) | | | |
| Foreign currency gains (losses) | $ (1.2) | $ (6.6) | $ 5.4 | (81.8)% |
| Interest expense | (16.0) | (8.6) | (7.4) | 86.0% |
| Interest income | 15.4 | 9.6 | 5.8 | 60.4% |
| Equity in income of equity-method investees | 3.1 | 4.6 | (1.5) | (32.6)% |
| Minority interest expense | (10.9) | (7.3) | (3.6) | 49.3% |

*Foreign Currency Gains (Losses).* The effect of foreign currency exchange rate fluctuations resulted in a loss of $1.2 million during the nine months ended December 30, 2006, compared to a loss of $6.6 million in the comparable prior period. The decrease in foreign currency losses compared to the prior period is due to the timing of the settlement of intercompany receivables and payables (that were not of a long-term investment nature) between certain of our international and domestic subsidiaries. Foreign currency gains and losses are unrelated to the impact of changes in the value of the U.S. dollar when operating results of our foreign subsidiaries are translated to U.S. dollars.

*Interest Expense.* Interest expense increased to $16.0 million during the nine months ended December 30, 2006, compared to $8.6 million in the comparable prior period. (The increase is primarily due to interest on additional capitalized lease obligations compared to the prior period, overlapping interest on debt during the period between the issuance of the 2006 Euro Debt and the repayment of the 1999 Euro Debt and higher effective interest rates.

*Interest Income.* Interest income increased to $15.4 million during the nine months ended December 30, 2006, compared to $9.6 million in the comparable prior period. This increase is due largely to higher interest rates and balances on our invested excess cash.

*Equity in Income of Equity-Method Investees.* Equity in the income of equity-method investees was $3.1 million during the nine months ended December 30, 2006, compared to $4.6 million in the comparable prior period. The decrease related to lower income from our 20% investment in Impact 21.

*Minority Interest Expense.* Minority interest expense increased to $10.9 million during the nine months ended December 30, 2006, compared to $7.3 million in the comparable prior period. The net increase is primarily related to the improved operating performance of RL Media compared to the prior period and the associated allocation of income to the minority partners.

*Provision for Income Taxes.* The provision for income taxes increased to $195.2 million during the nine months ended December 30, 2006, compared to $146.9 million in the comparable prior period. This is a result of the increase in pretax income partially offset by a slight decrease in our reported effective tax rate to 37.3% during the third quarter of Fiscal 2007 from 37.4% during the comparable prior period.

*Net Income.* Net income increased to $327.7 million for the nine months ended December 30, 2006, compared to $245.6 million for the nine months ended December 31, 2005. The $82.1 million increase in net income, or 33.4%, principally related to our $131.7 million increase in operating income, as previously discussed, offset in part by higher income taxes of $48.3 million.

*Net Income Per Diluted Share.* Net income per diluted share increased to $3.04 per share for the nine months ended December 30, 2006, compared to $2.30 per share for the nine months ended December 31, 2005. The increase in diluted per share results was primarily due to the higher level of net income associated with our underlying operating performance, partially offset by higher weighted-average diluted shares outstanding.

**FINANCIAL CONDITION AND LIQUIDITY**

***Financial Condition***

At December 30, 2006, we had $751.8 million of cash and cash equivalents, $393.8 million of debt (net cash of $358.0 million, defined as total cash and cash equivalents less total debt) and $2.306 billion of stockholders' equity. This compares to $285.7 million of cash and cash equivalents, $280.4 million of debt (net cash of $5.3 million) and $2.050 billion of stockholders' equity at April 1, 2006.

The increase in our net cash position principally relates to our growth in operating cash flows and the excess proceeds raised through the third-quarter refinancing of the Company's Euro debt, partially offset by the use of cash to repurchase shares of common stock in connection with the Company's common stock repurchase program. The increase in stockholders' equity principally relates to the Company's strong earnings growth during the first nine months of Fiscal 2007, offset in part by the effects from its common stock repurchase program.

***Cash Flows***

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities increased to $654.1 million during the nine-month period ended December 30, 2006, compared to $493.6 million for the nine-month period ended December 31, 2005. This $160.5 million increase in operating cash flow was driven primarily by the increase in net income, as well as a decrease in working capital. On a comparative basis, operating cash flows were reduced by approximately $30.0 million as a result of a change in the reporting of excess tax benefits from stock-based compensation arrangements. That is, prior to the adoption of FAS 123R, benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. FAS 123R requires excess tax benefits to be reported as a financing cash inflow rather than in operating cash flows as a reduction of taxes paid.

*Net Cash Used in Investing Activities.* Net cash used in investing activities was $157.7 million for the nine months ended December 30, 2006, as compared to $211.6 million for the nine months ended December 31, 2005. Acquisition spending decreased by $112.7 million primarily as a result of the acquisition of the Footwear Business, which closed in Fiscal 2006. Net cash used in investing activities for Fiscal 2007 included $52.4 million of restricted cash placed in escrow in connection with the French income tax audit matter described in Note 12 to the accompanying unaudited consolidated financial statements. Net cash used in investing activities also included $104.0 million relating to capital expenditures, as compared to $97.6 million in the comparable period in Fiscal 2006.

*Net Cash Used in/Provided by Financing Activities.* Net cash used in financing activities was $40.3 million for the nine months ended December 30, 2006, compared to net cash provided by financing activities of $25.0 million in the nine months ended December 31, 2005. The increase in net cash used in financing activities during the nine months ended December 30, 2006 principally related to the repayment of approximately €227 million principal amount ($291.6 million) of our 1999 Euro Debt and the repurchase of approximately 3 million shares of Class A common stock pursuant to the Company's common stock repurchase program at a cost of $180.5 million. Partially offsetting the increase was the receipt of proceeds from the issuance of €300 million principal amount ($380.0 million) of 2006 Euro Debt. This increase was offset by the receipt of $48.2 million from the exercise of stock options, as compared to $44.9 million for the nine months ended December 31, 2005, and the change in the reporting of excess tax benefits from stock-based compensation arrangements of approximately $30.0 million.

***Liquidity***

The Company's primary sources of liquidity are the cash flow generated from its operations, which includes the approximate $180 million of net proceeds received subsequent to the end of the third quarter in January 2007 under a new eyewear licensing agreement with Luxottica (see Note 14 to the accompanying unaudited consolidated financial statements), $450 million of availability under its credit facility, available cash and equivalents and other potential sources of financial capacity relating to its under-leveraged capital structure. These sources of liquidity are needed to fund the Company's ongoing cash requirements, including working capital requirements, retail store

expansion, construction and renovation of shop-in-shops, investment in technological infrastructure, acquisitions, dividends, debt repayment, stock repurchases and other corporate activities. Management believes that the Company's existing resources of cash will be sufficient to support its operating and capital requirements for the foreseeable future.

As discussed below under the section entitled "Debt and Covenant Compliance," the Company had no borrowings under its credit facility as of December 30, 2006. However, the Company may elect to draw on its credit facility or other potential sources of financing for, among other things, a material acquisition, settlement of a material contingency or a material adverse business development. Also, as discussed below, in October 2006, the Company completed the issuance of €300 million principal amount of 2006 Euro Debt. The Company used the net proceeds from the financing to repay approximately €227 principal amount of its 1999 Euro Debt. The balance of such proceeds will be used for general corporate and working capital purposes. The Company also amended its Credit Facility in November 2006, which extended the term to 2011, as a result of recent upgrades in the Company's credit ratings from Standard & Poors (to BBB+) and Moody's (to Baa1). See "Revolving Credit Facility" described below.

***Common Stock Repurchase Program***

In August 2006, the Company's Board of Directors approved an expansion of the Company's common stock repurchase program that allows the Company to repurchase, at its discretion from time to time, up to an additional $250 million of Class A common stock. Share repurchases are subject to overall business and market conditions. Share repurchases under both this expanded program and the pre-existing program for the nine months ended December 30, 2006 amounted to 3.1 million shares of Class A common stock at a cost of $191.3 million, including $10.8 million (0.1 million shares) that was traded prior to the end of the period for which settlement occurred in January 2007. The remaining availability under the current common stock repurchase program was $158.3 million as of December 30, 2006.

In February 2007, the Company's Board of Directors approved a further expansion of this repurchase program for an additional $250 million.

***Dividends***

The Company intends to continue to pay regular quarterly dividends on its outstanding common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's results of operations, cash requirements, financial condition and other factors that the Board of Directors may deem relevant.

The Company declared a quarterly dividend of $0.05 per outstanding share in the third quarter of both Fiscal 2007 and Fiscal 2006. The aggregate amount of dividend payments during the nine months ended December 30, 2006 and December 31, 2005 was $15.7 million for both periods.

***Debt and Covenant Compliance***

*Euro Debt*

The Company had outstanding approximately €227 million principal amount of 6.125% notes that were due on November 22, 2006, from an original issuance of €275 million in 1999 (the "1999 Euro Debt"). On October 5, 2006, the Company completed a new issuance of €300 million principal amount of 4.50% notes due October 4, 2013 (the "2006 Euro Debt"). The Company used a portion of the net proceeds from the financing of approximately $380 million (based on the exchange rate in effect upon issuance) to repay the remaining 1999 Euro Debt at par on its maturity date. The balance of such net proceeds will be used for general corporate and working capital purposes. The Company has the option to redeem all of the 2006 Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the 2006 Euro Debt at any time at par plus accrued interest, in the event of certain developments involving United States tax law. Partial redemption of the 2006 Euro Debt is not permitted in either instance. In the event of a change of control of the Company, each holder of the 2006 Euro Debt has the option to require the Company to redeem the 2006 Euro Debt at its principal amount plus accrued interest.

As of December 30, 2006, the carrying value of the 2006 Euro Debt was $393.8 million.

*Revolving Credit Facility*

The Company has a credit facility, which was amended on November 28, 2006, (the "Credit Facility") that provides for a $450 million unsecured revolving line of credit. The Credit Facility also is used to support the issuance of letters of credit. As of December 30, 2006, there were no borrowings outstanding under the Credit Facility, but the Company was contingently liable for $36.8 million of outstanding letters of credit (primarily relating to inventory purchase commitments).

The Company amended certain terms of its Credit Facility as a result of recent upgrades in the Company's credit ratings from Standard & Poors and Moody's. Key changes under the amendment include:

- An increase in the ability of the Company to expand its additional borrowing availability from $525 million to $600 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments;
- An extension of the term of the Credit Facility to November 2011 from October 2009;
- A reduction in the margin over LIBOR paid by the Company on amounts drawn under the Credit Facility to 35 basis points from 50 basis points;
- A reduction in the commitment fee for the unutilized portion of the Credit Facility to 8 basis points from 12.5 basis points; and
- The elimination of the coverage ratio financial covenant.

There are no mandatory reductions in borrowing availability throughout the term of the Credit Facility.

Borrowings under the Credit Facility bear interest, at the Company's option, either at (a) a base rate determined by reference to the higher of (i) the prime commercial lending rate of JP Morgan Chase Bank, N.A. in effect from time to time and (ii) the weighted-average overnight Federal funds rate (as published by the Federal Reserve Bank of New York) plus 50 basis points or (b) a LIBOR rate in effect from time to time, as adjusted for the Federal Reserve Board's Euro currency liabilities maximum reserve percentage plus a margin defined in the Credit Facility ("the applicable margin"). The applicable margin of 35 basis points is subject to adjustment based on the Company's credit ratings.

In addition to paying interest on any outstanding borrowings under the Credit Facility, the Company is required to pay a commitment fee to the lenders under the Credit Facility in respect of the unutilized commitments. The commitment fee rate of 8 basis points under the terms of the Credit Facility also is subject to adjustment based on the Company's credit ratings.

The Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Credit Facility requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio"), as such terms are defined in the Credit Facility. As of December 30, 2006, no Default or Event of Default (as such terms are defined pursuant to the Credit Facility) has occurred under the Company's Credit Facility.

Upon the occurrence of an Event of Default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility, and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal and interest payments or to satisfy the covenants, including the financial covenant described above. Additionally, the Credit Facility provides that an event of default will occur if Mr. Ralph Lauren, the Company's Chairman and Chief Executive Officer, and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

***Contingencies***

Refer to Note 12 to the accompanying unaudited consolidated financial statements for a description of the Company's contingencies.

**MARKET RISK MANAGEMENT**

As discussed in Note 14 to our audited consolidated financial statements included in our Fiscal 2006 10-K and Note 9 to the accompanying unaudited consolidated financial statements, the Company is exposed to market risk arising from changes in market rates and prices, particularly movements in foreign currency exchange rates and interest rates. The Company manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments, consisting of interest rate swap agreements and foreign exchange forward contracts.

During the first six months of Fiscal 2007, the Company entered into three forward-starting interest rate swap contracts aggregating €200 million notional amount of indebtedness in anticipation of the Company's proposed refinancing of the 1999 Euro Debt which was completed in October 2006. The Company designated these agreements as a cash flow hedge of a forecasted transaction to issue new debt in connection with the planned refinancing of its 1999 Euro Debt. The interest rate swaps hedged a total of €200.0 million, a portion of the underlying interest rate exposure on the anticipated refinancing. Under the terms of the three interest swap contracts, the Company paid a weighted-average fixed rate of interest of 4.1% and received variable interest based upon six-month EURIBOR. The Company terminated the swaps on September 28, 2006 which was the date the interest rate for the 2006 Euro Debt was determined. As a result, the Company made a payment of approximately €3.5 million ($4.4 million based on the exchange rate in effect on that date) in settlement of the swaps. An amount of $0.2 million was recognized as a loss for the three months ending September 30, 2006 due to the partial ineffectiveness of the cash flow hedge as a result of the forecasted transaction closing on October 5, 2006 instead of November 22, 2006 (the maturity date of the 1999 Euro Debt). The remaining loss of $4.2 million has been deferred as a component of comprehensive income within stockholders' equity and is being recognized in income as an adjustment to interest expense over the seven-year term of the 2006 Euro Debt.

As of December 30, 2006, other than the aforementioned forward-starting interest rate swap contracts which were terminated on September 28, 2006, there have been no other significant changes in our interest rate and foreign currency exposures, changes in the types of derivative instruments used to hedge those exposures, or significant changes in underlying market conditions since the end of Fiscal 2006.

**CRITICAL ACCOUNTING POLICIES**

Our significant accounting policies are described in Notes 3 and 4 to our audited consolidated financial statements included in our Fiscal 2006 10-K. The SEC's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to the Company's financial condition and results of operations and requires significant judgment and estimates on the part of management in its application. For a complete discussion of the Company's critical accounting policies, see page 43 in the Company's Fiscal 2006 10-K. The following discussion only is intended to update the Company's critical accounting policies for any changes in policy implemented during Fiscal 2007.

Effective April 2, 2006, the Company adopted Statement of Financial Accounting Standards No. FAS 123R, "Share-Based Payments" ("FAS 123R"), using the modified prospective application transition method. Under this transition method, the compensation expense recognized in the consolidated statement of operations beginning April 2, 2006 includes compensation expense for (a) all stock-based payments granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("FAS 123"), and (b) all stock-based payments granted subsequent to April 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of FAS 123R.

Prior to April 2, 2006, the Company accounted for stock-based compensation plans under the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25"), and adopted the disclosure-only provisions of FAS 123. Under this standard, the Company did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price at the date of grant. However, as required, the Company disclosed, in the notes to the consolidated financial statements, the pro forma expense impact of the stock option grants as if the fair-value-based recognition provisions of FAS 123 were applied. Compensation expense was previously recognized for restricted stock and restricted stock units. The effect of forfeitures on restricted stock and restricted stock units was recognized when such forfeitures occurred.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of subjective assumptions. The fair values of shares of restricted stock and restricted stock units are based on the fair value of unrestricted Class A common stock, as adjusted to reflect the absence of dividends for those restricted securities that are not entitled to dividend equivalents. Compensation expense for performance-based restricted stock units is recognized over the service period when attainment of the performance goals is probable.

Determining the fair value of stock-based compensation at the date of grant requires judgment, including estimates of the expected term, expected volatility and dividend yield. In addition, judgment is also required in estimating the number of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted.

Other than the accounting for stock-based compensation, there have been no other significant changes in the application of the Company's critical accounting policies since April 1, 2006.

*Recent Accounting Standards*

Refer to Note 4 to the accompanying unaudited consolidated financial statements for a description of certain accounting standards the Company is not yet required to adopt which may impact its results of operations and/or financial condition in future reporting periods.

**Item 3.** ***Quantitative and Qualitative Disclosures About Market Risk.***

For a discussion of the Company's exposure to market risk, see "Market Risk Management" in MD&A presented elsewhere herein.

**Item 4.** ***Controls and Procedures.***

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As of December 30, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to the Securities and Exchange Act Rule 13(a)-15(b). Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 30, 2006 due to the material weakness in our internal control over financial reporting with respect to income taxes identified during the Company's assessment of internal control over financial reporting as of April 1, 2006 and reported in our Fiscal 2006 10-K. We continue our efforts to remediate this material weakness through ongoing process improvements and the implementation of enhanced policies and controls over tax accounting in Fiscal 2007, and such remediation will continue during the remaining part of Fiscal 2007. Accordingly, this material weakness is not yet remediated. No material weaknesses will be considered

remediated until the remediated procedures have operated for an appropriate period and have been tested, and management has concluded that they are operating effectively.

To compensate for this material weaknesses, the Company performed additional analysis and other procedures in order to prepare the unaudited quarterly consolidated financial statements in accordance with generally accepted accounting principles in the United States of America. Accordingly, management believes that the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

Except for our ongoing remediation efforts over income tax accounting, there were no changes during the quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

**Item 1.** ***Legal Proceedings.***

Reference is made to the information disclosed under Item 3 — "LEGAL PROCEEDINGS" in our Fiscal 2006 10-K, as updated by the information disclosed under Part II, Item I — "Legal Proceedings" in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006. The following is a summary of recent litigation developments.

On August 19, 2005, Wathne Imports, Ltd., our domestic licensee for luggage and handbags ("Wathne"), filed a complaint in the U.S. District Court for the Southern District of New York against us and Ralph Lauren, our Chairman and Chief Executive Officer, asserting, among other things, Federal trademark law violations, breach of contract, breach of obligations of good faith and fair dealing, fraud and negligent misrepresentation. The complaint sought, among other relief, injunctive relief, compensatory damages in excess of $250 million and punitive damages of not less than $750 million. On September 13, 2005, Wathne withdrew this complaint from the U.S. District Court and filed a complaint in the Supreme Court of the State of New York, New York County, making substantially the same allegations and claims (excluding the Federal trademark claims), and seeking similar relief. On February 1, 2006, the Court granted our motion to dismiss all of the causes of action, including the cause of action against Mr. Lauren, except for the breach of contract claims, and denied Wathne's motion for a preliminary injunction against our production and sale of men's and women's handbags. On May 16, 2006, a discovery schedule running through November 2006 was established for this case. Depositions commenced in this case in October 2006 and are expected to take place through February 2007. On October 31, 2006, the court denied Wathne's motion for a preliminary injunction which sought to bar the Company's Rugby stores from selling certain bags and to prevent the Company from using certain gift bags that were furnished to customers who made purchases at the Company's United States Tennis Open temporary store. A trial date is not yet set for this lawsuit but the Company does not currently anticipate that this trial will occur prior to the fall of 2007. We believe this suit to be without merit and will continue to contest it vigorously.

On October 1, 1999, we filed a lawsuit against the United States Polo Association Inc., Jordache, Ltd. and certain other entities affiliated with them, alleging that the defendants were infringing on our trademarks. In connection with this lawsuit, on July 19, 2001, the United States Polo Association and Jordache filed a lawsuit against us in the United States District Court for the Southern District of New York. This suit, which was effectively a counterclaim by them in connection with the original trademark action, asserted claims related to our actions in our pursuit of claims against the United States Polo Association and Jordache for trademark infringement and other unlawful conduct. Their claims stemmed from our contacts with the United States Polo Association's and Jordache's retailers in which we informed these retailers of our position in the original trademark action. All claims and counterclaims, except for our claims that the defendants violated the Company's trademark rights, were settled in September 2003. We did not pay any damages in this settlement.

On July 30, 2004, the Court denied all motions for summary judgment, and trial began on October 3, 2005 with respect to four "double horseman" symbols that the defendants sought to use. On October 20, 2005, the jury rendered a verdict, finding that one of the defendants' marks violated our world famous Polo Player Symbol trademark and enjoining its further use, but allowing the defendants to use the remaining three marks. On November 16, 2005, we filed a motion before the trial court to overturn the jury's decision and hold a new trial with respect to the three marks that the jury found not to be infringing. The USPA and Jordache opposed our motion, but did not move to overturn the jury's decision that the fourth double horseman logo did infringe on our trademarks. On July 7, 2006, the judge denied our motion to overturn the jury's decision. On August 4, 2006, the Company filed an appeal of the judge's decision to deny the Company's motion for a new trial to the United States Court of Appeals for the Second Circuit. The Company is awaiting a decision from the Court with respect to this appeal.

On September 18, 2002, an employee at one of the Company's stores filed a lawsuit against us in the United States District Court for the District of Northern California alleging violations of California antitrust and labor laws. The plaintiff purported to represent a class of employees who had allegedly been injured by a requirement that certain retail employees purchase and wear Company apparel as a condition of their employment. The complaint, as amended, seeks an unspecified amount of actual and punitive damages, disgorgement of profits and injunctive and

declaratory relief. The Company answered the amended complaint on November 4, 2002. A hearing on cross motions for summary judgment on the issue of whether the Company's policies violated California law occurred on August 14, 2003. The Court granted partial summary judgment with respect to certain of the plaintiff's claims, but concluded that more discovery was necessary before it could decide the key issue as to whether the Company had maintained for a period of time a dress code policy that violated California law. On January 12, 2006, a proposed settlement of the purported class action was submitted to the court for approval. A hearing on the settlement was held before the Court on June 29, 2006. On October 26, 2006, the Court granted preliminary approval of the settlement and agreed to begin the process of sending out claim forms to members of the class. The proposed settlement cost of $1.5 million does not exceed the reserve for this matter that we established in Fiscal 2005.

We are otherwise involved from time to time in legal claims involving trademark and intellectual property, licensing, employee relations and other matters incidental to our business. We believe that the resolution of these other matters currently pending will not individually or in aggregate have a material adverse effect on our financial condition or results of operations.

**Item 1A.** ***Risk Factors.***

Our Fiscal 2006 10-K contains a detailed discussion of certain risk factors that could materially adversely affect our business, our operating results, or our financial condition. There are no material changes to the risk factors previously disclosed nor have we identified any previously undisclosed risks that could materially adversely affect our business, our operating results, or our financial condition.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds.***

Items 2(a) and (b) are not applicable.

**(c) Stock Repurchases**

The following table sets forth the repurchases of shares of our Class A common stock during the fiscal quarter ended December 30, 2006.

| | Total Number of Shares Purchased[1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs (millions) |
|---|---|---|---|---|
| October 1, 2006 to October 28, 2006 | 332,000 | $ 65.38 | 332,000 | $ 198 |
| October 29, 2006 to December 2, 2006 | — | — | — | 198 |
| December 3, 2006 to December 30, 2006 | 514,484[2] | 78.60 | 507,913 | 158 |
| | 846,484 | | 839,913 | |

(1) Except as noted below, these purchases were made on the open market under the Company's Class A Common Stock repurchase program. In August 2006, the Company's Board of Directors approved an expansion of the Company's common stock repurchase program that allows the Company to repurchase, at its discretion from time to time, up to an additional $250 million of Class A common stock. This program does not have a fixed termination date.

(2) Includes 6,571 shares surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of an award under the Company's 1997 Long-Term Stock Incentive Plan.

**Item 6.** ***Exhibits.***

| | |
|---|---|
| 10.1 | Agency Agreement dated as of October 5, 2006 between PRLC and Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A. |
| 10.2 | Credit Agreement dated as of November 28, 2006 by and among PRLC, JPMorgan Chase Bank, N.A., as Administrative Agent, The Bank of New York, Citibank, N.A. Bank of America, N.A. and Wachovia Bank National Association, as Syndication Agents Sumitomo Mitsui Banking Corporation and Deutsche Bank Securities Inc., as Co-Agents and J.P. Morgan Securities Inc., as Sole Bookrunner and Sole Lead Arranger and a syndicate of lending banks. |
| 31.1 | Certification of Ralph Lauren, Chairman and Chief Executive Officer, pursuant to 17 CFR 240.13a-14(a). |
| 31.2 | Certification of Tracey T. Travis, Senior Vice President and Chief Financial Officer, pursuant to 17 CFR 240.13a-14(a). |
| 32.1 | Certification of Ralph Lauren, Chairman and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Tracey T. Travis, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POLO RALPH LAUREN CORPORATION

By: /s/ TRACEY T. TRAVIS

Tracey T. Travis
*Senior Vice President and*
*Chief Financial Officer*
*(Principal Financial and*
*Accounting Officer)*

Date: February 8, 2007

CONFORMED VERSION

AGENCY AGREEMENT

DATED 5 OCTOBER 2006

POLO RALPH LAUREN CORPORATION

EUR 300,000,000 4.50 per cent. Notes due 2013

ALLEN & OVERY

ALLEN & OVERY

**Allen & Overy LLP**

**CONTENTS**

**THIS AGREEMENT** is dated 5 October 2006 and made

**BETWEEN:**

**(1) POLO RALPH LAUREN CORPORATION** (the **Issuer);**

**(2) DEUTSCHE BANK AG, LONDON BRANCH;** and

**(3) DEUTSCHE BANK LUXEMBOURG S.A.**

**WHEREAS:**

(A) The Issuer has agreed to issue EUR 300,000,000 4.50 per cent. Notes due 2013 (the **Notes** which expression shall include, unless the context otherwise requires, any further Notes issued pursuant to Condition 14 and forming a single series with the Notes).

(B) The Notes will be issued in registered form in the denominations of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof, without coupons.

(C) The Notes will initially be represented by a Global Certificate.

(D) The Global Certificate will be in or substantially in the form set out in Schedule 1 and the definitive Certificates will be in or substantially in the form set out in Part 1 of Schedule 2. The Conditions of the Notes (the **Conditions)** will be in or substantially in the form set out in Part 2 of Schedule 2.

**NOW IT IS HEREBY AGREED** as follows:

**1. INTERPRETATION**

1.1 Words and expressions defined in the Conditions and not otherwise defined in this Agreement shall have the same meanings when used in this Agreement.

1.2 References in this Agreement to principal and/or interest shall include any additional amounts payable pursuant to Condition 8.

**2. DEFINITIONS**

2.1 As used in this Agreement and in the Conditions:

**Fiscal Agent, Paying Agents, Registrar, Transfer Agent** and **Agents** mean and include each Fiscal Agent, Paying Agent, Registrar, Transfer Agent and Agent from time to time appointed to exercise the powers and undertake the duties conferred and imposed upon it by this Agreement and notified to the Noteholders under clause 21;

**Outstanding** means in relation to the Notes all the Notes issued other than:

(a) those Notes which have been redeemed and cancelled pursuant to Condition 7 or otherwise pursuant to the Conditions;

(b) those Notes in respect of which the date for redemption under the Conditions has occurred and the redemption moneys wherefore (including all interest payable thereon) have been duly paid to the Fiscal Agent in the manner provided in clause 5

(and, where appropriate, notice to that effect has been given to the Noteholders under Condition 12) and remain available for payment against presentation of the relevant Notes;

(c) those Notes which have been purchased and cancelled under Condition 7;

(d) those Notes which have become void under Condition 9;

(e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 11; and

(f) (for the purpose only of ascertaining the principal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 11,

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the Noteholders or any of them; and

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of paragraphs 4, 7 and 9 of Schedule 3;

those Notes (if any) which are for the time being held by any person (including, but not limited to, the Issuer or any of its Subsidiaries) for the benefit of the Issuer or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding; and

**specified office** means the offices specified in clause 27 or any other specified offices as may from time to time be duly notified pursuant to clause 27.

2.2 (a) In this Agreement, unless the contrary intention appears, a reference to:

(i) an **amendment** includes a supplement, restatement or novation and **amended** is to be construed accordingly;

(ii) a **person** includes any individual, company, unincorporated association, government, state agency, international organisation or other entity;

(iii) a provision of a law is a reference to that provision as extended, amended or re-enacted;

(iv) a clause or schedule is a reference to a clause of, or a Schedule to, this Agreement;

(v) a person includes its successors and assigns;

(vi) a document is a reference to that document as amended from time to time; and

(vii) a time of day is a reference to London time;

(b) The headings in this Agreement do not affect its interpretation;

(c) All references in this Agreement to costs or charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof; and

(d) All references in this Agreement to Notes shall, unless the context otherwise requires, include the Global Certificate and the definitive Certificates.

**3. APPOINTMENT OF AGENTS**

3.1 The Issuer appoints, on the terms and subject to the conditions of this Agreement:

(a) Deutsche Bank AG, London Branch as fiscal and principal paying agent (in such capacity, the **Fiscal Agent)** and as transfer agent (in such capacity, the **Transfer Agent)** in respect of the Notes; and

(b) Deutsche Bank Luxembourg S.A. as paying agent and as registrar (in such capacity, the **Registrar)** (together with the Fiscal Agent, the **Paying Agents)** for the payment of principal of, and interest on, the Notes;

in each case acting at its specified office.

3.2 The Fiscal Agent, the other Paying Agent, the Transfer Agent and the Registrar are together referred to as the **Agents.**

3.3 The obligations of the Agents hereunder are several and not joint.

**4. AUTHENTICATION AND DELIVERY OF NOTES**

4.1 If the Global Certificate is to be exchanged in accordance with its terms for definitive Certificates, the Issuer undertakes that it will deliver to, or to the order of, the Fiscal Agent, as soon as reasonably practicable and in any event not later than 15 days before the relevant exchange is due to take place, definitive Certificates in an aggregate principal amount of EUR 300,000,000 or such lesser amount as is the principal amount of Notes represented by the Global Certificate to be issued in exchange for the Global Certificate. Each definitive Certificate so delivered shall be duly executed on behalf of the Issuer.

4.2 The Issuer authorises and instructs (a) the Registrar to authenticate the Global Certificate and (b) the Registrar to authenticate the definitive Certificates delivered pursuant to subclause 4.1.

4.3 If the Global Certificate becomes exchangeable for definitive Certificates in accordance with its terms, the Registrar shall authenticate and deliver to each person designated by the relevant Clearing System a definitive Certificate in accordance with the terms of this Agreement and the Global Certificate.

4.4 The Fiscal Agent and the Registrar shall cause all Notes delivered to and held by them under this Agreement to be maintained in safe custody and shall ensure that the definitive Certificates are issued only in accordance with the terms of the Global Certificate and this Agreement.

4.5 The Global Certificate shall be deposited with, and registered in the name of, a nominee for a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking societe anonyme (together, the **Clearing Systems).**

4.6 If the Issuer is required to deliver definitive Certificates pursuant to the terms of the Global Certificate, the Issuer shall promptly arrange for a stock of definitive Certificates

(unauthenticated and with the names of the registered holders left blank but executed on behalf of the Issuer and otherwise complete) to be made available to the Registrar.

**5. PAYMENT TO THE FISCAL AGENT**

5.1 The Issuer shall, not later than 10.00 a.m. (New York City time) on each date on which any payment of principal and/or interest in respect of any of the Notes becomes due under the Conditions, transfer to an account specified by the Fiscal Agent such amount of Euro as shall be sufficient for the purposes of the payment of principal and/or interest in same day funds.

5.2 The Issuer shall ensure that, not later than the second London Business Day immediately preceding the date on which any payment is to be made to the Fiscal Agent pursuant to subclause 5.1, the Fiscal Agent shall receive a copy of an irrevocable payment instruction by fax or SWIFT to the bank through which the payment is to be made. For the purposes of this subclause 5.2, **London Business Day** means a day on which banks are open for business in London.

5.3 If the amounts to be received by the Fiscal Agent under subclause 5.1 will be, or the amounts actually received by it are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Notes, the Fiscal Agent shall not be obliged to pay any such claims until the Fiscal Agent has (i) received the full amount of all such payments, and (ii) been able to identify and confirm receipt of funds.

**6. NOTIFICATION OF NON-PAYMENT BY THE ISSUER**

The Fiscal Agent shall notify each of the other Paying Agents and the Registrar forthwith:

(a) if it has not by the relevant date specified in subclause 5.1 received unconditionally the full amount in Euro required for the payment; and

(b) if it receives unconditionally the full amount of any sum payable in respect of the Notes after such date.

The Fiscal Agent shall, at the expense of the Issuer, forthwith upon receipt of any amount as described in subclause 6(b), cause notice of that receipt to be published under Condition 12.

**7. DUTIES OF THE REGISTRAR AND THE PAYING AGENTS**

7.1 Subject to the payments to the Fiscal Agent provided for by clause 5 being duly made, the Paying Agents shall act as paying agents of the Issuer and shall pay or cause to be paid on behalf of the Issuer, on and after each date on which any payment becomes due and payable, the amounts of principal and interest payable in respect of each Note under the Conditions and the provisions of this Agreement and, in the case of a payment of principal following receipt of the Note at the specified office of the relevant Paying Agent.

7.2 If default is made by the Issuer in respect of any payment, unless and until the full amount of the payment has been made under the terms of this Agreement (except as to the time of making the same) or other arrangements satisfactory to the Fiscal Agent have been made, neither the Fiscal Agent nor any of the other Paying Agents shall be bound to act as paying agents.

7.3 Without prejudice to subclauses 7.1 and 7.2, if the Fiscal Agent pays any amounts to the holders of Notes or to any other Paying Agent at a time when it has not received payment in

full in respect of the Notes in accordance with subclause 5.1 (the excess of the amounts so paid over the amounts so received being the **Shortfall),** the Issuer will, in addition to paying amounts due under subclause 5.1, pay to the Fiscal Agent on demand interest (at a rate which represents the Fiscal Agent's cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until the receipt in full by the Fiscal Agent of the Shortfall.

7.4 Whilst the Notes are represented by the Global Certificate, all payments due in respect of the Notes shall be made to, or to the order of, the holder of the Global Certificate, subject to and in accordance with the provisions of the Global Certificate. On the occasion of each payment, the Paying Agent to which the Global Certificate was presented for the purpose of making the payment shall cause the appropriate Schedule to the Global Certificate to be annotated so as to evidence the amounts and dates of the payments of principal and/or interest as applicable.

7.5 If on presentation of a Note the amount payable in respect of the Note is not paid in full (otherwise than as a result of withholding or deduction for or on account of any Taxes as permitted by the Conditions) the Paying Agent to whom the Note is presented shall procure that the Note is enfaced with a memorandum of the amount paid and the date of payment.

**8. REIMBURSEMENT OF THE PAYING AGENTS**

The Fiscal Agent shall charge the account referred to in clause 5 for all payments made by it under this Agreement and will credit or transfer to the respective accounts of the other Paying Agents the amount of all payments made by them under the Conditions immediately upon notification from them, subject in each case to any applicable laws or regulations.

**9. NOTICE OF ANY WITHHOLDING OR DEDUCTION**

9.1 If the Issuer is, in respect of any payment in respect of the Notes, compelled to withhold or deduct any amount for or on account of any Taxes as contemplated by Condition 8, the Issuer shall give notice to the Fiscal Agent as soon as it becomes aware of the requirement to make the withholding or deduction and shall give to the Fiscal Agent such information as the Fiscal Agent shall require to enable it to comply with the requirement.

9.2 All payments by the Issuer under this Agreement shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the Agent after such withholding or deduction shall equal the respective amount which would otherwise have been receivable by the Agent if no such withholding or deduction had been made.

**10. DUTIES OF THE REGISTRAR**

10.1 The Registrar shall so long as any Note is outstanding:

(a) maintain at its specified office a register (the **Register)** of the holders of the Registered Notes which shall show (i) the principal amounts and the serial numbers of the Notes, (ii) the dates of issue of all Notes, (iii) all subsequent transfers and changes of ownership of Notes, (iv) the names and addresses of the holders of the Notes, (v) all cancellations of Notes, whether because of their purchase by the Issuer or any Subsidiary of the Issuer, their replacement or otherwise, and (vi) all replacements of Notes (subject, where appropriate, in the case of (v), to the Registrar

having been notified as provided in this Agreement), and subject to applicable laws and regulations at all reasonable times during office hours make such copy of the Register available to the Fiscal Agent, Transfer Agent, Paying Agent, Issuer, any person authorised by the Issuer or any Noteholder for inspection;

(b) register all transfers of Notes;

(c) receive any document in relation to or affecting the title to any of the Notes including all forms of transfer, forms of exchange, probates, letters of administration and powers of attorney;

(d) maintain proper records of the details of all documents received by itself or the Transfer Agent;

(e) prepare all such lists of holders of the Notes as may be required by the Issuer or the Fiscal Agent or any person authorised by either of them;

(f) subject to applicable laws and regulations at all reasonable times during office hours make the Register available to the Issuer or any person authorised by it or the holder of any Note for inspection and for the taking of copies or extracts;

(g) notify the Fiscal Agent upon its request not less than seven days before each due date for the payment of interest of the names and addresses of all registered holders of the Notes at the close of business on the relevant Record Date and the amounts of their holdings in order to enable the Fiscal Agent to make or arrange for due payment to the holders of the amounts of interest payable in respect of the Notes or, as the case may be, the amounts required to redeem the Notes;

(h) comply with the proper and reasonable requests of the Issuer with respect to the maintenance of the Register and give to the Fiscal Agent and the Transfer Agent such information as may be reasonably required by them for the proper performance of their duties;

(i) forthwith, and in any event within three business days of the relevant request (or such longer period as may be required to comply with any applicable fiscal or other regulations), authenticate and issue, upon receipt by it of, or receipt by it of notification from any Transfer Agent of delivery to it of, Notes for transfer, duly dated and completed Notes in the name of the registered holders and deliver the Notes at its specified office or at the specified office of the Transfer Agent or (at the risk of the relevant registered holders) send the Notes to such address as the registered holders may request; and

(j) accept Notes delivered to it with a request for transfer of all or part of the Note, and shall, if appropriate, charge to the holder of a Note presented for transfer the costs or expenses (if any) of delivering Notes issued on such transfer other than by regular mail. Holders of the Notes shall be responsible for payment of any stamp duty, tax or other governmental charge that may be imposed in relation to the transfer, and for the avoidance of doubt, none of the Agents shall have any responsibility in connection therewith.

10.2 The Issuer shall deliver to the Registrar for the performance of its duties under this Agreement from time to time so long as any Note is outstanding, sufficient duly executed Notes as may be required for the performance of the Registrar's duties.

10.3 Notes shall be dated:

(a) in the case of the Global Certificate issued on the date of closing, with that date; or

(b) in the case of a Note issued upon transfer, with the date of registration in the Register of the transfer; or

(c) in the case of a Note issued to the transferor upon transfer in part of a Note, with the same date as the date of the Note transferred; or

(d) in the case of a Note issued pursuant to clause 16 with the same date as the date of the lost, stolen, mutilated, defaced or destroyed Note in replacement of which it is issued.

**11. DUTIES OF THE TRANSFER AGENT**

11.1 The Transfer Agent shall perform the duties set out in this Agreement and the Conditions and, in performing those duties, shall comply with the Conditions and the provisions of this Agreement.

11.2 The Transfer Agent shall:

(a) accept Notes delivered to it with a request for transfer of all or part of the Note, and shall, in each case, give to the Registrar all relevant details to enable it to issue Notes in accordance with each request; and

(b) if appropriate, charge to the holder of a Note presented for transfer the costs or expenses (if any) of the Registrar in delivering Notes issued on such transfer other than by regular mail. Holders of the Notes shall be responsible for payment of any stamp duty, tax or other governmental charge that may be imposed in relation to the transfer, and for the avoidance of doubt, none of the Agents shall have any responsibility in connection therewith.

**12. REGULATIONS FOR TRANSFER OF REGISTERED NOTES**

Subject as provided below, the Issuer may from time to time agree with the Transfer Agent reasonable regulations to govern the transfer and registration of Notes. The initial regulations, which shall apply until amended under this clause, are set out in Schedule 4. The Transfer Agent agrees to comply with the regulations as amended from time to time.

**13. DUTIES TO THE FISCAL AGENT IN CONNECTION WITH OPTIONAL REDEMPTION AND REDEMPTION FOR TAXATION REASONS**

If the Issuer decides to redeem all of the Notes for the time being outstanding under Condition 7(2) and/or 7(3), it shall give notice of the decision to redeem to the Fiscal Agent in accordance with the Conditions.

**14. RECEIPT AND PUBLICATION OF NOTICES**

14.1 Forthwith upon the receipt by the Fiscal Agent of a demand or notice from any Noteholder under Condition 10 the Fiscal Agent shall forward a copy of the demand or notice to the Issuer.

14.2 On behalf of and at the request and expense of the Issuer, the Fiscal Agent shall cause to be published all notices required to be given by the Issuer under the Conditions.

14.3 The Fiscal Agent shall, at the request and expense of the Issuer, notify in writing the holders of Notes in respect of all notices required to be so given under the Conditions.

**15. CANCELLATION OF NOTES**

15.1 All Notes which are surrendered in connection with redemption or transfer shall be cancelled by the Agent to which they are surrendered. Each of the Agents shall give to the Fiscal Agent details of all payments made by it and shall deliver all cancelled Notes to the Fiscal Agent (or as the Fiscal Agent may specify). Where Notes are purchased by or on behalf of the Issuer or any of its Subsidiaries, the Issuer shall procure that the Notes are promptly cancelled and delivered to the Fiscal Agent or its authorised agent.

15.2 The Fiscal Agent or its authorised agent shall (unless otherwise instructed by the Issuer in writing and save as provided in subclause 17.1) destroy all cancelled Notes and furnish the Issuer with a certificate of destruction containing written particulars of the serial numbers of the Notes so destroyed.

**16. ISSUE OF REPLACEMENT CERTIFICATES**

16.1 The Issuer shall cause a sufficient quantity of additional forms of Certificates to be available, upon request, to the Registrar for the purpose of issuing replacement Certificates as provided below.

16.2 The Fiscal Agent and the Registrar shall, subject to and in accordance with Condition 11 and the following provisions of this clause, cause to be authenticated (in the case only of replacement Certificates) and delivered any replacement Certificates which the Issuer may determine to issue in place of Certificates which have been lost, stolen, mutilated, defaced or destroyed.

16.3 The Fiscal Agent or, as the case may be, the Registrar shall obtain verification, in the case of an allegedly lost, stolen or destroyed Certificate in respect of which the serial number is known, that the Certificate has not previously been redeemed or paid. Neither the Fiscal Agent nor the Registrar shall issue a replacement Certificate unless and until the applicant has:

(a) paid such expenses and costs as may be incurred in connection with the replacement;

(b) furnished it with such evidence and indemnity as the Issuer may reasonably require; and

(c) in the case of a mutilated or defaced Certificate, surrendered it to the Fiscal Agent or, as the case may be, the Registrar.

16.4 The Fiscal Agent or, as the case may be, the Registrar shall cancel mutilated or defaced Certificates in respect of which replacement Certificates have been issued pursuant to this clause and all Certificates which are so cancelled shall be delivered by the Registrar to the Fiscal Agent (or as it may specify). The Fiscal Agent shall furnish the Issuer with a certificate stating the serial numbers of the Certificates received by it and cancelled pursuant to this clause and shall, unless otherwise requested by the Issuer, destroy all those Certificates and furnish the Issuer with a destruction certificate containing the information specified in subclause 15.2.

16.5 The Fiscal Agent or, as the case may be, the Registrar shall, on issuing any replacement Certificate, forthwith inform the Issuer, the other Paying Agents and the Registrar and the Transfer Agent of the serial number of the replacement Certificate issued and (if known) of the serial number of the Certificate in place of which the replacement Certificate has been issued.

16.6 Whenever a Certificate for which a replacement Certificate has been issued and the serial number of which is known is presented to a Paying Agent for payment or to a Transfer Agent for transfer, the relevant Agent shall immediately send notice to the Issuer and (if it is not itself the Fiscal Agent) the Fiscal Agent.

17. **RECORDS AND CERTIFICATES**

17.1 The Fiscal Agent shall keep a full and complete record of all Certificates and of their redemption, purchase by or on behalf of the Issuer or any of its Subsidiaries, cancellation or payment (as the case may be) and of all replacement Certificates issued in substitution for lost, stolen, mutilated, defaced or destroyed Certificates. The Fiscal Agent shall at all reasonable times make the records available to the Issuer.

17.2 The Fiscal Agent shall give to the Issuer, as soon as possible and in any event within four months after the date of redemption, purchase, payment or replacement of a Certificate (as the case may be), a certificate stating (a) the aggregate principal amount of Certificates which have been redeemed, (b) the serial numbers of those Certificates, (c) the aggregate amount of interest paid (and the due dates of the payments) on the Global Certificate and/or on the Certificates, (d) the aggregate principal amounts of Notes (if any) which have been purchased by or on behalf of the Issuer or any of its Subsidiaries and cancelled (subject to delivery of the Certificates to the Fiscal Agent) and the serial numbers of such Certificates and (e) the aggregate principal amounts of Certificates which have been surrendered and replaced and the serial numbers of those Certificates.

**18. COPIES OF THIS AGREEMENT AVAILABLE FOR INSPECTION**

The Paying Agents shall hold copies of this Agreement and any other documents expressed to be held by them in the Prospectus dated 4 October 2006 issued by the Issuer in relation to the Certificates available for inspection. For this purpose, the Issuer shall furnish the Paying Agents with sufficient copies of such documents.

**19. COMMISSIONS AND EXPENSES**

19.1 The Issuer shall pay to the Fiscal Agent such commissions and fees in respect of the services of the Agents under this Agreement as shall be agreed between the Issuer and the Fiscal Agent. The Issuer shall not be concerned with the apportionment of payment among the Agents other than such agents that may be appointed from time to time by the Issuer that are not part of the Deutsche Bank group of companies.

19.2 The Issuer shall also pay to the Fiscal Agent an amount equal to any value added tax which may be payable in respect of the commissions or fees together with all reasonable expenses incurred by the Agents in connection with their services under this Agreement.

19.3 The Fiscal Agent shall arrange for payment of the commissions and fees due to the other Agents and arrange for the reimbursement of their expenses promptly after receipt of the relevant moneys from the Issuer.

19.4 At the request of the Fiscal Agent, the parties to this Agreement may from time to time during the continuance of this Agreement review the commissions and fees agreed initially pursuant to subclause 19.1 with a view to determining whether the parties can mutually agree upon any changes to the commissions or fees.

**20. INDEMNITY**

20.1 The Issuer undertakes to indemnify each of the Agents and their directors, officers, employees and controlling persons against all losses, liabilities, costs, claims, actions, damages, expenses or demands which any of them may incur or which may be made against any of them as a result of or in connection with the appointment of or the exercise of the powers and duties by any Agent under this Agreement except as may result from the wilful default, fraud, gross negligence or bad faith of such Agents and their respective directors, officers, employees and controlling persons.

20.2 The Agents undertake to indemnify each of the Issuer and its directors, officers, employees and controlling persons against all losses, liabilities, costs, claims, actions, damages, expenses or demands which any of them may incur or which may be made against any of them as a result of or in connection with the appointment of or the exercise of the powers and duties by the Issuer under this Agreement except as may result from the wilful default, fraud, gross negligence or bad faith of the Issuer and its directors, officers, employees and controlling persons.

20.3 Except in the case of its wilful default, gross negligence or bad faith, the Fiscal Agent shall not be liable for any act or omission under this Agreement or if any Note shall be lost, stolen, destroyed or damaged.

20.4 Notwithstanding any of the foregoing subclauses 20.1 and 20.2, under no circumstances shall the Issuer or any of the Agents be liable for any consequential or special loss (being loss of business, goodwill, opportunity or profit), howsoever caused or arising.

20.5 The indemnities in this clause 20 shall survive the termination or expiry of this Agreement.

**21. REPAYMENT BY FISCAL AGENT**

Sums paid by or by arrangement with the Issuer to the Fiscal Agent pursuant to the terms of this Agreement shall not be required to be repaid to the Issuer unless and until any Note becomes void under the provisions of Condition 9 but in that event the Fiscal Agent shall forthwith repay to the Issuer sums equivalent to the amounts which would otherwise have been payable in respect of the relevant Note.

22. **CONDITIONS OF APPOINTMENT**

22.1 Subject as provided in subclause 22.3, the Fiscal Agent shall be entitled to deal with money paid to it by the Issuer for the purposes of this Agreement in the same manner as other money paid to a banker by its customers and shall not be liable to account to the Issuer for any interest or other amounts in respect of the money. No money held by any Agent need be segregated except as required by law.

22.2 Subject as provided in subclause 22.1, in acting under this Agreement and in connection with the Notes, the Agents shall act solely as agents of the Issuer and will not assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Notes.

22.3 No Agent shall exercise any right of set-off or lien against the Issuer or any holders of Notes in respect of any moneys payable to or by it under the terms of this Agreement.

22.4 Except as otherwise permitted in the Conditions or as ordered by a court of competent jurisdiction or required by law or otherwise instructed by the Issuer, each of the Agents shall be entitled to treat the registered holder of any Note as the absolute owner for all purposes (whether or not the Note shall be overdue and notwithstanding any notice of ownership or other writing on the Note or any notice of previous loss or theft of the Note).

22.5 Each of the Agents shall be obliged to perform such duties and only such duties as are set out in this Agreement and the Notes and no implied duties or obligations shall be read into this Agreement or the Notes against the Agents.

22.6 The Fiscal Agent may consult with legal and other professional advisers and the opinion of the advisers shall be full and complete protection in respect of action taken, omitted or suffered under this Agreement in good faith and in accordance with the opinion of the advisers.

22.7 Each of the Agents shall be protected and shall incur no liability for or in respect of action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer, or any notice, resolution, direction, consent, certificate, affidavit, statement, facsimile or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

22.8 Any of the Agents and their affiliates, their officers, directors, employees or controlling persons may become the owner of, or acquire any interest in, Notes with the same rights that it or he would have if the Agent concerned were not appointed under this Agreement, and may engage or be interested in any financial or other transaction with the Issuer, and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or other obligations of the Issuer, as freely as if the Agent were not appointed under this Agreement.

22.9 The Agents shall not be under any obligation to take any action under this Agreement which any of them expects may result in any cost, expense or liability accruing to it, the payment of which within a reasonable time is not, in its opinion, assured to it.

**23. COMMUNICATION WITH AGENTS**

A copy of all communications relating to the subject matter of this Agreement between the Issuer and any of the Agents other than the Fiscal Agent shall be sent to the Fiscal Agent.

**24. TERMINATION OF APPOINTMENT**

24.1 The Issuer may terminate the appointment of any Agent at any time and/or appoint additional or other Agents by giving to the Agent whose appointment is concerned and, where appropriate, the Fiscal Agent at least 60 days' prior written notice to that effect, provided that, so long as any of the Notes is outstanding, (a) in the case of a Paying Agent, the notice shall not expire less than 45 days before any due date for the payment of interest and (b) notice shall be given under Condition 12 at least 30 days before the removal or appointment of an Agent.

24.2 Notwithstanding the provisions of subclause 24.1, if at any time (i) an Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the

appointment of an administrator, liquidator or administrative or other receiver of all or any substantial part of its property, or if an administrator, liquidator or administrative or other receiver of it or of all or a substantial part of its property is appointed, or it admits in writing its inability to pay or meet its debts as they may mature or suspends payment of its debts, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if a public officer takes charge or control of the Agent or of its property or affairs for the purpose of rehabilitation, administration or liquidation, the Issuer may forthwith without notice terminate the appointment of the Agent, in which event notice shall be given to the Noteholders under Condition 12 as soon as is practicable.

24.3 The termination of the appointment of an Agent under this Agreement shall not entitle the Agent to any amount by way of compensation but shall be without prejudice to any amount then accrued due.

24.4 All or any of the Agents may resign their respective appointments under this Agreement at any time by giving to the Issuer and, where appropriate, the Fiscal Agent at least 90 days' prior written notice to that effect, provided that, so long as any of the Notes is outstanding, the notice shall not, in the case of a Paying Agent, expire less than 45 days before any due date for the payment of interest. Following receipt of a notice of resignation from a Paying Agent, the Issuer shall promptly, and in any event not less than 30 days before the resignation takes effect, give notice to the Noteholders under Condition 12. If the Fiscal Agent shall resign or be removed pursuant to subclauses 24.1 or 24.2 above or in accordance with this subclause 24.4, the Issuer shall promptly and in any event within 30 days of receipt of the notice of resignation appoint a successor (being a leading bank acting through its office in London). If the Issuer fails to appoint a successor within such period, the Fiscal Agent may select a leading bank acting through its office in London to act as Fiscal Agent hereunder and the Issuer shall appoint that bank as the successor Fiscal Agent.

24.5 Notwithstanding the provisions of subclauses 24.1, 24.2 and 24.4, so long as any of the Notes is outstanding, the termination of the appointment of an Agent (whether by the Issuer or by the resignation of the Agent) shall not be effective unless upon the expiry of the relevant notice there is:

(a) a Fiscal Agent;

(b) a Paying Agent (which may be the Fiscal Agent) in Luxembourg so long as the Notes are admitted to trading on the Luxembourg Stock Exchange;

(c) so long as such a paying agent exists, a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) a Paying Agent in a jurisdiction within Continental Europe; and

(e) a Registrar and a transfer agent.

24.6 Any successor Agent shall execute and deliver to its predecessor, the Issuer and, where appropriate, the Fiscal Agent an instrument accepting the appointment under this Agreement, and the successor Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of the predecessor with like effect as if originally named as an Agent.

24.7 If the appointment of an Agent (other than the Agent Bank) under this Agreement is terminated (whether by the Issuer or by the resignation of the relevant Agent), such Agent shall on the date on which the termination takes effect deliver to its successor Agent (or, if none, the Fiscal Agent) all Notes surrendered to it but not yet destroyed and all records concerning the Notes maintained by it (except such documents and records as it is obliged by law or regulation to retain or not to release) and pay to its successor Agent (or, if none, to the Fiscal Agent) the amounts (if any) held by it in respect of Notes which have become due and payable but which have not been presented for payment, but shall have no other duties or responsibilities under this Agreement.

24.8 If the Fiscal Agent or any of the other Agents shall change its specified office, it shall give to the Issuer and, where appropriate, the Fiscal Agent not less than 45 days' prior written notice to that effect giving the address of the new specified office. As soon as practicable thereafter and in any event at least 30 days before the change, the Fiscal Agent shall give to the Noteholders on behalf of and at the expense of the Issuer notice of the change and the address of the new specified office under Condition 12.

24.9 A corporation into which any Agent for the time being may be merged or converted or a corporation with which the Agent may be consolidated or a corporation resulting from a merger, conversion or consolidation to which the Agent shall be a party, any corporation to which such Agent shall sell or otherwise transfer all or substantially all of its assets or any corporation to which such Agent shall sell or otherwise transfer all or substantially all of its corporate trust business, shall, to the extent permitted by applicable law, be the successor Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement. Notice of any merger, conversion or consolidation shall forthwith be given to the Issuer and, where appropriate, the Fiscal Agent.

25. **MEETINGS OF NOTEHOLDERS**

The provisions of Schedule 3 shall apply to meetings of the Noteholders and shall have effect in the same manner as if set out in this Agreement provided that, so long as any of the Notes are represented by the Global Certificate, the expression **Noteholders** shall include the persons for the time being shown in the records of Euroclear Bank S.A./N.V. as operator of the Euroclear System **(Euroclear)** and/or Clearstream Banking, societe anonyme **(Clearstream, Luxembourg),** as the holders of a particular principal amount of such Notes (each an **Accountholder)** (in which regard a certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding) for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested as against the Issuer solely in the Relevant Nominee and the expressions **holder** and **holders** shall be construed accordingly.

**26. CONSOLIDATION, MERGER OR TRANSFER**

The Issuer may without the consent of the Noteholders, merge or consolidate with any other corporation or dispose of all or substantially all of its assets to any other corporation, provided that the successor corporation assumes all obligations of the Issuer under the Notes and this Agreement and certain other conditions set forth in the Conditions are met.

**27. NOTICES**

Any notice required to be given under this Agreement to any of the parties shall be in English and shall be delivered in person, sent by pre-paid post (first class if inland, first class airmail if overseas) or by facsimile addressed to:

| | | |
|---|---|---|
| The Issuer: | Polo Ralph Lauren Corporation<br>650 Madison Avenue<br>New York NY 10022<br>USA | |
| | Facsimile No: | + 1 212 813-7705 |
| | Attention: | Tracey T. Travis<br>Senior Vice President and Chief Financial Officer |
| The Fiscal Agent: | Deutsche Bank AG, London Branch<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom | |
| | Facsimile No: | +44 207 547 6149 |
| | Attention: | Trust & Securities Services |
| The Paying Agent and Registrar: | Deutsche Bank Luxembourg S.A.<br>2 Boulevard Konrad Adenauer<br>L-1115 Luxembourg<br>Luxembourg | |
| | Facsimile No: | + 352 021 223319 |
| | Attention: | Trust & Securities Services |

or such other address of which notice in writing has been given to the other parties to this Agreement under the provisions of this clause.

Any such notice shall take effect, if delivered in person, at the time of delivery, if sent by post, three days in the case of inland post or seven days in the case of overseas post after despatch, and, in the case of facsimile, 24 hours after the time of despatch, provided that in the case of a notice given by facsimile transmission such notice shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice given by facsimile.

**28. TAXES AND STAMP DUTIES**

The Issuer agrees to pay any and all stamp and other taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Agreement by the Agents.

**29. COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same agreement and any party may enter into this Agreement by executing a counterpart.

**30. DESCRIPTIVE HEADINGS**

The descriptive headings in this Agreement are for convenience of reference only and shall not define or limit the provisions of this Agreement.

**31. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

31.1 This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws.

31.2 Each of the Issuer and the Agents irrevocably consents to the non-exclusive jurisdiction of the State or Federal courts sitting in the Borough of Manhattan, The City of New York (New **York Courts)** to adjudicate any disputes which may arise out of or in connection with this Agreement and that accordingly any action or proceedings (together referred to as **Proceedings)** arising out of or in connection with this Agreement may be brought in such New York Courts.

31.3 The Issuer and the Paying Agents agree to waive, to the fullest extent permitted by applicable law, any right any of them may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or any Note (whether based on contract, tort or any other theory). Each of the Issuer and each of the Paying Agents, (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other party would not, in the event of Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to this Agreement have been induced to enter in this Agreement by, among other things, the mutual waivers and certifications in this section.

31.4 The Issuer hereby agrees that the process by which any Proceedings in the New York Courts are begun may be served on it by being delivered to it c/o Tracey T. Travis, 650 Madison Avenue, New York, New York 10022 and agrees further that service of process upon such person shall be deemed in every respect effective service of process in any such proceedings. If the appointment of the person appointed to receive process on behalf of the Issuer ceases to be effective, the Issuer shall forthwith appoint a further person in the State of New York to accept service of process on its behalf and notify the name and address of such person to the Fiscal Agent, on behalf of the Agents, and, failing such appointment within fifteen days, the Fiscal Agent shall be entitled to appoint such a person by written notice addressed and delivered to the Issuer.

31.5 To the extent that the Issuer or the Paying Agents have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Issuer and the Paying Agents hereby irrevocably waive such immunity in respect of its obligations under this Agreement, and in the case of the Issuer, under any Note or Coupon.

**32. AMENDMENTS**

This Agreement may be amended by all of the parties, without the consent of any Noteholder, either:

(a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained in this Agreement; or

(b) in any other manner which the parties may mutually deem necessary or desirable and which shall not be inconsistent with the Conditions and shall not be materially prejudicial to the interests of the Noteholders.

**SIGNED** by each of the parties (or their duly authorised representatives) on the date which appears first on page 1.

**SCHEDULE 1**

**FORM OF THE GLOBAL CERTIFICATE**

**POLO RALPH LAUREN CORPORATION**

**GLOBAL CERTIFICATE**

THIS GLOBAL CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT). NEITHER THIS GLOBAL CERTIFICATE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

Polo Ralph Lauren Corporation (the **Issuer)** hereby certifies that Deutsche Bank AG, London Branch is, at the date hereof, entered in the Register as the holder of the aggregate nominal amount of EUR 300,000,000 (THREE HUNDRED MILLION EUROS) of a duly authorised issue of Notes (the Notes) described, and having the provisions specified, in the attached Conditions (the **Conditions).**

Words and expressions defined or set out in the Conditions shall have the same meaning when used in this Global Certificate.

This Global Certificate is issued subject to, and with the benefit of, the Conditions and an Agency Agreement (the **Agency Agreement** which expression shall be construed as a reference to that agreement as the same may be amended, supplemented, novated or restated from time to time) dated 5 October 2006 and made between, *inter alios,* the Issuer, Deutsche Bank Luxembourg S.A. (the **Registrar)** and the other Agents named in it.

Subject to and in accordance with the Conditions, the registered holder of this Global Certificate is entitled to receive on 4 October 2013 and/or on such earlier date(s) as all or any of the Notes represented by this Global Certificate may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of the Notes on each such date and interest on the nominal amount of the Notes from time to time represented by this Global Certificate calculated and payable as provided in the Conditions together with any other sums payable under the Conditions, all in accordance with the Conditions.

On any redemption of payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Certificate details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by the Registrar in the Register. Upon any such redemption or purchase and cancellation, the nominal amount of the Notes held by the registered holder hereof shall be reduced by the nominal amount of the Notes so redeemed or purchased and cancelled. The nominal amount of the Notes held by the registered holder hereof following any such redemption or purchase and cancellation or any transfer or exchange as referred to below shall be that amount most recently entered in the Register.

Notes represented by this Global Certificate are transferable only in accordance with, and subject to, the provisions of this Global Certificate and of Condition 2 and the rules and operating procedures of Euroclear Bank S.A./N.V. **(Euroclear)** and Clearstream Banking, societe anonyme **(Clearstream, Luxembourg).**

This Global Certificate may be exchanged in whole but not in part (free of charge) for definitive Certificates **(Certificates)** in the form set out in Part 1 of Schedule 2 to the Agency Agreement (on

the basis that all the appropriate details have been included on the face of such definitive Certificates and the Conditions have been endorsed on or attached to such Certificates) only upon the occurrence of any of the following events:

(a) principal or interest in respect of any Note is not paid when due and payable in accordance with the Conditions;

(b) if this Global Certificate is registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Noteholders in accordance with Condition 12 upon the occurrence of any such event. In the event of the occurrence of any such event, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in this Global Certificate may give notice to the Registrar requesting exchange. Any exchange shall occur no later than 10 days after the date of receipt of the relevant notice by the Registrar.

Exchanges will be made upon presentation of this Global Certificate at the office of the Registrar at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg by the holder of it on any day (other than a Saturday or Sunday) on which banks are open for general business in Luxembourg. The aggregate nominal amount of Certificates issued upon an exchange of this Global Certificate will be equal to the aggregate nominal amount of this Global Certificate.

On an exchange in whole of this Global Certificate, this Global Certificate shall be surrendered to the Registrar.

On any exchange or transfer following which either (i) Notes represented by this Global Certificate are no longer to be so represented or (ii) Notes not so represented are to be so represented details of the transfer shall be entered by the Registrar in the Register, following which the nominal amount of this Global Certificate and the Note held by the registered holder of this Global Certificate shall be increased or reduced (as the case may be) by the nominal amount so transferred.

Until the exchange of the whole of this Global Certificate, the registered holder of this Global Certificate shall in all respects (except as otherwise provided in this Global Certificate and in the Conditions) be entitled to the same benefits as if he were the registered holder of the Certificates represented by this Global Certificate.

In the event that this Global Certificate (or any part of it) has become due and repayable in accordance with the Conditions or that the Maturity Date has occurred and, in either case, payment in full of the amount due has not been made to the registered holder of this Global Certificate in accordance with the provisions set out above then holders of interests in this Global Certificate will become entitled to proceed directly against the Issuer on the basis of statement of account provided by Euroclear and Clearstream, Luxembourg, as the case may be provided nothing herein shall prevent the Issuer or any Agent from giving effect to any written certification, proxy or other authorisation furnished by the depositary or impair, as between the Clearing Systems and their agent members, the operation of customary practices of such depositary governing the exercise of the rights of a holder of a beneficial interest in this Global Certificate.

This Global Certificate is not a document of title. Entitlements are determined by entry in the Register and only the duly registered holder from time to time is entitled to payment in respect of this Global Certificate.

For so long as all of the Notes are represented by this Global Certificate and this Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an **Accountholder)** (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account by any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the **Relevant Nominee)** in accordance with and subject to the terms of this Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

Payments of principal and interest in respect of Notes represented by this Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of this Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of this Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in this Global Certificate will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to this Global Certificate by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

So long as all the Notes are represented by this Global Certificate and this Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

This Global Certificate is governed by, and shall be construed in accordance with, New York law. This Global Certificate shall not be valid unless authenticated by the Registrar.

IN WITNESS whereof the Issuer has caused this Global Certificate to be duly executed on its behalf.

**POLO RALPH LAUREN CORPORATION**

By

Authenticated without recourse
warranty or liability by

**DEUTSCHE BANK**
**LUXEMBOURG S.A.**

**By:**

**- FORM OF TRANSFER -**

FOR VALUE RECEIVED the undersigned, being the registered holder of this Global Certificate, hereby sell(s), assign(s) and transfer(s) to

(Please print or type name and address (including postal code) of transferee)

EUR [ ] in principal amount outstanding of the EUR 300,000,000 4.50 per cent. Notes due 2013 of Polo Ralph Lauren Corporation (the Notes) and all rights thereunder, hereby irrevocably constituting and appointing Deutsche Bank Luxembourg S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Signature(s)

Date:

N.B.: 1. This form of transfer must be accompanied by such documents, evidence and information as may be required pursuant to the Conditions and must be executed under the hand of the transferor or, if the transferor is a corporation, either under its common seal or under the hand of two of its officers duly authorised in writing and, in such latter case, the document so authorising such officers must be delivered with this form of transfer.

2. The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the front of this Global Certificate.

[Attached to the Global Certificate]

[Terms and Conditions as set out in Part 2 of Schedule 2]

[At the foot of the Terms and Conditions:]

**FISCAL AGENT**

**Deutsche Bank AG, London Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB

**PAYING AGENT AND REGISTRAR**

**Deutsche Bank Luxembourg S.A.**
2 Boulevard Konrad Adenauer
L-l115 Luxembourg
Luxembourg

**SCHEDULE 2**

**FORM OF CERTIFICATE AND CONDITIONS OF THE NOTES**

**PART I**

**FORM OF CERTIFICATE**

Polo Ralph Lauren Corporation (the Issuer) hereby certifies that [ ] is/are, at the date of this Note, entered in the Register as the holder(s) of the aggregate nominal amount of [ ] of a duly authorised issue of EUR 300,000,000 4.50 per cent. Notes due 2013 by the Issuer (the Notes) described, and having the provisions specified, in the attached Conditions (the **Conditions).** References in this Note to the Conditions shall be to the Terms and Conditions attached to this Note.

Words and expressions defined or set out in the Conditions shall have the same meaning when used in this Note.

This Note is issued subject to, and with the benefit of, the Conditions and an Agency Agreement (the **Agency Agreement,** which expression shall be construed as a reference to that agreement as the same may be amended, supplemented, novated or restated from time to time) dated 5 October 2006 and made between, *inter alios,* the Issuer, Deutsche Bank Luxembourg S.A. (the **Registrar)** and the other parties named in it.

Subject to and in accordance with the Conditions, the registered holder(s) of this Note is/are entitled to receive on the 4 October 2013 and/or on such earlier date(s) as this Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of this Note on each such due date and interest (in any) on this Note calculated and payable as provided in the Conditions together with any other sums payable under the Conditions, all in accordance with the Conditions.

This Note is not a document of title. Entitlements are determined by entry in the Register and only the duly registered holder from time to time is entitled to payment in respect of this Note.

This Note shall not be valid unless authenticated by the Registrar.

IN WITNESS whereof the Issuer has caused this Note to be duly executed on its behalf.

**POLO RALPH LAUREN CORPORATION**

**By:**

Authenticated without recourse,
warranty or liability by

**DEUTSCHE BANK**
**LUXEMBOURG S.A.**

By:

**FORM OF TRANSFER**

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) to

_____

_____

_____

*(Please print or type name and address (including postal code) of transferee)*

EUR [ ] nominal amount of this Note and all rights hereunder, hereby irrevocably constituting and appointing [REGISTRAR] as attorney to transfer such principal amount of this Note in the register maintained by POLO RALPH LAUREN CORPORATION with full power of substitution.

Signature(s) _____

_____

Date: _____

**NOTE:**

2. This form of transfer must be accompanied by such documents, evidence and information as may be required pursuant to the Conditions and must be executed under the hand of the transferor or, if the transferor is a corporation, either under its common seal or under the hand of two of its officers duly authorised in writing and, in such latter case, the document so authorising such officers must be delivered with this form of transfer.

3. The signature(s) on this form of transfer must correspond with the name(s) as it/they appear(s) on the face of this Note in every particular, without alteration or enlargement or any change whatever.

*(Reverse of Note)*

**CONDITIONS OF THE NOTES**
(as set out in Part 2 of this Schedule 2)

**FISCAL AGENT**

**Deutsche Bank AG, London Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB

**PAYING AGENT AND REGISTRAR**

**Deutsche Bank Luxembourg S.A.**
2 Boulevard Konrad Adenauer
L-l115 Luxembourg
Luxembourg

and/or such other or further Fiscal Agent, Paying Agents and/or Registrar and/or specified offices as may from time to time be appointed by the Issuer and notice of which has been given to the Noteholders.

**PART 2**

**CONDITIONS OF THE NOTES**

*The following is the* text *of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on Certificates issued in respect of the Notes:*

The EUR 300,000,000 4.50 per cent. Notes due 2013 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Polo Ralph Lauren Corporation (the **Issuer**) are issued subject to and with the benefit of an agency agreement dated 5 October 2006 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, and Deutsche Bank AG, London Branch (in its capacity as principal paying agent only, the **Principal Paying Agent**, and in its collective capacity as fiscal agent and principal paying agent, the **Fiscal Agent**, and in its capacity as transfer agent, the **Transfer Agent**) and Deutsche Bank Luxembourg S.A. (as Luxembourg paying agent and, in its capacity as registrar, the **Registrar**, being together with the Fiscal Agent and the Transfer Agent, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. The holders of the Notes (the **Noteholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Transfer Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

**1. FORM, DENOMINATION AND TITLE**

***(1) Form and denomination***

The Notes are in registered form, serially numbered, in denominations of EUR 50,000 each and integral multiples of EUR 1,000 in excess thereof (referred to as the principal amount of a Note). A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

*The Notes are not issuable in bearer form.*

***(2) Title***

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **Noteholder** and (in relation to a Note) **holder** means the person in whose name a Note is registered in the register of Noteholders.

*For a description of the procedures for transferring title to book-entry interests in the Notes, see the Agency Agreement and Condition 2.*

**2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES**

***(1) Transfers***

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Transfer Agents.

***(2) Delivery of new Certificates***

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

*Except in the limited circumstances described herein (see "Summary of Provisions Relating to the Notes while in Global Form"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.*

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

***(3) Formalities free of charge***

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Paying Agent but upon payment (or the giving of such indemnity as the Issuer or any Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

***(4) Closed Periods***

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

***(5) Regulations***

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

**3. STATUS OF THE NOTES**

The Notes will constitute direct, unconditional and (subject as provided under Condition 4) unsecured obligations of the Issuer and will at all times rank *pari passu* among themselves and (subject to such obligations as are mandatorily preferred by law) with all other present and future unsecured and unsubordinated obligations of the Issuer. Neither the Agency Agreement nor the Notes will limit other unsecured indebtedness or securities which may be incurred or issued by the Issuer and its subsidiaries. The Agency Agreement and the Notes will contain only the financial or similar restrictions on the Issuer and its Subsidiaries (as defined below) described in Condition 4 and Condition 15.

**4. COVENANTS OF THE ISSUER**

The Issuer will not pledge, mortgage, encumber or otherwise grant, or permit any of its Subsidiaries to pledge, mortgage, encumber or otherwise grant, a security interest in any properties or assets owned by the Issuer or any of its Subsidiaries to secure Debt without

securing the Notes equally and ratably with all Debt, secured by such security interest, unless after giving effect thereto, the aggregate amount of all such other secured Debt plus all Attributable Debt (as defined below) of the Issuer and its Subsidiaries in respect of Sale and Leaseback Transactions (as defined below) would not exceed 10 per cent of Consolidated Net Assets of the Issuer (**Excluded Debt**). The term **Debt** is defined to mean indebtedness for money borrowed evidenced by bonds, notes, debentures or other debt securities and which is reflected as a liability on the consolidated balance sheet, at the date of issuance, of the Issuer and its Subsidiaries in accordance with generally accepted accounting principles as in effect in the United States on the date of the Agency Agreement. The term **Consolidated Net Assets** means the total assets appearing on the most recently prepared consolidated balance sheet of the Issuer and its Subsidiaries as at the end of the most recently completed fiscal quarter of the Issuer, prepared in accordance with generally accepted accounting principles in the United States, less all current liabilities (due within one year) as shown on such balance sheet.

Sale and leaseback transactions by the Issuer or any Subsidiary of any Principal Property (as defined below), except for temporary leases for a term of not more than three years and except for leases between the Issuer and Subsidiary or between Subsidiaries (**Sale and Leaseback Transactions**), are prohibited unless (i) the Issuer or such Subsidiary would be entitled to issue, assume or guarantee Debt secured by the property involved at least equal in amount to the Attributable Debt in respect of such transaction without equally and ratably securing the Notes (provided that such Attributable Debt shall thereupon be deemed to be Debt subject to the provisions of the preceding paragraph), (ii) an amount in cash equal to such Attributable Debt is applied to the retirement (other than any mandatory retirement) of long-term non-subordinated Debt of the Issuer or long-term Debt of a Subsidiary or (iii) an amount in cash equal to such Attributable Debt is applied, within twelve months of the consummation of the Sale and Leaseback Transaction, to the purchase or acquisition (or, in the case of real property, the construction) of property or assets. **Attributable Debt** is defined as the present value (discounted at an appropriate rate) of the obligation of a lessee for rental payments during the remaining term of any lease.

The term **Subsidiary** is defined to mean any corporation which is consolidated in the Issuer's accounts and any corporation of which at least a majority of the outstanding stock having voting power under ordinary circumstances to elect a majority of the board of directors of said corporation shall at the time be owned by the Issuer or by the Issuer and one or more Subsidiaries or by one or more Subsidiaries. The term **Principal Property** is defined to mean any office or facility which is owned by the Issuer or any Subsidiary, unless the Board of Directors of the Issuer (or any duly authorized committee thereof) by resolution declares that such office or facility, together with all other offices and facilities previously so declared, is not of material importance to the total business conducted by the Issuer and its Subsidiaries as an entirety.

**5. INTEREST**

***(1) Interest Rate and Interest Payment Dates***

The Notes bear interest from and including 5 October 2006 at the rate of 4.50 per cent per annum, payable annually in arrear on 4 October (each an **Interest Payment Date**). The first payment of interest shall be in respect of the period from and including 5 October 2006 to, but excluding, 4 October 2007, and shall be made on 4 October 2007.

***(2) Interest Accrual***

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

***(3) Calculation of Broken Interest***

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**), but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date, but excluding the next following Interest Payment Date.

**6. PAYMENTS**

***(1) Payments in respect of Notes***

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by Euro cheque drawn on a bank that processes payments in Euro mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 6, a Noteholder's registered account means the Euro account maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second business day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

***(2) Payments subject to Applicable Laws***

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

***(3) No commissions***

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

***(4) Payment on Business Days***

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 6 arrives after the due date for payment.

In this Condition 6, **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London, and a day on which the TARGET System is open and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

***(5) Partial Payments***

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium (if any) or interest in fact paid.

***(6) Paying Agents***

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in a European city which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be Luxembourg;

(c) the Issuer undertakes that it will, so long as such a paying agent exists, ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) there will at all times be a Paying Agent in a jurisdiction within continental Europe; and

(e) there will at all times be a Registrar and a transfer agent.

Notice of any termination or appointment, and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

**7. REDEMPTION AND PURCHASE**

***(1) Redemption at Maturity***

Unless previously redeemed, called or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 4 October 2013.

***(2) Issuer's Call Option***

The Notes will be redeemable, in whole but not in part at the Issuer's option, at any time at a redemption price equal to the greater of (i) 100 per cent of the principal amount of such Notes or (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on an annual basis (based on the actual number of days elapsed divided by 365 (or, if any of those days elapsed fall in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365)) at the Reference Dealer Rate (as defined below), plus in each case, accrued interest thereon to the date of redemption.

For the purposes of this Condition 7(2),

**Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

**Quotation Agent** means the Reference Dealer (as defined below).

**Reference Dealer** means the Principal Paying Agent or its successor.

**Reference Dealer Rate** means with respect to the Reference Dealer and any redemption date, the midmarket annual yield to maturity, as determined by the Reference Dealer, of the

DBR 3.75 per cent. Notes due 4 July 2013 or, if that security is no longer outstanding, a similar security in the reasonable judgment of the Reference Dealer, at 11:00 a.m. (London time) on the third business day in London preceding such redemption date quoted in writing to the Fiscal Agent by such Reference Dealer.

Notice of any redemption will be given to the Noteholders at least 30 days but not more than 60 days before the redemption date.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes called for redemption.

***(3) Redemption for Taxation Reasons***

If, in the written opinion of independent counsel chosen by the Issuer, there is a substantial probability that the Issuer has or will become obligated to pay additional interest on the Notes as described below in Condition 8, as a result of any of the following events occurring on or after 5 October 2006 (a) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, (b) any action taken by a taxing authority of the United States or any political subdivision thereof or therein affecting taxation, which action is generally applied or is taken with respect to the Issuer, (c) a decision rendered by a court of competent jurisdiction in the United States or any political subdivision thereof or therein, whether or not such decision was rendered with respect to the Issuer, (d) a private letter ruling or technical advice memorandum issued by the National Office of the United States Internal Revenue Service on substantially the same facts as those affecting the Issuer or (e) any change, amendment, application, interpretation or execution of the laws of the United States (or any regulations or rulings promulgated thereunder) shall have been officially proposed, which change, amendment, action, application, interpretation or execution would have effect after 5 October 2006 and the Issuer determines that such obligation cannot be avoided by the use of reasonable measures then available to the Issuer, then the Issuer may, at its option, upon not less than 30 nor more than 60 days' prior notice to the holders for the time being of the Notes, redeem the Notes in whole, but not in part, at a redemption price equal to 100 per cent of the principal amount thereof plus accrued interest, if any, to the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such additional interest if a payment in respect to the Notes were due on such date and, at the time such notification of redemption is given, such obligation to pay such additional interest remains in effect. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (i) a certificate stating that the Issuer is entitled to effect such redemption and that the conditions precedent to the right of the Issuer to so redeem have occurred and (ii) an opinion of independent counsel chosen by the Issuer to the effect that there is a substantial probability that the Issuer has or will become obligated to pay additional interest on the Notes.

***(4) Noteholder Put***

If a Put Event (as defined below) occurs, each Noteholder shall have the option (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer shall have given notice under Condition 7(2) or 7(3)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any or all of the Notes at their principal amount together with interest accrued up to but excluding the Put Date (as defined below). Such option (the **Put Option**) shall operate as set out below.

If a Put Event occurs then, within 21 days of the end of the Change of Control Period (as defined below), the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 12 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option if the relevant Notes are held outside of Euroclear and Clearstream, Luxembourg, the Noteholder must within 30 days after a Put Event (the **Put Period**) deliver the Certificate in respect of such Notes at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Put Period, accompanied by a duly signed and completed notice of exercise in the then-current form obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the Noteholder must specify the registered account of such Noteholder (or, if payment is required to be made by cheque, the registered address of such Noteholder (as per Condition 6(1)) to which payment is to be made under this Condition 7(4). The Issuer shall at its option redeem or purchase (or procure the purchase of) the relevant Notes on the date that is seven days (or, if that day is not a Business Day, the first Business Day following the seven day period) after the expiration of the Put Period (the **Put Date**) unless the Notes have been previously redeemed or purchased and cancelled. Payment in respect of any Certificate so delivered will be made on the Put Date by transfer for value on the Put Date to the registered account of such Noteholder (or if a registered address is specified for payment by cheque, by cheque sent by first class post to such specified registered address). A Put Notice, once given, shall be irrevocable.

To exercise the Put Option, if the relevant Notes are held through Euroclear or Clearstream, Luxembourg the Noteholder must, within the Put Period, give notice to the Registrar of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear and Clearstream, Luxembourg or any common depositary for them to the Registrar by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

A **Put Event** will be deemed to occur if:

(i) an offer to acquire capital stock of the Issuer (**Shares**), whether expressed as a tender offer, merger proposal, legal offer, an invitation to tender, a scheme with regard to such acquisition or in any other way, is made in circumstances where such offer is available to all holders of Shares or all holders of Shares other than any holder of Shares who is the person making such offer (or any Affiliate of such person or Related Person with respect to such person) or who is excluded from the offer by reason of being connected with one or more specific jurisdictions and, such offer having become or been declared unconditional in all respects, the Issuer becomes aware that the right to cast more than 50 per cent of the votes which may ordinarily be cast at a general meeting of holders of Shares has or will become beneficially owned (within the meaning of Rule 13d-3 of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**)) by the offer or and/or its Affiliates or Related Persons (the **Relevant Person**) or an event occurs which has a like or similar effect (such event being a **Change of Control**) provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same *pro rata* interests in the share capital of the Relevant Person as such shareholders have, or as the case may be, had, in the share capital of the Issuer,

where for the purposes of this Condition 7(4)(i) only:

**shareholders** means any shareholders along with any persons acting as a "group" for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, along with any Affiliates or Related Persons;

**Affiliate** of any person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control of such person;

**control** means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and **controlling** and **controlled** have correlative meanings;

**Related Person** of any person means any other person owning 5 per cent or more of the outstanding capital stock or other equity interest or combined voting power of such person; and

(ii) on the date (the **Relevant Announcement Date**) that is the earlier of (x) the date of the first public announcement of the relevant Change of Control and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any of Fitch Ratings Ltd. (**Fitch**), Moody's Investors Service Limited (**Moody's**) or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**) or any of their respective successors or any other rating agency (each a **Substitute Rating Agency**) of international standing, specified by the Issuer (each, a **rating agency**):

(A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any rating agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such rating agency; or

(B) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any rating agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such rating agency; or

(C) no credit rating, and no rating agency assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one rating agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and provided further that in making the relevant decision(s) referred to in (ii) above, the relevant rating agency announces publicly or confirms (having been so requested in writing by the Issuer) in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

If the rating designations employed by any of Fitch, Moody's or S&P are changed from those which are described in paragraph (ii) of the definition of "Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Fitch, Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Fitch, Moody's or S&P and this Condition 7(4) shall be read accordingly.

For the purposes of this Condition 7(4):

**Change of Control Period** means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a rating agency, such period not to exceed 60 days after the public announcement of such consideration); and

**Relevant Potential Change of Control Announcement** means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act of 1934 and any other securities laws or regulations in connection with

the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Notes, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of these Notes by virtue of such compliance.

***(5) Purchases***

The Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.

***(6) Cancellations***

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, and accordingly may not be reissued or resold.

***(7) Notices Final***

Upon the expiry of any notice as is referred to in paragraph (2) above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

**8. PAYMENT OF ADDITIONAL INTEREST**

The Issuer will, subject to the exceptions and limitations set forth below, pay as additional interest to a Noteholder that is a United States Alien (as defined below) such amounts as may be necessary so that every net payment on such Note after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge of whatever nature imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount provided for in such Note to be then due and payable. However, the Issuer, as the case may be, will not be required to make any payment of additional interest for or on account of:

(a) any tax, assessment or other governmental charge that would not have been imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such holder, if such holder is an estate or a trust, or a member or shareholder of such holder, if such holder is a partnership or corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident or treated as a resident thereof or being or having been engaged in trade or business or present therein or having or having had a permanent establishment therein, or (ii) the presentation by the holder of a Note for payment more than 15 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge that would not have been imposed but for such holder's past or present status as a personal holding company, foreign personal holding company, controlled foreign corporation, passive foreign investment company (including a qualified election fund) or foreign private foundation or other tax exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States Federal income tax;

(d) any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from a payment on a Note;

(e) any tax, assessment or other governmental charge required to be deducted or withheld by any Paying Agent from any payment on a Note, if such payment can be made without such deduction or withholding by any other Paying Agent;

(f) any tax, assessment or other governmental charge that would not have been imposed but for the holder's failure to comply with any applicable certification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a Note if, without regard to any tax treaty, such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(g) any tax, assessment or other governmental charge imposed by reason of the holder (i) owning or having owned, directly or indirectly, actually or constructively, 10 per cent or more of the total combined voting power of all classes of stock of the Issuer entitled to vote, (ii) receiving interest described in Section 881(c)(3)(A) of the United States Internal Revenue Code or (iii) being a controlled foreign corporation with respect to the United States that is related to the Issuer by actual or constructive stock ownership; or

(h) any combination of items (a), (b), (c), (d), (e), (f) and (g);

nor shall such additional interest be paid with respect to any payment on a Note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional interest had such beneficiary, settlor, member or beneficial owner been the holder of such Note.

For purposes of the foregoing, the holding of or the receipt of any payment with respect to a Note shall not constitute a connection between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or a person having power over, such holder if such holder is an estate, a trust, a partnership or a corporation) and the United States.

The term **United States Alien** means any person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

**9. PRESCRIPTION**

Under New York's statute of limitations, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, Notes will become generally unenforceable.

**10. EVENTS OF DEFAULT**

An event of default (**Event of Default**) will occur under the Notes if:

(a) the Issuer fails to pay the principal of any of the Notes when due; or

(b) the Issuer fails to pay interest (including any additional interest referred to in Condition 8) for 30 days after the date when due; or

(c) the Issuer fails to perform or observe any other term, covenant or agreement contained in the Agency Agreement or the Notes for 30 days after written notice thereof to the Issuer and the Fiscal Agent by the holders of at least 25 per cent in aggregate principal amount of the Notes then outstanding; or

(d) the Issuer fails to fulfil within 30 days from its due date, as extended by any applicable grace or cure period, any payment obligation of interest or principal under any existing Debt,

the aggregate principal amount of which exceeds $100,000,000, and such failure continues for 10 days after receipt of notice of such default by the Issuer, as specified in the Agency Agreement; or

(e) certain events of bankruptcy, insolvency or reorganisation with respect to the Issuer shall have occurred.

If an Event of Default shall have occurred and be continuing, any Noteholder, by written notice to the Issuer and the Fiscal Agent, may identify the applicable Event or Events of Default, declare the principal of its Note or Notes, together with accrued interest and additional amounts, if any, to be due and payable immediately, whereupon such amounts shall become due and payable immediately, unless prior to the receipt of such notice by the Issuer that all such Events of Default have been cured. Upon any such declaration being made, interest shall continue to accrue on the Note or Notes affected by such declaration until the Notes shall be paid in full or until the seventh day after the date upon which notice is duly given to the applicable Noteholders in accordance with Condition 12 that the principal amount of such Notes together with accrued interest and additional amounts thereon has been duly paid in full to the Fiscal Agent (provided that sufficient funds have actually been received and are available for such purpose), whichever is earlier.

**11. REPLACEMENT OF CERTIFICATES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

**12. NOTICES**

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar and published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, published in a daily newspaper in Luxembourg or on the website of the Luxembourg Stock Exchange, *www.bourse.lu.* It is expected that publication will normally be made in the *Financial Times* and the *d'Wort.* The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication, and in the case of publication on the website of the Luxembourg Stock Exchange, on the date of such publication.

**13. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

***(1) Provisions for Meetings***

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing in aggregate more than 50 per cent, in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present

holding or representing in aggregate not less than one half, or at any adjourned meeting not less than one quarter, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

***(2) Modification***

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein or therein or (ii) in any manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless otherwise agreed by the Fiscal Agent (which agreement shall not be unreasonably withheld or delayed), any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

**14. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

**15. CONSOLIDATION, MERGER OR TRANSFER**

The Issuer may without the consent of the Noteholders, merge or consolidate with any other corporation or dispose of all or substantially all of its assets to any other corporation, provided that the successor corporation assumes all obligations of the Issuer under the Notes and the Agency Agreement and certain other conditions set forth therein are met.

**16. GOVERNING LAW**

***(1) Governing Law***

The Agency Agreement and the Notes are governed by, and will be construed in accordance with, the laws of the State of New York.

***(2) Jurisdiction***

Any State or federal courts sitting in the Borough of Manhattan, the City of New York shall have non-exclusive jurisdiction to adjudicate any disputes which may arise out of or in connection with the Notes or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Agency Agreement (Proceedings) may be brought in such courts. The Issuer and the Paying Agents have in the Agency Agreement irrevocably submitted to the non-exclusive jurisdiction of such courts and waived any objection which it may now or hereafter have to Proceedings in any such courts whether on the ground of the laying of venue or on the ground that the Proceedings have been brought in an inconvenient form.

***(3) Waiver of Jury Trial***

The Issuer and the Paying Agents have in the Agency Agreement waived, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to the Agency Agreement or any Note (whether based on contract, tort or any other theory). Each of the Issuer and each of the Paying Agents, therein (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of

Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to the Agency Agreement have been induced to enter in the Agency Agreement by, among other things, the mutual waivers and certifications in this section.

***(4) Waiver of Immunity***

To the extent that any of the Issuer and the Paying Agents have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Issuer and the Paying Agents have in the Agency Agreement irrevocably waived such immunity in respect of their obligations under the Agency Agreement or under any Note.

**(5)** ***Service of Process***

The Issuer has agreed in the Agency Agreement that the process by which any Proceedings in New York City are begun may be served on it by being delivered to it at its offices at 650 Madison Avenue, New York NY10022. If the appointment of the person appointed to receive process on behalf of the Issuer ceases to be effective, the Issuer shall forthwith appoint a further person in the State of New York to accept service of process on its behalf and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, the Fiscal Agent shall be entitled to appoint such a person by written notice addressed and delivered to the Issuer.

**SCHEDULE 3**

**PROVISIONS FOR MEETINGS OF NOTEHOLDERS**

**DEFINITIONS**

1. As used in this Schedule the following expressions shall have the following meanings unless the context otherwise requires:

**Block Voting Instruction** means, in relation to any meeting, an English language document issued by a Paying Agent in which:

(a) it is certified that on the date thereof Notes represented by the Global Certificate or Certificates which are held in an account with any Clearing System (in each case not being Notes in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a Clearing System and that no such Notes will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Block Voting Instruction; and

(ii) the Notes ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer in accordance with paragraph 3(E) of the necessary amendment to the Block Voting Instruction;

(b) it is certified that each holder of such Notes has instructed such Paying Agent that the vote(s) attributable to the Notes so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 Hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;

(c) the aggregate principal amount of the Notes so deposited or held or blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(d) one or more persons named in such Block Voting Instruction (each hereinafter called a **proxy)** is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction;

**Certificate** means, for the purpose of this Annex 3, a Note in definitive form;

**Chairman** means, in relation to any meeting, the individual who takes the chair in accordance with paragraph 6;

**Clearing System** means Euroclear and/or Clearstream, Luxembourg and includes in respect of any Note any clearing system on behalf of which such Note is held or which is the holder or (directly or through a nominee) registered owner of a Note, in either case whether alone or jointly with any other Clearing System(s).

**Eligible Person** means any one of the following persons who shall be entitled to attend and vote at a meeting:

(a) a holder of a Certificate which is not held in an account with any Clearing System;

(b) a bearer of any Voting Certificate;

(c) a proxy specified in any Block Voting Instruction; and

(d) a proxy appointed by a holder of a Certificate which is not held in an account with any Clearing System;

**Extraordinary Resolution** means:

(a) a resolution passed at a meeting duly convened and held in accordance with these presents by a majority consisting of not less than three-fourths of the Eligible Persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on such poll; or

(b) a resolution in writing signed by or on behalf of the holders of not less than three fourths in principal amount of the Notes which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the holders;

**Identified Person** means, in relation to paragraph 3(A) of this Annex 3, a person named to collect the Voting Certificate and attend and vote at the meeting;

**Ordinary Resolution** means:

(a) a resolution passed at a meeting duly convened and held in accordance with these presents by a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a simple majority of the votes cast on such poll; or

(b) a resolution in writing signed by or on behalf of the holders of not less than a clear majority in principal amount of the Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the holders;

**Voting Certificate** means, in relation to a meeting, an English language certificate issued by a Paying Agent in which it is stated:

(a) that on the date thereof Notes represented by the Global Certificate or Certificates which are held in an account with any Clearing System (in each case not being Notes in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a Clearing System and that no such Notes will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Voting Certificate; and

(ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and

(b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes represented by such Voting Certificate;

**24 Hours** means a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business in all of the places as aforesaid; and

**48 Hours** means a period of 48 hours including all or part of two days upon which banks are open for business both in the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of two days upon which banks are open for business in all of the places as aforesaid.

For the purposes of calculating a period of **Clear Days** in relation to a meeting, no account shall be taken of the day on which the notice of such meeting is given (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held) or the day on which such meeting is held.

All references in this Schedule to a "meeting" shall, where the context so permits, include any relevant adjourned meeting.

**EVIDENCE OF ENTITLEMENT TO ATTEND AND VOTE**

2. A holder of a Note represented by the Global Certificate or a Certificate which is held in an account with any Clearing System may require the issue by a Paying Agent of Voting Certificates and Block Voting Instructions in accordance with the terms of paragraph 3.

For the purposes of paragraph 3, the Registrar, Fiscal Agent and each Paying Agent shall be entitled to rely, without further enquiry, on any information or instructions received from a Clearing System and shall have no liability to any holder or other person for any loss, damage, cost, claim or other liability occasioned by its acting in reliance thereon, nor for any failure by a Clearing System to deliver information or instructions to the Registrar, Fiscal Agent or any Paying Agent.

The holder of any Voting Certificate or the proxies named in any Block Voting Instruction shall for all purposes in connection with the relevant meeting be deemed to be the holder of the Notes to which such Voting Certificate or Block Voting Instruction relates.

**PROCEDURE FOR ISSUE OF VOTING CERTIFICATES, BLOCK VOTING INSTRUCTIONS AND PROXIES**

3. (A) Global Certificate and Certificates held in a Clearing System — Voting Certificate

A holder of a Note (not being a Note in respect of which instructions have been given to the Principal Paying Agent in accordance with paragraph 3(B)) represented by the Global Certificate or which is in definitive form and is held in an account with any Clearing System may procure the delivery of a Voting Certificate in respect of such Note by giving notice to the Clearing System through which such holder's interest in the Note is held specifying an Identified Person (which need not be the holder

himself. The relevant Voting Certificate will be made available at or shortly prior to the commencement of the meeting by the Fiscal Agent against presentation by such Identified Person of the form of identification previously notified by such holder to the Clearing System. The Clearing System may prescribe forms of identification (including, without limitation, a passport or driving licence) which it deems appropriate for these purposes. Subject to receipt by the Fiscal Agent from the Clearing System, no later than 24 Hours prior to the time for which such meeting is convened, of notification of the principal amount of the Notes to be represented by any such Voting Certificate and the form of identification against presentation of which such Voting Certificate should be released, the Principal Paying Agent shall, without any obligation to make further enquiry, make available Voting Certificates against presentation of the form of identification corresponding to that notified.

(B) *Global Certificate and Certificates held in a Clearing System — Block Voting Instruction*

A holder of a Note (not being a Note in respect of which a Voting Certificate has been issued) represented by the Global Certificate or which is in definitive form and is held in an account with any Clearing System may require the Fiscal Agent to issue a Block Voting Instruction in respect of such Note by first instructing the Clearing System through which such holder's interest in the Note is held to procure that the votes attributable to such Note should be cast at the meeting in a particular way in relation to the resolution or resolutions to be put to the meeting. Any such instruction shall be given in accordance with the rules of the Clearing System then in effect. Subject to receipt by the Fiscal Agent of instructions from the Clearing System, no later than 24 Hours prior to the time for which such meeting is convened, of notification of the principal amount of the Notes in respect of which instructions have been given and the manner in which the votes attributable to such Notes should be cast, the Fiscal Agent shall, without any obligation to make further enquiry, appoint a proxy to attend the meeting and cast votes in accordance with such instructions.

(C) *Definitive Certificates not held in a Clearing System — appointment of proxy*

(i) A holder of Notes in definitive form and not held in an account with any Clearing System may, by an instrument in writing in the English language (a **form of proxy)** signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Registrar or the Transfer Agent not less than 48 Hours before the time fixed for the relevant meeting, appoint any person (a **proxy)** to act on his or its behalf in connection with any meeting.

(ii) Any proxy appointed pursuant to subparagraph (i) above shall so long as such appointment remains in force be deemed, for all purposes in connection with the relevant meeting, to be the holder of the Notes to which such appointment relates and the holders of the Notes shall be deemed for such purposes not to be the holder.

(D) Each Block Voting Instruction, and each form of proxy shall be deposited by the relevant Paying Agent or (as the case may be) by the Registrar or the Transfer Agent at such place as the Fiscal Agent shall approve not less than 24 Hours before the time appointed for holding the meeting at which the proxy or proxies named in the Block Voting Instruction or form of proxy proposes to vote, and in default the Block Voting

Instruction or form of proxy shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting proceeds to business. A notarially certified copy of each Block Voting Instruction and form of proxy shall (if so requested by the Issuer) be deposited with the Issuer before the commencement of the meeting but the Issuer shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxy or proxies named in any such Block Voting Instruction or form of proxy.

(E) Any vote given in accordance with the terms of a Block Voting Instruction or form of proxy shall be valid notwithstanding the previous revocation or amendment of the Block Voting Instruction or form of proxy or of any of the instructions of the relevant holder or the relevant Clearing System (as the case may be) pursuant to which it was executed provided that no intimation in writing of such revocation or amendment has been received from the relevant Paying Agent (in the case of a Block Voting Instruction) or from the holder thereof (in the case of a proxy appointed pursuant to paragraph 3(C)) by the Issuer at its registered office (or such other place as may have been required or approved by the Fiscal Agent for the purpose) by the time being 24 Hours (in the case of a Block Voting Instruction) or 48 Hours (in the case of a proxy) before the time appointed for holding the meeting at which the Block Voting Instruction or form of proxy is to be used.

**CONVENING OF MEETINGS, QUORUM AND ADJOURNED MEETINGS**

4. The Issuer may at any time, and the Issuer shall upon a requisition in writing in the English language signed by the holders of not less than ten per cent, in principal amount of the Notes for the time being outstanding, convene a meeting and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the relevant Noteholders. Whenever the Issuer is about to convene any such meeting the Issuer shall forthwith give notice in writing to the Fiscal Agent of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as the Fiscal Agent may appoint or approve in writing.

5. At least 21 Clear Days' notice specifying the place, day and hour of meeting shall be given to the holders prior to any meeting in the manner provided by Condition 12. Such notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting thereby convened and, in the case of an Extraordinary Resolution, shall either specify in such notice the terms of such resolution or state fully the effect on the holders of such resolution, if passed. Such notice shall include statements as to the manner in which holders may arrange for Voting Certificates or Block Voting Instructions to be issued and, if applicable, appoint proxies. A copy of the notice shall be sent by post to the Issuer (unless the meeting is convened by the Issuer).

6. A person (who may but need not be a holder) nominated in writing by the Issuer shall be entitled to take the chair at the relevant meeting, but if no such nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting the holders present shall choose one of their number to be Chairman, failing which the Issuer may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

7. At any such meeting one or more Eligible Persons present and holding or representing in the aggregate not less than one-twentieth of the principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a

quorum for the transaction of business (including the passing of an Ordinary Resolution) and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the relevant business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate more than 50 per cent, in principal amount of the Notes for the time being outstanding PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) modification of the maturity date of the Notes or reduction or cancellation of the principal amount payable at maturity; or

(b) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the rate of interest in respect of the Notes; or

(c) modification of the currency in which payments under the Notes are to be made; or

(d) modification of the majority required to pass an Extraordinary Resolution; or

(e) the sanctioning of any scheme or proposal described in subparagraph 19(f); or

(f) alteration of this proviso or the proviso to paragraph 8 below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds of the principal amount of the Notes for the time being outstanding.

8. If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any such meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall if convened upon the requisition of holders be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 Clear Days nor more than 42 Clear Days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Fiscal Agent). If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Fiscal Agent) dissolve such meeting or adjourn the same for such period, being not less than 13 Clear Days (but without any maximum number of Clear Days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Fiscal Agent, and the provisions of this sentence shall apply to all further adjourned such meetings.

9. At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place

had the requisite quorum been present PROVIDED THAT at any adjourned meeting the quorum for the transaction of business comprising any of the matters specified in the proviso to paragraph 7 shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third of the principal amount of the Notes for the time being outstanding.

10. Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in paragraph 5 and such notice shall state the required quorum. Subject as aforesaid it shall not be necessary to give any notice of an adjourned meeting.

**CONDUCT OF BUSINESS AT MEETINGS**

11. Every question submitted to a meeting shall be decided in the first instance by a show of hands. A poll may be demanded (before or on the declaration of the result of the show of hands) by the Chairman, the Issuer or any Eligible Person (whatever the amount of the Notes so held or represented by him).

12. At any meeting, unless a poll is duly demanded, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

13. Subject to paragraph 15, if at any such meeting a poll is so demanded it shall be taken in such manner and, subject as hereinafter provided, either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

14. The Chairman may, with the consent of (and shall if directed by) any such meeting, adjourn the same from time to time and from place to place; but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

15. Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

16. Any director or officer of the Issuer, its lawyers and financial advisors, any director or officer of any of the Paying Agents and any other person authorised so to do by the Fiscal Agent may attend and speak at any meeting. Save as aforesaid, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting unless he is an Eligible Person. No person shall be entitled to vote at any meeting in respect of Notes which are deemed to be not outstanding by virtue of the proviso to the definition of "outstanding" in clause 2.1 of the Agency Agreement.

17. At any meeting:

    (a) on a show of hands every Eligible Person present shall have one vote; and

    (b) on a poll every Eligible Person present shall have one vote in respect of each EUR 1.00 in principal amount of the Notes held or represented by such Eligible Person.

Without prejudice to the obligations of the proxies named in any Block Voting Instruction or form of proxy, any Eligible Person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

18. The proxies named in any Block Voting Instruction or form of proxy need not be holders. Nothing herein shall prevent any of the proxies named in any Block Voting Instruction or form of proxy from being a director, officer or representative of or otherwise connected with the Issuer.

19. A meeting shall in addition to the powers hereinbefore given have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in paragraphs 7 and 9) namely:

    (a) power to approve any compromise or arrangement proposed to be made between the Issuer and Noteholders or any of them;

    (b) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders against the Issuer or against any of its property whether these rights arise under this Agreement, the Notes or otherwise;

    (c) power to agree to any modification of the provisions contained in this Agreement or the Conditions, the Notes which is proposed by the Issuer;

    (d) power to give any authority or approval which under the provisions of this Schedule or the Notes is required to given by Extraordinary Resolution;

    (e) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon any committee or committees any powers or discretions which the Noteholders could themselves exercise Extraordinary Resolution;

    (f) power to approve any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash; and

    (g) power to approve the substitution of any entity in place of the Issuer (or any previous substitute) as the principal debtor in respect of the Notes.

20. Any resolution passed at a meeting of the holders duly convened and held in accordance with these presents shall be binding upon all the holders whether or not present or whether or not represented at such meeting and whether or not voting and each of them shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the holders shall be published in accordance with Condition 12 by the Issuer within 14 days of such result being known, PROVIDED THAT the non-publication of such notice shall not invalidate such result.

21. Minutes of all resolutions and proceedings at every meeting shall be made and entered in books to be from time to time provided for that purpose by the Issuer and any such minutes as

aforesaid, if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted, shall be conclusive evidence of the matters therein contained and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

22. Subject to all other provisions of these presents the Fiscal Agent may (after consultation with the Issuer where the Fiscal Agent considers such consultation to be practicable but without the consent of the Issuer, or the holders) prescribe such further or alternative regulations regarding the requisitioning and/or the holding of meetings and attendance and voting thereat as the Fiscal Agent may in its sole discretion reasonably think fit (including, without limitation, the substitution for periods of 24 hours and 48 hours referred to in this Schedule of shorter periods). Such regulations may, without prejudice to the generality of the foregoing, reflect the practices and facilities of any relevant Clearing System. Notice of any such further or alternative regulations may, at the sole discretion of the Fiscal Agent, be given to holders in accordance with Condition 12 at the time of service of any notice convening a meeting or at such other time as the Fiscal Agent may decide.

**SCHEDULE 4**

**REGISTRATION AND TRANSFER OF NOTES**

1. Each Note shall have an identifying serial number which shall be entered on the Register.
2. The Notes are transferable in integral multiples of EUR 50,000 or in integral multiples of EUR 1,000 in excess thereof each by execution of the form of transfer endorsed thereon under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing. In this Schedule 5, **transferor** shall, where the context permits or requires, include joint transferors and be construed accordingly.
3. The Notes to be transferred must be delivered for registration to the specified office of the Transfer Agent with the form of transfer endorsed on the Notes duly completed and executed and must be accompanied by the documents, evidence and information required pursuant to the Conditions and such other evidence as the Issuer may reasonably require to prove the title of the transferor or his right to transfer the Notes and, if the form of transfer is executed by some other person on his behalf or in the case of the execution of a form of transfer on behalf of a corporation by its officers, the authority of that person or those persons to do so.
4. The executors or administrators of a deceased holder of Notes (not being one of several joint holders) and in the case of the death of one or more of several joint holders the survivor of the joint holders shall be the only person or persons recognised by the Issuer as having any title to the Notes.
5. Any person becoming entitled to Notes in consequence of the death or bankruptcy of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Issuer shall reasonably require be registered himself as the holder of such Notes or, subject to the preceding paragraphs as to transfer, may transfer such Notes. The Issuer shall be at liberty to retain any amount payable upon the Notes to which any person is so entitled until the person shall be registered as provided above or shall duly transfer the Notes.
6. Unless otherwise requested by him and agreed by the Issuer, the holder of Notes shall be entitled to receive only one Note in respect of his entire holding.
7. The joint holders of Notes shall be entitled to one Note only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint holder whose name appears first in the register of the holders of Notes in respect of the joint holding.
8. Where a holder of Notes has transferred part only of his holding there shall be delivered to him without charge a Note in respect of the balance of the holding.
9. The Issuer shall make no charge to the holders for the registration of any holding of Notes or any transfer thereof or for the issue thereof or for the delivery of Notes at the specified office of the Transfer Agent or by mail to the address specified by the Noteholder. If any Noteholder entitled to receive a Note wishes to have the same delivered to him otherwise than at the specified office of the Transfer Agent, the delivery shall be made, upon his written request to the Transfer Agent, at his risk and (except where sent by mail to the address specified by the Noteholder) at his expense.

10. The registered holder of a Note may (to the fullest extent permitted by all applicable laws) be treated at all times, by all persons and for all purposes as the absolute owner of such Note notwithstanding any notice any person may have of the right, title, interest or claim of any other person. The Issuer shall not be bound to see to the execution of any trust to which any Note may be subject and no notice of any trust shall be entered on the register. The holder of a Note will be recognised by the Issuer as entitled to his Note free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of the Note.

**SCHEDULE 5**

**FORM OF PUT NOTICE**

**FORM OF PUT NOTICE**

**POLO RALPH LAUREN CORPORATION**

EUR 300,000,000 4.50 per cent. Notes due 2013

By depositing this duly completed Notice with any Paying Agent for the above Notes (the **Notes**) the undersigned holder of the Notes surrendered with this Notice and referred to below irrevocably exercises its option to have the nominal amount of the respective Notes redeemed in accordance with Condition 7(4) as the Put Date (as defined in Condition 7(4) of the Notes).

This Notice relates to Notes in the aggregate nominal amount of _____ bearing the following serial numbers:

---

**Payment Instructions**

Please make payment in respect of the above-mentioned Notes by [cheque posted to the below address/transfer to the following bank account][1]:

[Bank: _____
Branch Code: _____
/Address: _____
Cheque made to payable to
Signature of holder: _____

Branch Address: _____
Account Number: _____
_____][1]

*[To be completed by recipient Paying Agent]*

Details of missing unmatured Coupons _____

Received by: _____

*[Signature and stamp of Paying Agent]*

At its office at: _____ On: _____

Notes:-

[1] Delete as appropriate.

**N.B. The Paying Agent with whom the above-mentioned Notes are deposited will not in any circumstances be liable to the depositing Noteholder or any other person for any loss or damage arising from any act, default or omission of such Paying Agent in relation to the said Notes or any of them unless such loss or damage was caused by the fraud or negligence of such Paying Agent or its directors, officers or employees.**

This Put Notice is not valid unless all of the paragraphs requiring completion are duly completed. Once validly given this Put Notice is irrevocable.

**SIGNATORIES**

**POLO RALPH LAUREN CORPORATION**

By: **T. TRAVIS**

**DEUTSCHE BANK AG, LONDON BRANCH**

By: **C. RAKESTROW** **A. GARVEY**

**DEUTSCHE BANK LUXEMBOURG S.A.**

By: **S. HARDING** **S. CLERKIN**

CREDIT AGREEMENT

dated as of

November 28, 2006

among

POLO RALPH LAUREN CORPORATION,
as Borrower,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

THE BANK OF NEW YORK, CITIBANK, N.A.,
BANK OF AMERICA, N.A. and WACHOVIA BANK NATIONAL ASSOCIATION,
as Syndication Agents

SUMITOMO MITSUI BANKING CORPORATION and DEUTSCHE BANK SECURITIES INC., as Co-Agents

J.P. MORGAN SECURITIES INC.,
as Sole Bookrunner and Sole Lead Arranger

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CREDIT AGREEMENT, dated as of November 28, 2006, among POLO RALPH LAUREN CORPORATION, the LENDERS party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms.

As used in this Agreement, the following terms have the meanings specified below:

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

"Adjusted Debt" means, for any date, all Indebtedness of the Borrower and its Subsidiaries (computed on a consolidated basis) outstanding on such date plus 800% of Consolidated Lease Expense for the period of four consecutive Fiscal Quarters ended on such date.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

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

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

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

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus $^1/_2$ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Alternative Currency" means any currency that is freely available, freely transferable and freely convertible into dollars and in which dealings in deposits are carried on in

the London interbank market, provided that such currency is reasonably acceptable to the Administrative Agent and the applicable Issuing Bank.

"Alternative Currency LC Exposure" means, at any time, the sum of (a) the Dollar Equivalent, calculated in accordance with Section 1.05, of the aggregate undrawn and unexpired amount of all outstanding Alternative Currency Letters of Credit at such time plus (b) the Dollar Equivalent, calculated in each case using the Exchange Rate at the time the applicable LC Disbursement is made, of the aggregate principal amount of all LC Disbursements in respect of Alternative Currency Letters of Credit that have not yet been reimbursed at such time.

"Alternative Currency Letter of Credit" means a Letter of Credit denominated in an Alternative Currency.

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

**"**Applicable Rate" means, for any day, with respect to any Eurodollar Loan, or with respect to the commitment fees payable hereunder, or with respect to the Applicable Commercial Letter of Credit Rate, as the case may be, the applicable rate per annum set forth below (expressed in basis points) under the caption "Eurodollar Spread" or "Commitment Fee Rate" or "Applicable Commercial Letter of Credit Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

| | Index Debt Ratings | Eurodollar Spread | Commitment Fee Rate | Applicable Commercial Letter of Credit Rate |
|---|---|---|---|---|
| Level I | ³ A by S&P or A2 by Moody's | 20.00 | 6.00 | 10.00 |
| Level II | A- by S&P or A3 by Moody's | 25.00 | 7.00 | 12.50 |
| Level III | BBB+ by S&P or Baa1 by Moody's | 35.00 | 8.00 | 17.50 |
| Level IV | BBB by S&P or Baa2 by Moody's | 45.00 | 10.00 | 22.50 |
| Level V | £ BBB- by S&P or Baa3 by Moody's | 60.00 | 12.50 | 30.00 |

For purposes of the foregoing, (i) if both Moody's and S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the

next-to-last sentence of this definition), then such rating agency shall be deemed to have established a rating for the Index Debt in Level V; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Levels, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Levels lower than the other, in which case the Applicable Rate shall be determined by reference to the Level next below that of the higher of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Borrower to the Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if both such rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agencies, and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation. If either (but not both) of Moody's and S&P shall cease to have in effect a rating (whether as a result of such agency ceasing to be in the business of rating corporate debt obligations or otherwise), the applicable rate shall be determined by reference to the rating of the other rating agency.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Available Commitment" means, as to any Lender at any date of determination, an amount in dollars equal to the excess, if any, of (a) the amount of such Lender's Commitment in effect on such date over (b) the Revolving Credit Exposure of such Lender on such date.

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

"Borrower" means Polo Ralph Lauren Corporation, a Delaware corporation.

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

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

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

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

"Change in Law" means (a) the adoption of any law, rule, treaty or regulation after the date of this Agreement, (b) any change in any law, rule, treaty or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or any Issuing Bank (or, for purposes of Section 2.13(b), by any office of such Lender from or at which Loans and/or Letters of Credit are made or issued, or are booked, as the case may be, in accordance with the terms of this Agreement) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

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

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07, (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04 or (c) increased from time to time pursuant to Section 2.01(b). The initial amount of each Lender's Commitment is set forth on Schedule 2.01, in the New Lender Supplement pursuant to which such Lender shall become a party hereto or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $450,000,000.

"Commitment Increase Supplement" means a supplement to this Agreement substantially in the form of Exhibit D-2.

"Consolidated EBITDAR" means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions,

discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary or non-recurring non-cash expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, non-cash losses on sales of assets outside of the ordinary course of business and including non-cash charges arising from the application of Statement of Financial Accounting Standards No. 142) and (f) Consolidated Lease Expense and minus, (x) to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) interest income, (ii) any extraordinary or non-recurring non-cash income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (iii) income tax credits (to the extent not netted from income tax expense) and (y) any cash payments made during such period in respect of items described in clause (e) above subsequent to the fiscal quarter in which the relevant non-cash expenses or losses were reflected as a charge in the statement of Consolidated Net Income, all as determined on a consolidated basis.

For the purposes of calculating Consolidated EBITDAR for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Consolidated Leverage Ratio, (i) if at any time during such Reference Period the Borrower or any Subsidiary shall have made any Material Disposition, the Consolidated EBITDAR for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDAR (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDAR (if negative) attributable thereto for such Reference Period, and (ii) if during such Reference Period the Borrower or any Subsidiary shall have made a Material Acquisition, Consolidated EBITDAR for such Reference Period shall be calculated after giving pro forma effect thereto (taking into account (A) such cost savings as may be determined by the Borrower in a manner consistent with the evaluation performed by the Borrower in deciding to make such Material Acquisition, as presented to the Borrower's Board of Directors, provided that the Borrower may take into account such cost savings only if it in good faith determines on the date of calculation that it is reasonable to expect that such cost savings will be implemented within 90 days following the date of such Material Acquisition (or in the case of any calculation made subsequent to such 90th day, that such cost savings have, in fact, been implemented) and (B) all transactions that are directly related to such Material Acquisition and are entered into in connection and substantially contemporaneously therewith) as if such Material Acquisition occurred on the first day of such Reference Period. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property that (a) constitutes (i) assets comprising all or substantially all of a business or operating unit of a business, (ii) all or substantially all of the common stock or other Equity Interests of a Person or (iii) in any case where clauses (i) and (ii) above are inapplicable, the rights of any licensee (including by means of the termination of such licensee's rights under such license) under a trademark license to such licensee from the Borrower or any of its Affiliates (the "Acquired Rights"), and (b) involves the payment of consideration by the Borrower and its Subsidiaries in excess of $50,000,000; "Material Disposition" means any Disposition of property or series of related Dispositions of property that yields gross proceeds to the Borrower or any of its Subsidiaries in excess of $50,000,000. In making any calculation pursuant to this paragraph with respect to a Material Acquisition of a

Person, business or rights for which quarterly financial statements are not available, the Borrower shall base such calculation on the financial statements of such Person, business or rights for the then most recently completed period of twelve consecutive calendar months for which such financial statements are available and shall deem the contribution of such Person, business or rights to Consolidated EBITDAR for the period from the beginning of the applicable Reference Period to the date of such Material Acquisition to be equal to the product of (x) the number of days in such period divided by 365 multiplied by (y) the amount of Consolidated EBITDAR of such Person, business or rights for the twelve-month period referred to above (calculated on the basis set forth in this definition). In making any calculation pursuant to this paragraph in connection with an acquisition of Acquired Rights to be followed by the granting of a new license of such Acquired Rights (or any rights derivative therefrom), effect may be given to such grant of such new license (as if it had occurred on the date of such acquisition) if, and only if, the Borrower in good faith determines on the date of such calculation that it is reasonable to expect that such grant will be completed within 90 days following the date of such acquisition (or in the case of any calculation made subsequent to such 90th day, that such grant has, in fact, been completed).

"Consolidated Lease Expense" means, for any period, the aggregate amount of fixed and contingent rentals payable by the Borrower and its Subsidiaries for such period with respect to leases of real and personal property, determined on a consolidated basis in accordance with GAAP; provided that payments in respect of Capital Lease Obligations shall not constitute Consolidated Lease Expense.

"Consolidated Leverage Ratio" means on the last day of any Fiscal Quarter, the ratio of (a) Adjusted Debt on such day to (b) Consolidated EBITDAR for the period of four consecutive Fiscal Quarters ending on such day.

"Consolidated Net Income" means for any period, the consolidated net income (or loss) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Consolidated Net Worth" means 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 after all appropriate adjustments in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization) 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 Equity Interests, treasury stock, capital surplus and retained earnings), in each case

determined on a consolidated basis (after eliminating all inter-company items) in accordance with GAAP; provided, however, that in calculating Consolidated Net Worth the effects of the Statement of Financial Accounting Standards No. 142 shall be disregarded.

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

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

"Disposition" means with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollar Equivalent" means, on any date of determination, (a) with respect to any amount hereunder denominated in an Alternative Currency for purposes of calculations with respect to the matters referred to in Section 1.05, the amount of dollars that may be purchased with such amount of such currency at the applicable rate of exchange determined in accordance with such Section, (b) with respect to any calculation involving the amount of any drawing under any Alternative Currency Letter of Credit, the amount in dollars into which the relevant amount in such Alternative Currency would be converted based upon the relevant Exchange Rate in effect at the time the applicable Issuing Bank makes payment under such Letter of Credit and (c) with respect to any calculation involving the amount of any Standby Letter of Credit fee payable pursuant to Section 2.04(f)(ii) with respect to any Alternative Currency Letter of Credit, the amount in dollars into which the relevant undrawn amount of such Alternative Currency Letter of Credit would be converted based upon the applicable Exchange Rate in effect on the date payment of such fee is due; provided, however, that, solely for purposes of calculating the Alternative Currency L/C Exposure under the first clause (ii) in Section 2.04(b), the foregoing calculations shall take into account (including with respect to the date applicable to the Exchange Rate determination), to the extent applicable, any Swap Agreements with respect to any Alternative Currency applicable to any Alternative Currency Letters of Credit.

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

"Domestic Subsidiary" means any Subsidiary organized under the laws of any jurisdiction within the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, or to human health and safety (insofar as such

health and safety may be adversely affected by exposure to dangerous or harmful substances or environmental conditions), as have been, are, or in the future become, in effect.

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

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

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

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

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

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

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

"Exchange Rate" means, on any day, with respect to any Alternative Currency, the rate determined by the Administrative Agent at which such Alternative Currency may be exchanged into dollars, as set forth at approximately 11:00 a.m., London time, on such day (or, in the case of any calculation involving the amount of any LC Disbursement under any Alternative Currency Letter of Credit, at the time payment thereof is made) on the applicable Reuters World Spot Page. In the event that any such rate does not appear on any Reuters World Spot Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates reasonably selected by the Administrative Agent in consultation with the Borrower for such purpose or, at the discretion of the Administrative Agent in consultation with the Borrower, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternative Currency are then being conducted, at or about 11:00 a.m., local time, on such day (or, in the case of any calculation involving the amount of any LC Disbursement under any Alternative Currency Letter of Credit, at the time payment thereof is made) for the purchase of the applicable Alternative Currency for delivery two Business Days later, provided that, if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any other reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or gross receipts by the United States of America, or by any other Governmental Authority as a result of a present or former connection between the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by the Borrower under this Agreement 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 Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by the Borrower under this Agreement having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document), (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above, (c) in the case of a Foreign Lender, including any Issuing Bank that is a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.17(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or (i) causes pursuant to Section 2.02(b) a new branch or an Affiliate to make any Loan, or (ii) designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.15(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a), and (d) any amounts with respect to any taxes described in clause (a), (b) or (c) above that are imposed as a result of any event occurring after the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by the Borrower under this Agreement becomes a party to this Agreement, other than a Change in Law.

"Existing Credit Agreement" means the Credit Agreement, dated as of October 6, 2004 among the Borrower, the several banks and other financial institutions parties thereto and JPMorgan Chase Bank, N.A., as administrative agent, as heretofore amended, supplemented or otherwise modified.

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

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

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

"Foreign Subsidiary" means any Subsidiary which is not a Domestic Subsidiary.

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

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

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

guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. For purposes of all calculations provided for in this Agreement, the amount of any Guarantee of any guarantor 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 is made and (y) the maximum amount for which such guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guarantor may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guarantor's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantee Agreement" means the Guarantee Agreement to be executed and delivered by each Guarantor, substantially in the form of Exhibit C.

"Guarantor" means each Domestic Subsidiary that becomes a party to the Guarantee Agreement on the Effective Date and each Domestic Subsidiary that, subsequent to the Effective Date, becomes a Significant Subsidiary (as defined in Regulation S-X part 210.1-02 of the Code of Federal Regulations) or any Subsidiary which is designated to be a Guarantor by written notice from the Borrower to the Administrative Agent and, in each case, becomes a party to the Guarantee Agreement.

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

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business), (e) all Indebtedness of others secured by any Lien on property owned or acquired by such Person (to the extent of such Person's interest in such property), whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and

letters of guaranty, (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances and (j) all payment and performance obligations of every kind, nature and description of such Person under or in connection with Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. For purposes of all calculations provided for in this Agreement, there shall be disregarded any Guarantee 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.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

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

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

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investment" means, as applied to any Person, any direct or indirect purchase or other acquisition by such Person of Equity Interests 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.

"Issuing Bank" means, as the context may require, (a) JPMorgan Chase Bank, N.A., Wachovia Bank National Association and The Bank of New York, each with respect to Letters or Credit issued by it or (b) any other Lender that becomes an Issuing Bank pursuant to Section 2.04(l), with respect to Letters of Credit issued by it, and in each case its successors in such capacity as provided in Section 2.04(j). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate; provided, however, that no arrangement of a type described in this sentence shall be permitted if, immediately after giving effect thereto, amounts would become payable by the Borrower under Section 2.13 or 2.15 that are in excess of those that would be payable under such Section if such arrangement were not implemented and, provided, further, that the fees payable to any such Affiliate shall be subject to the second sentence of Section 2.10(b).

"Lauren" means Ralph Lauren, an individual.

"LC Disbursement" means a payment made by the applicable Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit (other than Alternative Currency Letters of Credit) at such time, (b) the aggregate amount of all LC Disbursements under Letters of Credit (other than Alternative Currency Letters of Credit) that have not yet been reimbursed by or on behalf of the Borrower at such time and (c) the Alternative Currency LC Exposure at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

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

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

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

such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement and the Guarantee Agreement

"Loan Party" means the Borrower and the Guarantors.

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

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and the Subsidiaries taken as a whole or (b) the rights and remedies, taken as a whole, of the Administrative Agent and the Lenders under the Loan Documents.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding $50,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means November 28, 2011.

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

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

"Net Income" ("Net Loss") means 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.

"New Lender" has the meaning assigned to such term in Section 2.01(c).

"New Lender Supplement" has the meaning assigned to such term in Section 2.01(c).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning set forth in Section 9.04.

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

"Permitted Acquisition" means any acquisition (in one transaction or a series of related transactions) by the Borrower or any Subsidiary, on or after the Effective Date (whether effected through a purchase of Equity Interests or assets or through a merger, consolidation or amalgamation), of (i) another Person, (ii) the assets constituting all or substantially all of a business or operating business unit of another Person or (iii) in any case where clauses (i) and (ii) above are inapplicable, the rights of any licensee (including by means of the termination of such license's rights under such license) under a trademark license to such licensee from the Borrower or any of its Affiliates, 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 shall have occurred and be continuing at the time thereof or would result therefrom;

(c) such acquisition shall be effected in such manner so that the acquired Equity Interests, assets or rights are owned either by the Borrower or a Subsidiary and, if effected by merger, consolidation or amalgamation, the continuing, surviving or resulting entity shall be the Borrower or a Subsidiary, provided that, nothing in this clause shall be deemed to limit the ability of the Borrower or any Subsidiary to grant to a different licensee any acquired license rights described in clause (iii) above (or any rights derivative therefrom); and

(d) the Borrower and its Subsidiaries shall be in compliance, on a pro forma basis after giving effect to such acquisition, with the covenant contained in Section 6.07 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such acquisition had occurred on the first day of each relevant period for testing such compliance.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes and duties, assessments, governmental charges or levies that are not yet due or are being contested in compliance with Section 5.04;

(b) landlords, carriers', warehousemen's, mechanics', shippers', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security laws or regulations, and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

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

(e) Liens incurred in the ordinary course of business in connection with the sale, lease, transfer or other disposition of any credit card receivables of the Borrower or any of its Subsidiaries;

(f) judgment, attachment or other similar liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;

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

(h) possessory Liens in favor of brokers and dealers arising in connection with the acquisition or disposition of Permitted Investments.

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

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are directly and fully guaranteed or insured by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America);

(b) investments in commercial paper having, at such date of acquisition, a credit rating of at least A-2 from S&P or P-2 from Moody's;

(c) investments in certificates of deposit, eurodollar time deposits, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts

issued or offered by, any Lender or any commercial bank which has a combined capital and surplus and undivided profits of not less than $100,000,000;

(d) repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) securities with maturities of two years 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 or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth or territory, political subdivision, taxing authority or foreign government (as the case may be) are rated, at such date of acquisition, at least A by S&P or A2 by Moody's;

(f) securities with maturities of two years 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 (c) of this definition;

(g) shares of money market funds that (i) comply with the criteria set forth in (a) Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940 or (b) Securities and Exchange Commission Rule 3c-7 under the Investment Company Act of 1940 and (ii) have portfolio assets of at least (x) in the case of funds that invest exclusively in assets satisfying the requirements of clause (a) of this definition, $250,000,000 and (y) in all other cases, $500,000,000;

(h) in the case of investments by any Foreign Subsidiary, obligations of a credit quality and maturity comparable to that of the items referred to in clauses (a) through (g) above that are available in local markets;

(i) investments in auction rate securities with a rating of AAA from S&P and a maximum holding period of 45 days, for which the reset date will be used to determine the maturity date; and

(j) investments in short term loan participations of up to 35 days if the short term debt rating is A-2 from S&P or P-2 from Moody's or an equivalent long term rating of investment grade by Moody's or S&P exists.

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

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

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New

York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Priority Indebtedness" means (a) Indebtedness of the Borrower or any Subsidiary (other than that described in Section 6.01(e)) secured by any Lien on any asset(s) of the Borrower or any Subsidiary and (b) Indebtedness of any Subsidiary which is not a Guarantor, in each case owing to a Person other than the Borrower or any Subsidiary.

"Register" has the meaning set forth in Section 9.04.

"Related Line of Business" means: (a) any line of business in which the Borrower or any of its Subsidiaries is engaged as of, or immediately prior to, the Effective Date, (b) any wholesale, retail or other distribution of products or services under any domestic or foreign patent, trademark, service mark, trade name, copyright or license or (c) any similar, ancillary or related business and any business which provides a service and/or supplies products in connection with any business described in clause (a) or (b) above.

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

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided, however, that if any Lender defaults in its obligations to fund Loans hereunder, there shall be excluded from the determination of Required Lenders at such time such Lender's pro rata share of the total Revolving Credit Exposures and unused Commitments.

"Requirement of Law" means, 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.

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

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

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

"Standby Letter of Credit" means an irrevocable letter of credit pursuant to which an Issuing Bank agrees to make payments in dollars or an Alternative Currency 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 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 for insurance purposes and in connection with lease transactions.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

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

"Subsidiary" means any subsidiary of the Borrower.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option, cap or collar agreements or similar agreement involving, or settled by reference to, one or more interest or exchange rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or the Subsidiaries shall be a Swap Agreement.

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

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement and by the Guarantors of the Guarantee Agreement, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

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

"Voting Stock" means 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.

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

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

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

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

SECTION 1.05. Exchange Rates. For purposes of calculating the Alternative Currency LC Exposure at any time during any period and the Dollar Equivalent at the time of issuance of any Alternative Currency Letter of Credit then requested to be issued pursuant to Section 2.04(b), the Administrative Agent will at least once during each calendar month and at such other times as it in its sole discretion decides to do so, determine the respective rate of exchange into dollars of each Alternative Currency in which an Alternative Currency Letter of

Credit is then outstanding (which rate of exchange shall be based upon the Exchange Rate in effect on date of such determination). Such rates of exchange so determined on each such determination date shall, for purposes of the calculations described in the preceding sentence, be deemed to remain unchanged and in effect until the next such determination date.

ARTICLE II

The Credits

SECTION 2.01. Commitments. (a) Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans in dollars to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

(b) The Borrower and any one or more Lenders (including New Lenders) may from time to time after the Effective Date agree that such Lender or Lenders shall establish a new Commitment or Commitments or increase the amount of its or their Commitment or Commitments by executing and delivering to the Administrative Agent, in the case of each New Lender, a New Lender Supplement meeting the requirements of Section 2.01(c) or, in the case of each Lender which is not a New Lender, a Commitment Increase Supplement meeting the requirements of Section 2.01(d). Notwithstanding the foregoing, without the consent of the Required Lenders, (x) the aggregate amount of incremental Commitments established or increased after the Effective Date pursuant to this paragraph shall not exceed $150,000,000, (y) unless otherwise agreed to by the Administrative Agent, each increase in the aggregate Commitments effected pursuant to this paragraph shall be in a minimum aggregate amount of at least $15,000,000 and (z) unless otherwise agreed by the Administrative Agent, increases in Commitments may be effected on no more than three occasions pursuant to this paragraph. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion.

(c) Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consents shall not be unreasonably withheld), elects to become a "Lender" under this Agreement in connection with any transaction described in Section 2.01(b) shall execute a New Lender Supplement (each, a "New Lender Supplement"), substantially in the form of Exhibit D-1, whereupon such bank, financial institution or other entity (a "New Lender") shall become a Lender, with a Commitment in the amount set forth therein that is effective on the date specified therein, for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement.

(d) Any Lender, which, with the consent of the Borrower and the Administrative Agent, elects to increase its Commitment under this Agreement shall execute and deliver to the Borrower and the Administrative Agent a Commitment Increase Supplement specifying (i) the amount of such Commitment increase, (ii) the amount of such Lender's total Commitment after

giving effect to such Commitment increase, and (iii) the date upon which such Commitment increase shall become effective.

(e) Unless otherwise agreed by the Administrative Agent, on each date upon which the Commitments shall be increased pursuant to this Section, the Borrower shall prepay all then outstanding Revolving Loans, which prepayment shall be accompanied by payment of all accrued interest on the amount prepaid and any amounts payable pursuant to Section 2.14 in connection therewith, and, to the extent it determines to do so, reborrow Revolving Loans from all the Lenders (after giving effect to the new and/or increased Commitments becoming effective on such date). Any prepayment and reborrowing pursuant to the preceding sentence shall be effected, to the maximum extent practicable, through the netting of amounts payable between the Borrower and the respective Lenders.

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

(b) Subject to Section 2.12, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement; and provided, further, that no such option may be exercised by any Lender if, immediately after giving effect thereto, amounts would become payable by the Borrower under Section 2.13 or 2.15 that are in excess of those that would be payable under such Section if such option were not exercised.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $500,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e). Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of fifteen (15) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Loan, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date

of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

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

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

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

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

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

SECTION 2.04. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit) in the form of Commercial Letters of Credit or Standby Letters of Credit for its own account or the account of its Subsidiaries, in a form reasonably acceptable to the applicable Issuing Bank (provided that each Letter of Credit shall provide for payment against sight drafts drawn thereunder), at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the applicable Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. The letters of credit identified on Schedule 2.04 shall be deemed to be "Letters of Credit" issued on the Effective Date for all purposes of the Loan Documents.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the applicable Issuing Bank and, in the case of a Commercial Letter of Credit if the Administrative Agent shall have so requested and in the case of all Standby Letters of Credit,

the Administrative Agent (in each case, reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, the currency in which such Letter of Credit is to be denominated (which shall be dollars or, subject to Section 2.18, an Alternative Currency), the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit, provided that in no event shall any Issuing Bank other than JPMorgan Chase Bank or one or more other Issuing Banks designated from time to time by the Borrower and reasonably acceptable to the Administrative Agent issue any Alternative Currency Letter of Credit hereunder. If requested by the applicable Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed (x) $150,000,000, in the case of Standby Letters of Credit, or (y) $250,000,000, in the case of Commercial Letters of Credit, (ii) the Alternative Currency LC Exposure with respect to Letters of Credit denominated in an Alternative Currency shall not exceed $50,000,000, and (iii) the total Revolving Credit Exposures shall not exceed the total Commitments. Subsequent to the receipt by any Issuing Bank of a Notification Instruction (as defined below) from the Administrative Agent which shall not have been withdrawn, such Issuing Bank will contact the Administrative Agent prior to the issuance or increase in any Letter of Credit to determine whether or not such issuance or increase would result in any of the limitations set forth in the preceding sentence being exceeded. For purposes of this Section 2.04(b), a "Notification Instruction" shall mean any instruction from the Administrative Agent requiring that an Issuing Bank make the contacts described in the preceding sentence, which instruction the Administrative Agent (i) may deliver at any time when it determines that the percentage which the aggregate Revolving Credit Exposure constitutes of the aggregate Commitments then in effect is greater than 80% and (ii) will withdraw when it determines that such percentage is less than 80%. For purposes of the third preceding sentence the amount of any Alternative Currency Letter of Credit shall be the Dollar Equivalent thereof calculated on the basis of the applicable rate of exchange determined in accordance with Section 1.05.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent in dollars, for the account of such Issuing Bank, such Lender's Applicable Percentage of (i) each LC Disbursement made by such Issuing Bank in dollars and (ii) the Dollar Equivalent, using the

Exchange Rate at the time such payment is made, of each LC Disbursement made by such Issuing Bank in an Alternative Currency and, in each case, not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If any Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to such Issuing Bank an amount equal to such LC Disbursement in dollars, on the date that such LC Disbursement is made (or, if such date is not a Business Day, on or before the next Business Day); provided that, if such LC Disbursement is made under an Alternative Currency Letter of Credit, automatically and with no further action required, such Borrower's obligation to reimburse the applicable LC Disbursement shall be permanently converted into an obligation to reimburse the Dollar Equivalent, calculated using the Exchange Rate at the time such payment is made, of such LC Disbursement, and provided, further, that, in the case of any such reimbursement obligation which is in an amount of not less than $500,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed in dollars with an ABR Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Borrowing. If the Borrower fails to make when due any reimbursement payment required pursuant to this paragraph, the applicable Issuing Bank shall immediately notify the Administrative Agent, which shall promptly notify each Lender of the applicable LC Disbursement, the Dollar Equivalent thereof calculated in accordance with the preceding sentence (if such LC Disbursement relates to an Alternative Currency Letter of Credit), the reimbursement payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender (other than such Issuing Bank) shall pay to the Administrative Agent in dollars its Applicable Percentage of the reimbursement payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to such Issuing Bank in dollars the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Letter of Credit Fees.

(i) Commercial Letter of Credit Fee. The Borrower agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank and the Lenders, a Commercial Letter of Credit fee calculated at the rate per annum equal to the Applicable Rate applicable to Commercial Letters of Credit from time to time in effect on the aggregate average daily amount available to be drawn (calculated, in the case of any Alternative Currency Letter of Credit, on the basis of the Dollar Equivalent thereof using the applicable Exchange Rate in effect on the date payment of such fee is due) under each Commercial Letter of Credit issued hereunder (and in no event less than $500 with respect to each such Commercial Letter of Credit). Commercial Letter of Credit Fees accrued through and including the last day of March, June, September and December of each year shall be payable in arrears on the fifth Business Day following such last day, commencing on the first such date to occur after the date hereof. The Administrative Agent will promptly pay to the Issuing Banks and the Lenders their pro rata shares of any amounts received from the Borrower in respect of any such fees. Commercial Letter of Credit fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(ii) Standby Letter of Credit Fees. The Borrower agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank and the Lenders, a Standby Letter of Credit fee calculated at the rate per annum equal to the Applicable Rate applicable to Eurodollar Loans from time to time in effect on the aggregate average daily amount available to be drawn (calculated, in the case of any Alternative Currency Letter of Credit, on the basis of the Dollar Equivalent thereof using the applicable Exchange Rate in effect on the date payment of such fee is due) under each Standby Letter of Credit issued hereunder (and in no event less than $500 with respect to each such Standby Letter of Credit). Standby Letter of Credit Fees accrued through and including the last day of March, June, September and December of each year shall be payable in arrears on the fifth Business Day following such last day, commencing on the first such date to occur after the date hereof. The Administrative Agent will promptly pay to the Issuing Banks and the Lenders their pro rata shares of any amounts received from the Borrower in respect of any such fees. Standby Letter of Credit fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(g) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any application for the issuance of a Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the applicable Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or

equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the applicable Issuing Bank; provided that the foregoing shall not be construed to excuse such Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence, bad faith or willful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(h) Disbursement Procedures. The applicable Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(i) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, including by financing such payment obligation with an ABR Loan in accordance with paragraph (e) of this Section (or, if such date is not a Business Day, on or prior to the next Business Day), the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due (including by financing such payment obligation with an ABR Loan) pursuant to paragraph (e) of this Section, then Section 2.11(c) shall apply; and provided, further, that, in the case of an LC Disbursement made under an Alternative Currency Letter of Credit, the amount of interest due with respect thereto shall accrue on the Dollar Equivalent, calculated using the Exchange Rate at the time such LC Disbursement was made, of such LC Disbursement. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on

and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(j) Replacement of any Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of such Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.04(f) and 2.10(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of such Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to include a reference to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(k) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the then total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in dollars and in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that (i) the portions of such amount attributable to undrawn Alternative Currency Letters of Credit shall be deposited in the applicable Alternative Currencies in the actual amounts of such undrawn Letters of Credit and (ii) the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in paragraph (h) or (i) of Article VII. Each deposit pursuant to this paragraph shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Banks for LC Disbursements for which they have not been reimbursed (to be applied ratably among them according to the respective aggregate amounts of the then unreimbursed LC Disbursements) and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the then total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an

amount of cash collateral hereunder as a result of the occurrence of an Event of Default or, in accordance with Section 2.09(c), the total Revolving Credit Exposure exceeding 105% of the total Commitments, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived or, as the case may be, the total Revolving Credit Exposure not exceeding the total Commitments.

(l) Additional Issuing Banks. The Borrower may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of this Agreement, provided that the total number of Issuing Banks at any time shall not exceed four. Any Lender designated as Issuing Bank pursuant to this paragraph (l) shall be deemed to be an "Issuing Bank" for the purposes of this Agreement (in addition to being a Lender) with respect to Letters of Credit issued by such Lender.

(m) Reporting. Unless the Administrative Agent otherwise agrees, each Issuing Bank will report in writing to the Administrative Agent (i) on the first Business Day of each week and on the second Business Day to occur after the last day of each March, June, September and December, and on such other dates as the Administrative Agent may reasonably request, the daily activity during the preceding week, calendar quarter or other period, as the case may be, with respect to Letters of Credit issued by it, including the aggregate outstanding LC Exposure with respect to such Letters of Credit on each day during such week, quarter or other period, in such form and detail as shall be satisfactory to the Administrative Agent, (ii) on any Business Day on which the Borrower fails to reimburse an LC Disbursement required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount of such LC Disbursement and (iii) such other information with respect to Letters of Credit issued by such Issuing Bank as the Administrative Agent may reasonably request.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.04(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

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

Borrower to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing. If such Lender's share of such Borrowing is not made available to the Administrative Agent by such Lender within three Business Days after the date such amount is made available to the Borrower, the Administrative Agent shall promptly notify the Borrower of such failure and shall also be entitled to recover such amount from the Borrower, on demand, with interest thereon at the rate per annum applicable to ABR Loans hereunder accruing from the date of such Borrowing. If the Borrower shall pay to the Administrative Agent such corresponding amount, the Borrower shall have no further obligations to such Lender with respect to such amount.

SECTION 2.06. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

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

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

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

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

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

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

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

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

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $100,000 and not less than $1,000,000, or, if less than $1,000,000, the remaining amount of the total Commitments, and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the total Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least two (2) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon another event, such as the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date.

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

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

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

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay voluntarily any Borrowing in whole or in part without premium or penalty, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any voluntary prepayment hereunder prior to (i) in the case of ABR Loans, 11:00 a.m., New York City time, on such date of prepayment or (ii) in the case of Eurodollar Loans, 12:00 noon, New York City time, on the Business Day immediately preceding such date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid 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; provided that, if a notice of voluntary prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice the Administrative Agent shall advise the Lenders of the contents thereof. Each

partial voluntary prepayment of any Borrowing shall be in an aggregate principal amount of $500,000 or a multiple of $100,000 in excess thereof. Each voluntary prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing.

(c) If on any date the total Revolving Credit Exposure exceeds 105% of the total Commitments, the Borrower shall, without notice or demand, within three Business Days after such date, prepay Loans in an aggregate amount sufficient to reduce the total Revolving Credit Exposure to less than the total Commitments, provided that if, after giving effect to such prepayment, the total Revolving Credit Exposure would still exceed the total Commitments, the Borrower shall, without notice or demand, deposit cash collateral in an account with the Administrative Agent established and maintained in accordance with Section 2.04(k) in an aggregate amount such that, after deducting therefrom the amount so deposited in such account, the total Revolving Credit Exposure does not exceed the total Commitments.

(d) Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11 and any amounts payable pursuant to Section 2.14.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee for the period from and including the Effective Date to the last day of the Availability Period, computed at the Applicable Rate on the average daily amount of the Available Commitment of such Lender during the period for which payment is made. Commitment fees accrued through and including the last day of March, June, September and December of each year shall be payable on the fifth Business Day following such last day, commencing on the first such date to occur after the date hereof; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to each Issuing Bank the fees agreed upon by the Borrower with such Issuing Bank with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. For the avoidance of doubt, in any case where, in accordance with the second sentence of the definition of Issuing Bank, an Issuing Bank arranges for one or more Letters of Credit to be issued by an Affiliate of such Issuing Bank, the fees agreed upon by such Issuing Bank with the Borrower shall be deemed to have been agreed upon by such Affiliate unless the Borrower and such Affiliate otherwise agree.

(c) The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, a utilization fee accruing for each day on which the aggregate amount of the Revolving Credit Exposure of all Lenders exceeds 50% of the aggregate amount of the Commitments then in effect at a rate per annum equal to 0.10% on the amount of the Revolving Credit Exposure of such Lender outstanding on such day. Utilization fees accrued through and including the last day of March, June, September and December of each year shall be payable on the fifth Business Day following such last day, commencing on the first such date to occur after the date hereof, and on the Maturity Date; provided that if there shall exist any Revolving Credit Exposure at any time after the Commitments are terminated or expire, the Commitments, for purposes of calculations pursuant to this Section, shall be deemed to remain outstanding in the

amounts in effect immediately prior to such termination or expiration and any utilization fees accruing after such termination or expiration shall be payable on demand. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

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

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to each Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances (other than in the case, and to the extent, of any overpayment thereof by the Borrower).

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

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

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

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

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

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

(a) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that by reason of circumstances affecting the relevant market adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

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

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

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

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

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender could have achieved but

for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank, as the case may be, as specified in paragraph (a) or (b) of this Section, containing a reasonably detailed explanation of the basis on which such amount or amounts were calculated and explaining the Change in Law by reason of which it has become entitled to be so compensated, shall be delivered to the Borrower and shall be conclusive absent manifest error. No Lender or Issuing Bank shall be entitled to the benefits of this Section 2.13 unless such Lender or Issuing Bank shall have complied with the requirements of this Section 2.13. The Borrower shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof. Notwithstanding any other provision of this Section 2.13, no Lender shall demand compensation for any increased costs or reduction referred to above in this Section if it shall not then be the general policy of such Lender to demand such compensation in similar circumstances from comparable borrowers under comparable provisions of other credit agreements, if any (it being understood, for the avoidance of doubt, that a waiver by any Lender in any given case of its right to demand such compensation from any given borrower shall not, in and of itself, be deemed to constitute a change in the general policy of such Lender).

(e) Notwithstanding any other provision to the contrary, this Section 2.13 shall have no application with respect to any Indemnified Taxes, Other Taxes or any Excluded Taxes, which matters, for the avoidance of doubt, shall be dealt with exclusively under Section 2.15.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, the Borrower shall compensate each Lender for the loss

and reasonable cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section, containing a reasonably detailed calculation of such amounts, shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof. No Lender or Issuing Bank shall be entitled to the benefits of this Section 2.14 unless such Lender or Issuing Bank shall have complied with the requirements of this Section 2.14.

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

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

(c) The Borrower shall indemnify the Administrative Agent, each Lender and any Issuing Bank, as promptly as possible but in any event within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability, together with, to the extent available, a certified copy of a receipt issued by such Governmental Authority evidencing such payment or other evidence of such payment reasonably satisfactory to the Borrower, delivered to the Borrower as soon as practicable after any such payment by a Lender or any Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or any Issuing Bank, shall be conclusive absent manifest error.

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

(e) Each Foreign Lender (including each Issuing Bank that is a Foreign Lender) shall deliver to the Borrower (with a copy to the Administrative Agent), at the time it becomes a Lender (or, in the case of any Participant, on or before the date such Participant purchases the related Participation) and at all times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding. Each Foreign Lender (including each Issuing Bank that is a Foreign Lender) shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any documentation required to be delivered to the Borrower pursuant to this paragraph. No Person shall be entitled to become a Lender or Participant unless it shall have complied with the requirements of the first sentence of this paragraph (if such requirements are applicable to it).

(f) If the Administrative Agent, a Lender or an Issuing Bank determines that it has received a refund which, in the good faith judgment of the Administrative Agent, such Lender or such Issuing Bank, as the case may be, is allocable to any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.15, it shall promptly pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.15 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent or an Issuing Bank, as applicable, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to an Issuing Bank as expressly provided herein and except that payments pursuant to Sections 2.13, 2.14, 2.15 and 9.03 shall be made directly to the Persons entitled

thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars except as provided in Section 2.04(k).

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

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or such Issuing Bank, as

the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(d) or (e), 2.05(b) or 2.16(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender (including any Issuing Bank) requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender (including any Issuing Bank) or any Governmental Authority for the account of any Lender (including any Issuing Bank) pursuant to Section 2.15, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future and (ii) would not subject such Lender to any material unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender.

(b) If (i) any Lender (including any Issuing Bank) requests compensation under Section 2.13, (ii) the Borrower is required to pay any additional amount to any Lender (including any Issuing Bank) or any Governmental Authority for the account of any Lender (including any Issuing Bank) pursuant to Section 2.15 or (iii) if any Lender (including any Issuing Bank) defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense (in the case of clauses (i) and (ii) of this Section 2.17(b) only), upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04, provided that the Borrower shall be required to pay the processing and recordation fee referred to in Section 9.04(b)(ii)(C)), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) (and, if such Lender is an Issuing Bank, all Letters of Credit issued by it shall have been cancelled or other arrangements reasonably satisfactory to such Issuing Bank shall have been made with respect to such Letters of Credit) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to Section 2.15, such assignment will result in a reduction in such compensation or payments. A Lender

(including any Issuing Bank) shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. No such assignment shall be deemed to be a waiver of any rights which the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 2.18. Change in Law. If (a) any Change in Law shall make it unlawful for any Issuing Bank to issue Letters of Credit denominated in an Alternative Currency or (b) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls) or currency exchange rates that would make it impracticable for such Issuing Bank to issue Letters of Credit denominated in such Alternative Currency, then by prompt written notice thereof to the Borrower and to the Administrative Agent (which notice shall be withdrawn whenever such circumstances no longer exist), such Issuing Bank may declare that Letters of Credit will not thereafter be issued by it in the affected Alternative Currency or Alternative Currencies, whereupon the affected Alternative Currency or Alternative Currencies shall be deemed (for the duration of such declaration) not to constitute an Alternative Currency for purposes of the issuance of Letters of Credit by such Issuing Bank.

## ARTICLE III

## Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. Each Loan Document has been duly executed and delivered by each Loan Party which is a party thereto and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, liquidation, reconstruction, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture or any

material agreement or other material instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended April 1, 2006, reported on by Deloitte & Touche LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended July 1, 2006, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since April 1, 2006, there has been no material adverse change in the business, operations, property or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to the operation of its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes or such other defects as, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business as currently conducted, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) which could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (except for litigation disclosed prior to November 28, 2006 in reports publicly filed by the Borrower under the Securities Exchange Act of 1934, as amended) or (ii) that involve this Agreement or the Transactions.

(b) Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any

claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. Neither the Borrower nor any of its Subsidiaries is required to be registered as an "investment company" as defined in the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $10,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $10,000,000 the fair market value of the assets of all such underfunded Plans.

SECTION 3.11. Disclosure. All of the reports, financial statements and certificates furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or hereafter delivered hereunder or reports filed pursuant to the Securities Exchange Act of 1934 (as modified or supplemented by other information so furnished prior to the date on which this representation and warranty is made or deemed made) do not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Subsidiary Guarantors. Set forth on Schedule 3.12 is a list of each Subsidiary which, in accordance with Section 4.01(b), is required to be a Guarantor under the Guarantee Agreement on the Effective Date.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

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

(b) The Administrative Agent shall have received the Guarantee Agreement executed and delivered by (i) each Domestic Subsidiary which is a guarantor under the Existing Credit Agreement, and (ii) each Domestic Subsidiary, if any, which, as of the Effective Date, is a Significant Subsidiary (as defined in Regulation S-X part 210.1-02 of the Code of Federal Regulations) and which is not a guarantor under the Existing Credit Agreement.

(c) The Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it that all obligations of the Borrower under the Existing Credit Agreement (other than the indemnity and other obligations (including obligations in relation to the letters of credit identified on Schedule 2.04) that expressly survive the termination thereof) shall have been paid in full, and all commitments of the Lenders to extend credit thereunder shall have been terminated.

(d) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (i) Friedman Kaplan Seiler & Adelman LLP, counsel for the Loan Parties, substantially in the form of Exhibit B-1 and (ii) the Corporate Counsel of the Borrower, substantially in the form of Exhibit B-2. The Borrower hereby requests Friedman Kaplan Seiler & Adelman LLP to deliver the opinion provided for in clause (i), above.

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

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

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

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on November 28, 2006 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, but excluding a conversion of all or a portion of a Borrowing from one Type to the other or a continuation of all or a portion of a Borrowing of the same Type pursuant to Section 2.06 and of each Issuing Bank to issue, increase, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, increase, renewal or extension of such Letter of Credit, as applicable (other than 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).

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, increase, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, increase, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

## ARTICLE V

## Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; Ratings Change and Other Information. The Borrower will furnish to each Lender through the Administrative Agent:

(a) within 90 days after the end of each Fiscal Year of the Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; provided, however, that, so long as the Borrower is required to file reports under Section 13 of the Securities and Exchange Act of 1934, the requirements of this paragraph shall be deemed satisfied by the delivery of, the Annual Report of the Borrower on Form 10-K for such Fiscal Year, signed by the duly authorized officer or officers of the Borrower;

(b) within 60 days after the end of each of the first three Fiscal Quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; provided, however, that, so long as the Borrower is required to file reports under Section 13 of the Securities and Exchange Act of 1934, the requirements of this paragraph shall be deemed satisfied by the delivery of the Quarterly Report of the Borrower on Form 10-Q for the relevant Fiscal Quarter, signed by the duly authorized officer or officers of the Borrower.

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) stating that he or she has obtained no knowledge that a Default has occurred (except as set forth in such certificate), (ii) if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (iii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.03 and 6.07; and (iv) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 which has had an effect on such financial statements and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all other periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be;

(f) promptly after the Borrower shall have received notice that Moody's or S&P has announced a change in the rating established or deemed to have been established for the Index Debt, written notice of such rating change; and

(g) promptly following any request therefor, such other information regarding the business affairs or financial position of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent on behalf of any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Lenders through the Administrative Agent prompt written notice of the following promptly after the Borrower shall have obtained knowledge thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding $10,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business except, in each case (other than the case of the foregoing requirements insofar as they relate to the legal existence of the Borrower and the Guarantors), to the extent that failure to do so could not reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.04.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. Except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect, the Borrower will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted and except for surplus and obsolete properties, and (b) maintain, with financially sound and reputable insurance companies, insurance on such of its property and in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which entries in conformity in all material respects with all applicable laws, rules and regulations of any Governmental Authority are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, on an annual basis at the request of the Administrative Agent (or at any time after the occurrence and during the continuance of a Default), permit any representatives designated by the Administrative Agent or any Lender (at such Lender's expense), upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records (other than materials protected by the attorney-client privilege and materials which the Borrower or such Subsidiary, as applicable, may not disclose without violation of a confidentiality obligation binding upon it), and to discuss its affairs, finances and condition with its officers and independent accountants, so long as afforded opportunity to be present, all during reasonable business hours. It is understood that so long as no Event of Default has occurred and is continuing, such visits and inspections shall be coordinated through the Administrative Agent.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only to finance the working capital needs, capital expenditures, Permitted Acquisitions, Investments permitted under Section 6.05 and general corporate purposes of the Borrower and its Subsidiaries (including the refinancing of the Existing Credit Agreement). No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. The Commercial Letters of Credit shall be used solely to finance purchases of inventory by the

Borrower and its Subsidiaries 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 Section 1.01.

SECTION 5.09. Guarantee Agreement Supplement. Each Domestic Subsidiary that becomes a "Significant Subsidiary" (as defined in Regulation S-X, part 210.1-02 of the Code of Federal Regulations) subsequent to the Effective Date shall promptly (and in any event within 60 days of becoming such a "Significant Subsidiary") execute and deliver to the Administrative Agent (with a counterpart for each Lender) a supplement to the Guarantee Agreement pursuant to which such Subsidiary shall become a party thereto as a Guarantor, together with such other documents and legal opinions with respect thereto as the Administrative Agent shall reasonably request (which documents and opinions shall be in form and substance reasonably satisfactory to the Administrative Agent).

## ARTICLE VI

## Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or shorten the final maturity or weighted average life to maturity thereof;

(c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;

(d) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any real property, fixed or capital assets, including Capital Lease Obligations, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred no more than 90 days prior to or within 90 days after such acquisition or the completion of such construction or improvement;

(f) Indebtedness acquired or assumed in Permitted Acquisitions and extensions, renewals and replacements of any such indebtedness that do not increase the outstanding principal amount thereof or shorten the final maturity or weighted average life to maturity thereof or have different obligors;

(g) Priority Indebtedness (excluding any Indebtedness permitted by Sections 6.01(e) and (f) in an aggregate principal amount at any one time outstanding not to exceed 10% of the Borrower's then Consolidated Net Worth;

(h) unsecured Indebtedness (excluding any Indebtedness permitted by Section 6.01(f), not otherwise permitted by this Section, of the Borrower or any Subsidiary which is a Guarantor so long as (i) on a pro forma basis after giving effect to the incurrence of such Indebtedness, the ratio of (x) Adjusted Debt then outstanding to (y) Consolidated EBITDAR for the then most recently ended period of four consecutive Fiscal Quarters for which financial statements shall have been delivered to the Lenders pursuant to Section 5.01 is not greater than 3.75 to 1.00; and

(i) Indebtedness under Swap Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes.

For purposes of this subsection 6.01, any Person becoming a Subsidiary of the Borrower after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Subsidiary, and any Indebtedness assumed by the Borrower or any of its Subsidiaries shall be deemed to have been incurred on the date of assumption.

SECTION 6.02. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) Liens existing on the date hereof and set forth on Schedule 6.02;

(c) any Lien on any property or asset of the Borrower or any Subsidiary securing Indebtedness permitted by Section 6.01(e) incurred to acquire, construct or improve such property or asset;

(d) 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;

(e) 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;

(f) Liens securing Indebtedness described in clause (a) of the definition of Priority Indebtedness;

(g) Liens securing Indebtedness permitted under Section 6.01(c);

(h) Bankers' liens and rights of setoff with respect to customary depository arrangements entered into in the ordinary course of business;

(i) Liens attaching solely to cash earnest money or similar deposits in connection with any letter of intent or purchase agreement in connection with a Permitted Acquisition; and

(j) Liens arising from precautionary UCC financing statements regarding operating leases or consignments, provided that such Liens extend solely to the assets subject to such leases or consignments.

SECTION 6.03. Sale of Assets. The Borrower will not, nor will it permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of (in one transaction or a series of transactions) all or substantially all of the assets of the Borrower and its Subsidiaries taken as a whole.

SECTION 6.04. Fundamental Changes. (a) The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Subsidiary (including a Guarantor) may merge into any other Subsidiary in a transaction in which the surviving entity is a Subsidiary, and (iii) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and except that the Borrower or any Subsidiary may effect any acquisition permitted by Section 6.05 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

(b) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than a Related Line of Business; provided, that the Borrower and any Subsidiary may engage in any business or businesses which are not Related Lines of Business, so long as the Investments made by the Borrower and/or the Subsidiaries in such businesses do not exceed $500,000,000 in the aggregate, which amount shall be included in the aggregate amount for Investments permitted under Section 6.05(j).

SECTION 6.05. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire

(including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit or the rights of any licensee under a trademark license to such licensee from the Borrower or any of its Affiliates, except:

(a) Permitted Investments;

(b) investments by the Borrower in the capital stock of its Subsidiaries;

(c) loans or advances made by the Borrower to, and Guarantees by the Borrower of obligations of, any Subsidiary, and loans or advances made by any Subsidiary to, and Guarantees by any Subsidiary of obligations of, the Borrower or any other Subsidiary;

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) advances or loans made in the ordinary course of business to employees of the Borrower and its Subsidiaries;

(f) existing Investments not otherwise permitted under this Agreement and described in Schedule 6.05 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) Permitted Acquisitions; provided that if, as a result of a Permitted Acquisition, (i) a new Domestic Subsidiary shall be created and such Domestic Subsidiary is a Significant Subsidiary (as defined in Regulation S-X part 210.1-02 of the Code of Federal Regulations) or (ii) any then existing Domestic Subsidiary shall become such a Significant Subsidiary, such Domestic Subsidiary shall promptly thereafter become party to the Guarantee Agreement as a Guarantor;

(i) Swap Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes; and

(j) Investments, in addition to Investments permitted under clauses (a) through (h) of this Section 6.05, but including Investments permitted under Section 6.04(b), made after the date hereof in an aggregate amount not to exceed $500,000,000 in any Person or Persons.

SECTION 6.06. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, (a) any of its Affiliates, (b) a spouse or any relative (by blood, adoption or marriage) within the third degree of any such Affiliate or (c) any other Person which is an Affiliate of any such spouse or relative, except (x) in the ordinary course of business at prices

and on terms and conditions, in the aggregate (taking into account all of the Borrower's or such Subsidiary's transactions with, and the benefits to the Borrower and its Subsidiaries derived from the Borrower's or such Subsidiary's Investment in, such Affiliate), not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, excluding customary compensation paid to, and indemnity provided on behalf of, directors, officers and employees of the Borrower and any Subsidiary and (y) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliate.

SECTION 6.07. Consolidated Leverage Ratio. The Borrower will not permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive Fiscal Quarters ending after the Effective Date to be greater than 3.75 to 1.00.

## ARTICLE VII

## Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay (i) any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise, or (ii) any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable and such failure to pay such reimbursement obligation shall continue unremedied for a period of two Business Days;

(b) the Borrower shall fail to pay any interest on any Loan or unreimbursed LC Disbursement or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or the Guarantee Agreement or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or the Guarantee Agreement or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03 (with respect to the Borrower's existence) or 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Subsidiary shall fail to make any payment of principal or interest, regardless of amount, in respect of any Material Indebtedness, when and as the same shall become due and payable 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 Material Indebtedness was created;

(g) any event or condition occurs (after giving effect to any applicable grace periods and after giving effect to any extensions, waivers, amendments or other modifications of any applicable provision or agreement) that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause, with the giving of an acceleration or similar notice if required, any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness to the extent such Indebtedness is paid when due;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; provided, however, that the occurrence of any of the events specified in this paragraph (h) 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 $20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (h) and in paragraphs (i) and (j) of this Article VII shall have occurred shall have exceeded $50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event;

(i) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed

against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; provided, however, that the occurrence of any of the events specified in this paragraph (i) 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 $20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (i) and in paragraphs (h) and (j) of this Article VII shall have occurred shall have exceeded $50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event;

(j) the Borrower or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due; provided, however, that the occurrence of any of the events specified in this paragraph (j) 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 $20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (j) and in paragraphs (h) and (i) of this Article VII shall have occurred shall have exceeded $50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event;

(k) one or more judgments for the payment of money in an aggregate amount (not paid or covered by insurance) in excess of $50,000,000 shall be rendered against the Borrower, any Subsidiary or any combination thereof and (i) the same shall remain undischarged for a period of 60 consecutive days from the entry thereof during which execution shall not be effectively stayed or bonded, or (ii) any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) 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 Equity Interests; or

(n) the Guarantee Agreement ceases to be in full force and effect;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

## ARTICLE VIII

## The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

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

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the

circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

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

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

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit

of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender (including each Issuing Bank) acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender (including each Issuing Bank) also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

The Syndication Agents shall not have any duties or responsibilities hereunder in their capacity as such.

## ARTICLE IX

## Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein and in the Guarantee Agreement shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to Polo Ralph Lauren Corporation, 650 Madison Avenue, New York, New York 10022, Attention of Tracey Travis, Senior Vice President, Finance and Chief Financial Officer (Telecopy No. (212) 318-7705);

(ii) if to the Administrative Agent, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, Texas, 77002, Attention of Debbie Meche (Telecopy No. (713) 750-2938), with a copy to JPMorgan Chase Bank, 1411 Broadway, 5th Floor, New York 10018, Attention of Paul O'Neill (Telecopy No. (212) 391-7118); and

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

(b) Notices and other communications to the Lenders (including any Issuing Bank) hereunder may be delivered or furnished to the Lenders through the Administrative Agent by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder

by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

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

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder and under the Guarantee Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or the Guarantee Agreement or consent to any departure by the Borrower or any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor the Guarantee Agreement nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower or the Guarantors, as the case may be, and the Required Lenders or by the Borrower or the Guarantors, as the case may be, and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release all or substantially all of the Guarantors from their obligations under the Guarantee Agreement, without the written consent of each Lender (except that no approval of the Lenders shall be required to release a Guarantor in connection with the disposition of all the capital stock of such Guarantor not prohibited by the Loan Documents) or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the

Administrative Agent or an Issuing Bank without the prior written consent of the Administrative Agent or such Issuing Bank, as the case may be.

(c) In the event that, at any time when the Borrower has satisfied all applicable conditions set forth in Section 4.02, a Lender for any reason fails, refuses or has given notice to the Administrative Agent and/or the Borrower that it refuses, to fund its portion of a Borrowing (a "Defaulting Lender"), then, until such time as such Defaulting Lender has funded its portion of such Borrowing, or the Administrative Agent or all other Lenders, as applicable, have received payment in full (whether by repayment or prepayment) of the principal and interest due in respect of such Borrowing, such Defaulting Lender shall not have the right to vote regarding any issue on which voting is required or advisable under this Agreement or the Guarantee Agreement.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and J.P. Morgan Securities, Inc., as sole bookrunner and sole lead arranger, including the reasonable fees, charges and disbursements of one domestic counsel for the Administrative Agent and J.P. Morgan Securities, Inc., collectively, in connection with the syndication of the credit facilities provided for herein, (provided that syndication expenses other than counsel fees shall not exceed $10,000) the preparation of this Agreement or any amendments, modifications or waivers of the provisions hereof and (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of one domestic counsel and one foreign counsel, as necessary, for the Administrative Agent, any Issuing Bank or any Lender, in connection with the enforcement or preservation of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit .

(b) The Borrower shall indemnify the Administrative Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by an Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or

related expenses resulted from the gross negligence, bad faith or willful misconduct of such Indemnitee or such Indemnitee's employer or any Affiliate of either thereof or any of their respective officers, directors, employees, advisors or agents.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or any Issuing Bank under paragraph (a) or (b) of this Section, but without affecting the Borrower's obligations thereunder, each Lender severally agrees to pay to the Administrative Agent or such Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

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

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender (including any Issuing Bank) may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, each Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default under clause (a), (b), (h) or (i) of Article VII has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default under clause (a), (b), (h) or (i) of Article VII has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and.

(E) no assignment, (including any assignment to a Lender, an Affiliate of a Lender or an Approved Fund) shall be permitted if, immediately after giving effect thereto, amounts would become payable by the Borrower under Section 2.13 or 2.15 (including amounts payable under Section 2.15 in respect of withholding taxes) that are in excess of those that would be payable under such Section in respect of the amount assigned if such assignment were not made.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement

(including, in the case of any Foreign Lender (including each Issuing Bank that is a Foreign Lender), obligations under Section 2.15(e)), and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 9.03); provided, however, that no such assignment or transfer shall be deemed to be a waiver of any rights which the Borrower, the Administrative Agent or any other Lender shall have against such Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

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

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

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent or any Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the applicable Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clauses (i), (ii),(iii),(iv) and (vi) of the first proviso to Section 9.02(b) that

affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

(ii) A Participant shall not be entitled to the benefits of Section 2.13, 2.14 or 2.15 unless such Participant shall have complied with the requirements of such Section; provided, that in any case in which a Participant is so entitled, any such Participant shall not be entitled to receive any greater payment under Section 2.13, 2.14 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.15(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, and shall terminate at such time as no principal of or accrued interest on any Loan or any fee or any other amount payable under this Agreement (other than contingent indemnification obligations that are not due and payable) is outstanding and unpaid, no Letter of Credit is outstanding and the Commitments have expired or been terminated. The provisions of Sections 2.13, 2.14, 2.15 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure

to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

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

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

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, each Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors, in each case who have a need to know such Information in accordance with customary banking practices (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower which is not subject to a confidentiality obligation known to the Administrative Agent and the Lenders with respect to such information. . For the purposes of this Section, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower, any Subsidiary or their respective businesses, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary; provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the

confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Satisfaction in Dollars. The obligation of the Borrower hereunder and in respect of the Letters of Credit 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 Administrative Agent and the Lenders of the full amount of dollars expressed to be payable hereunder and in respect of the Letters of Credit and the Borrower shall indemnify the Administrative Agent, the Issuing Banks 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 and in respect of the Letters of Credit and such obligation to indemnify shall not be affected by judgment being obtained for any other sums due under this Agreement and in respect of the Letters of Credit.

SECTION 9.14. Waivers and Agreements Under Existing Credit Agreement. (a) The Lenders which are parties to the Existing Credit Agreement (which Lenders constitute the "Required Lenders" as defined in the Existing Credit Agreement) hereby (i) waive the requirement, set forth in Section 2.07(c) of the Existing Credit Agreement, that the Borrower give not less than two Business Days' notice of any termination of the Commitments (as defined therein), (ii) acknowledge and agree that, for purposes of determining the total "Revolving Credit Exposures" (as defined therein) that would be outstanding thereunder on the date of such termination, the letters of credit issued thereunder that are listed on Schedule 2.04 shall (as a result of the operation of the last sentence of Section 2.04(a), which provides that on the Effective Date such letters of credit shall be deemed to be "Letters of Credit" issued hereunder) on the Effective Date be deemed no longer outstanding under the Existing Credit Agreement and (iii) pursuant to Section 9.02 of the Existing Credit Agreement, consent to the execution and delivery by JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (under and as defined in the Existing Credit Agreement) for and on behalf of the Lenders (under and as defined in the Existing Credit Agreement), of this Agreement to evidence or effectuate (as set forth in Section 9.14(b)) the waivers and agreements set forth in clauses (i) and (ii) above.

(b) JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent as defined in the Existing Credit Agreement hereby (i) waives, for and on behalf of the Lenders (as defined therein), the requirement, set forth in Section 2.07(c) of the Existing Credit Agreement, that the Borrower give not less than two Business Days' notice of any termination of the Commitments (as defined therein) and (ii) acknowledges and agrees, for and on behalf of the Lenders (as defined therein), that for purposes of determining the total "Revolving Credit Exposures" (as defined therein) that would be outstanding thereunder on the date of such termination, the letters of credit issued thereunder that are listed on Schedule 2.04 shall on the Effective Date be deemed no longer outstanding under the Existing Credit Agreement.

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

POLO RALPH LAUREN CORPORATION

By: /s/ TRACEY T. TRAVIS
Name: Tracey T. Travis
Title: Senior Vice-President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By: /s/ LOUIS MASTRIANNI
Name: Louis Mastrianni
Title: Senior Vice President

THE BANK OF NEW YORK, individually and as Syndication Agent

By: /s/ WILLIAM M. BARNUM, JR.
Name: William M. Barnum, Jr.
Title: Managing Director

BANK OF AMERICA, N.A., individually and as
Syndication Agent

By: /s/ REBECCA VOGEL
Name: Rebecca Vogel
Title: Senior Vice President

CITIBANK, N.A., individually and as Syndication Agent

By: /s/ ANTHONY V. PANTINA
Name: Anthony V. Pantina
Title: Senior Vice President

WACHOVIA BANK NATIONAL
ASSOCIATION, individually and as Syndication Agent

By: /s/ SUSAN T. GALLAGHER
Name: Susan T. Gallagher
Title: Vice President

SUMITOMO MITSUI BANKING
CORPORATION, individually and as Co-Agent

By: /s/ TSURU SHIGERU
Name: Tsuru Shigeru
Title: Joint General Manager

DEUTSCHE BANK SECURITIES INC., as Co-Agent

By: /s/ FREDERICK W. LAIRD
Name: Frederick W. Laird
Title: Managing Director

By: /s/ MING K. CHU
Name: Ming K. Chu
Title: Vice President

DEUTSCHE BANK AG NEW YORK BRANCH,
as a Lender

By: /s/ FREDERICK W. LAIRD
Name: Frederick W. Laird
Title: Managing Director

By: /s/ MING K. CHU
Name: Ming K. Chu
Title: Vice President

COMERICA BANK

By: /s/ SARAH R. WEST
Name: Sarah R. West
Title: Assistant Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ CHING LIM
Name: Ching Lim
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ GREGORY L. DRYDEN
Name: Gregory L. Dryden
Title: Senior Vice President

BARCLAYS BANK PLC

By: /s/ NICHOLAS BELL
Name: Nicholas Bell
Title: Director

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ PEG LAUGHLIN
Name: Peg Laughlin
Title: Senior Vice President

WELLS FARGO BANK, N.A.

By: /s/ MEGAN DONNELLY
Name: Megan Donnelly
Title: Vice President

UBS LOAN FINANCE LLC

By: /s/ RICHARD L. TAVROW
Name: Richard L. Tavrow
Title: Director

By: /s/ IRJA R. OTSA
Name: Irja R. Otsa
Title: Associate Director

COMMITMENTS

| LENDER | AMOUNT |
|---|---|
| JPMorgan Chase Bank, N.A. | $ 55,000,000 |
| Bank of America, N.A. | $ 42,500,000 |
| The Bank of New York | $ 42,500,000 |
| Wachovia Bank National Association | $ 42,500,000 |
| Citibank N.A. | $ 42,500,000 |
| Sumitomo Mitsui Banking Corporation | $ 35,000,000 |
| Deutsche Bank AG New York Branch | $ 35,000,000 |
| LaSalle Bank National Association | $ 27,500,000 |
| Wells Fargo Bank, N.A. | $ 27,500,000 |
| Barclays Bank PLC | $ 20,000,000 |
| UBS Loan Finance LLC | $ 20,000,000 |
| Union Bank of California, N.A. | $ 20,000,000 |
| U.S. Bank National Association | $ 20,000,000 |
| Comerica Bank | $ 20,000,000 |
| TOTAL | $ 450,000,000.00 |

**EXHIBIT 31.1**

**CERTIFICATION**

I, Ralph Lauren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Polo Ralph Lauren Corporation;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RALPH LAUREN
Ralph Lauren
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 8, 2007

**EXHIBIT 31.2**

**CERTIFICATION**

I, Tracey T. Travis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Polo Ralph Lauren Corporation;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TRACEY T. TRAVIS

Tracey T. Travis
*Senior Vice President and*
*Chief Financial Officer*
*(Principal Financial Officer)*

Date: February 8, 2007

**EXHIBIT 32.1**

**Certification of Ralph Lauren Pursuant to 18 U.S.C. Section 1350,**
**as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Polo Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended December 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph Lauren, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RALPH LAUREN
Ralph Lauren

February 8, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Polo Ralph Lauren Corporation and will be retained by Polo Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

**Certification of Tracey T. Travis Pursuant to 18 U.S.C. Section 1350,**
**as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Polo Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended December 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tracey T. Travis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TRACEY T. TRAVIS
Tracey T. Travis

February 8, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Polo Ralph Lauren Corporation and will be retained by Polo Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.