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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED MARCH 28, 1998

OR

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

COMMISSION FILE NUMBER 001-13057

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

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

212-318-7000

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Common Stock, $.01 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /.

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

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately $915,070,414 at June 18, 1998.

At June 18, 1998, 34,083,302 shares of the registrant's Class A Common Stock, $.01 par value, and 43,280,021 shares of the registrant's Class B Common Stock, $.01 par value and 22,720,979 shares of the registrant's Class C Common Stock, $.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	WHERE INCORPORATED
Proxy Statement for Annual Meeting of Stockholders to be held August 13, 1998	Part III

PART I

ITEM 1. BUSINESS.

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

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

Polo combines its consumer insight and design, marketing and imaging skills to offer, along with its licensing partners, broad lifestyle product collections in four categories: apparel, home, accessories and fragrance. Apparel products include extensive collections of menswear, womenswear and children's clothing. The Ralph Lauren Home Collection offers coordinated products for the home including bedding and bath products, interior decor and tabletop and gift items. Accessories encompass a broad range of products such as footwear, eyewear, jewelry and leather goods (including handbags and luggage). Fragrance and skin care products are sold under the Company's Polo, Lauren, Safari and Polo Sport brands, among others.

OPERATIONS

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

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

	FISCAL YEAR			PRO FORMA FISCAL 1997(3)
	1998	1997	1996	(unaudited)
	(IN THOUSANDS)			
Wholesale net sales(1)	$ 733,065	$ 663,358	$ 606,022	$ 623,041
Retail sales	570,751	379,972	303,698	508,645
Net sales	1,303,816	1,043,330	909,720	1,131,686
Licensing revenue(1)(2)	167,119	137,113	110,153	137,113
Net revenues	$1,470,935	$1,180,443	$1,019,873	$1,268,799

(1) The Company purchased certain of the assets of its former womenswear licensing partner in October 1995. The fiscal 1998, fiscal 1997 and fiscal 1996 net revenues reflect the inclusion of

womenswear wholesale net sales of $98.4 million, $98.8 million and $36.7 million, respectively, and an elimination of licensing revenue associated with the operations of the womenswear business after the acquisition.

(2) Licensing revenue includes royalties received from Home Collection licensing partners.

(3) In February 1993, the Company entered into a joint venture to combine certain of its retail operations with those of its joint venture partner, Perkins Shearer Venture, to form Polo Retail Corporation ("PRC"). On March 21, 1997, the Company entered into an agreement, effective April 3, 1997, to acquire the 50% interest it did not own from its joint venture partner (the "PRC Acquisition"). Prior to the PRC Acquisition, the Company accounted for its interest in PRC under the equity method. Effective April 3, 1997, the Company consolidated the operations of PRC in fiscal 1998 and accounted for the transaction under the purchase method. On a pro forma basis for fiscal 1997, wholesale net sales by the Company to PRC are eliminated and PRC net revenues are reflected as retail sales. Assuming the acquisition had taken place at March 31, 1996, pro forma wholesale net sales and retail sales in fiscal 1997 would have been $623.0 million and $508.7 million, respectively. Pro forma fiscal 1997 net revenues reflect the inclusion of womenswear wholesale net sales of $79.6 million and an elimination of licensing revenue associated with the operations of the womenswear business after the acquisition.

WHOLESALE

Polo's wholesale business is subdivided into two divisions: Polo Ralph Lauren Menswear and Ralph Lauren Womenswear. In both of its wholesale divisions, the Company offers discrete brand offerings to compete at various price levels. See "-- Domestic Wholesale and Home Collection Customers and Services."

POLO RALPH LAUREN MENSWEAR

The Menswear division designs, sources, markets and distributes menswear under its Polo by Ralph Lauren, Polo Sport, Ralph Lauren/Purple Label Collection and Polo Golf brands. Each line is directed by a team consisting of design, merchandising, sales and production staff who work together to conceive, develop and merchandise product groupings organized to convey a variety of design concepts. Generally, there are four annual seasonal presentations for each line: Fall, Cruise/Holiday, Spring and Summer. Within each line, the Company offers core and recurring styles complemented by fashion forward items reflecting contemporary trends. Polo is recognized worldwide as one of the premier men's designer collections, and Mr. Lauren was named 1996 Menswear Designer of the Year by the Council of Fashion Designers of America ("CFDA").

POLO BY RALPH LAUREN. The Polo by Ralph Lauren menswear collection is a complete men's wardrobe consisting of products related by theme, style, color and fabric. Polo by Ralph Lauren menswear is generally priced at a range of price points within the men's premium ready-to-wear apparel market. This line is currently sold through approximately 1,620 department store, specialty store and Polo store doors in the United States, including approximately 1,200 department store shop-within-shops.

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

RALPH LAUREN/PURPLE LABEL COLLECTION. In Fall 1995, the Company introduced its Purple Label Collection of men's tailored clothing and, in Fall 1997, to complement the tailored clothing line, the Company launched its Purple Label sportswear line. Purple Label Collection tailored clothing is manufactured and distributed by a licensee, and dress shirts and ties and sportswear are sourced and distributed by the Company. The Purple Label lines are sold through a limited number of premier fashion retailers, currently numbering 26 doors in the United States and eight internationally.

POLO GOLF. The Polo Golf line is targeted at the golf and resort markets. Price points are similar to those charged for products in the Polo Sport line. The Polo Golf line is presently sold in the United States through approximately 1,600 leading golf clubs, pro shops and resorts, in addition to department, specialty and Polo stores.

RALPH LAUREN WOMENSWEAR

The Womenswear division designs, sources, markets and distributes womenswear under its Ralph Lauren Collection and Collection Classics, RALPH/Ralph Lauren and Ralph Lauren Polo Sport brands. Representatives from each of the design, merchandising, sales and production staffs work together to conceive, develop and sell product groupings organized to convey a variety of design concepts. Each of the women's apparel lines (except Ralph Lauren Collection) consists of core, recurring styles, complemented by more fashion-oriented items which reflect contemporary trends. Mr. Lauren introduced his first womenswear products in 1971 and subsequently licensed the line in 1973.

In October 1995, to capitalize further on its position, both domestically and internationally, as a leading designer of womenswear, Polo acquired the business of its former licensing partner and commenced its own womenswear wholesale operations. Since acquiring control of these operations, the Company has centralized control of its womenswear design, merchandising and sales activities and focused its efforts on improving the quality, production and delivery of its products. In addition, the Company has sought to build its womenswear business by capitalizing on the relationships developed with its menswear customers and by devoting resources to creating and renovating shop-within-shops and other exclusively fixtured areas within department stores.

The womenswear industry's three basic selling seasons are Fall, Cruise/Holiday and Spring/Summer. The women's ready-to-wear apparel market in the United States is divided into four segments defined by price levels, ranging from lowest to highest, as follows: moderate, better, bridge and designer. The Company competes directly in the bridge and designer segments of the womenswear industry, and competes through its licensing partner for the Lauren line in the better segment.

RALPH LAUREN COLLECTION AND COLLECTION CLASSICS. The Ralph Lauren Collection, sold under the purple label and the Custom Collection Label (the "Collection"), expresses the Company's up-to-the-moment fashion vision for women. Collection Classics, sold under Ralph Lauren's black label, include timeless versions of the Company's most successful Collection styles, as well as newly-designed classic signature styles which tend to remain in a women's wardrobe for several seasons. Collection and Collection Classics are offered for limited distribution to premier fashion retailers and through Polo stores. Price points are at the upper end or luxury ranges. The lines are currently sold by the Company through over 86 doors in the United States by the Company and over 235 international doors by the Company and its licensing partners.

RALPH/RALPH LAUREN. The RALPH/Ralph Lauren brand was established in 1994 and presents a distinct and more casual fashion identity for the bridge market, while retaining a strong association with the Ralph Lauren Collection designer image. The line is sold through approximately 145 doors in the United States and Canada. In fall 1999, this line will be renamed and the RALPH/Ralph Lauren brand will be relaunched and used in connection with a newly licensed young women's (ages 16-24) line.

RALPH LAUREN POLO SPORT. Similar to its menswear counterpart, the Ralph Lauren Polo Sport line for women includes activewear for a variety of sports, as well as weekend sportswear. The Ralph Lauren Polo Sport line is currently carried by approximately 500 doors in the United States, including approximately 185 shop-within-shops, and sells at a wide range of bridge prices.

HOME COLLECTION

With the introduction of the Ralph Lauren Home Collection in 1983, Polo became one of the first major apparel designers to extend its design principles and brands to a complete line of home furnishings. Today, in conjunction with its licensing partners, Polo offers an extensive collection of home products which both draw upon, and add to, the design themes of the Company's other product lines, contributing to Polo's complete lifestyle concept. Products are sold under the Ralph Lauren Home Collection brands in three primary categories: bedding and bath, interior decor, and tabletop and gift.

In addition to developing the Home Collection, Polo acts as sales and marketing agent for its domestic Home Collection licensing partners. Together with its eight domestic home product licensing partners, representatives of the Company's design, merchandising, production and sales staffs collaborate to conceive, develop and merchandise the various products as a complete home furnishing collection. Polo's personnel market and sell the products to domestic customers and certain international accounts. Polo's licensing partners, many of which are leaders in their particular product category, manufacture, own the inventory and ship the products. As compared to its other licensing alliances, Polo performs a broader range of services for its Home Collection licensing partners, which, in addition to sales and marketing, include operating showrooms and incurring advertising expenses. Consequently, Polo receives a higher royalty rate from its Home Collection licensing partners, which rates typically range from 15% to 25%. Home Collection licensing alliances generally have three to five-year terms and often grant the licensee conditional renewal options.

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

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

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

CATEGORY	Product	Licensing Partner
Bedding and Bath	Towels, sheets, pillowcases and matching bedding accessories Blankets, bed pillows, comforters and Pillowtex Corporation other decorative bedding accessories, excluding those matched to sheets, and bath rugs	WestPoint Stevens, Inc.
Interior Decor	Upholstered furniture and case goods	Henredon Furniture Industries, Inc.
	Interior and exterior paints, stains and special finishes	The Sherwin-Williams Company
	Fabric and wallpaper	P. Kaufmann, Inc.
Table and Giftware	Sterling, silverplate and stainless steel flatware and picture frames	Reed and Barton Corporation
	Crystal and glass tableware and giftware, ceramic dinnerware and giftware, home fragrances (potpourri, scented candles, etc.) and Polo bears	RJS Scientific, Inc.
	Placemats, tablecloths, napkins	Designers Collection, Inc.

The Company's three most significant Home Collection licensing partners based on aggregate licensing revenue paid to the Company are WestPoint Stevens, Inc., Pillowtex Corporation and Henredon Furniture Industries, Inc. WestPoint Stevens, Inc. accounted for approximately 45% of Home Collection licensing revenue in fiscal 1998.

DOMESTIC WHOLESALE AND HOME COLLECTION CUSTOMERS AND SERVICE

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

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

	Approximate Number of Doors as of March 28, 1998		
	Menswear	Womenswear	Home Collection
Department Stores	1,300	390	1,375
Specialty Stores	285	90	50
Polo Stores	40	50	40
Golf & Pro Shops	1,600	710	--

Department stores represent the largest customer group of each wholesale division and of Home Collection. Major department store customers include Federated Department Stores, Inc., Dillard Department Stores, Inc. and The May Department Stores Company. During fiscal 1998, Federated Department Stores, Inc., Dillard Department Stores, Inc. and

The May Department Stores Company accounted for 19.1%, 16.4% and 15.8%, respectively, of the Company's wholesale net sales.

Menswear, womenswear and Home Collection wholesale products are primarily sold through their respective sales forces aggregating approximately 125 salespersons employed by Polo. The Menswear division maintains its primary showroom at Polo's New York City executive headquarters. Regional showrooms for menswear are located in Atlanta, Chicago, Dallas and Los Angeles. An independent sales representative promotes sales to U.S. military exchanges. The Womenswear and Home Collection divisions maintain their primary showrooms in New York City. Regional sales representatives for the Home Collection are located in the Company's showrooms in Atlanta, Chicago, Dallas and Los Angeles. The Company also operates a separate tabletop showroom in New York City.

SHOP-WITHIN-SHOPS. As a critical element of its distribution to department stores, the Company and its licensing partners utilize shop-within-shops to enhance brand recognition, permit more complete merchandising of the Company's lines and differentiate the presentation of products. The Company intends to add approximately 230 shop-within-shops and refurbish approximately 270 shop-within-shops in fiscal 1999. At March 28, 1998, department store customers in the United States had installed over 1,900 shop-within-shops dedicated to the Company's products and over 1,000 shops-within-shops dedicated to Polo's licensed products. The size of Polo shop-within-shops (excluding significantly larger shop-within-shops in key department store locations) typically ranges from approximately 1,000 to 1,500 square feet for menswear, from approximately 800 to 1,200 square feet for womenswear, and from approximately 800 to 1,200 square feet for home furnishings. The Company estimates that, in total, approximately 2.0 million square feet of department store space in the United States is dedicated to Polo shop-within-shops. In addition to shop-within-shops, the Company utilizes exclusively fixtured areas in department stores.

BASIC STOCK REPLENISHMENT PROGRAM. The menswear and womenswear programs allow products such as knit shirts, chino pants, oxford cloth shirts and navy blazers to be ordered at any time through basic stock replenishment programs. For customers who reorder basic products, Polo generally ships these products within one to five days of order receipt. These products accounted for approximately 21% of menswear and womenswear wholesale net sales in fiscal 1998. The Company has also implemented a seasonal quick response program to allow replenishment of products which can be ordered for only a portion of each year. Certain Home Collection licensing partners also offer a basic stock replenishment program which includes towels, bedding and tabletop products. Basic stock products accounted for approximately 75% of net sales of Home Collection licensing partners in fiscal 1998.

DIRECT RETAILING

The Company operates three types of retail stores dedicated to the sale of Polo products. Located in prime retail areas, the Company's 29 Polo stores operate under the Polo Ralph Lauren, Polo Sport and Polo Jeans Co. names. The Company's 72 outlet stores are generally located in outlet malls and operate under the Polo Ralph Lauren Factory Store name.

In addition to its own retail operations, the Company has granted licenses to independent parties to operate 14 stores in the United States and 76 stores internationally. The Company receives the proceeds from the sale of its menswear and womenswear products, which are included in wholesale net sales, to these stores and also receives royalties, which are included

in licensing revenue, from its licensing partners who sell to these stores. The Company generally does not receive any other compensation from these licensed store operators. See "-- Licensing Alliances."

POLO STORES

In addition to generating sales of Polo Ralph Lauren products, Polo stores set, reinforce and capitalize on the image of Polo's brands. The Company's two flagship stores located on Madison Avenue in New York City showcase Polo products and demonstrate Polo's most refined merchandising techniques. In addition to its New York flagship stores, Polo operates 27 other Polo stores. Ranging in size from approximately 2,000 to over 15,000 square feet, the non-flagship stores are situated in upscale regional malls and major high street locations generally in the largest urban markets in the United States. Polo has also operated a Polo store on New Bond Street in London since 1983. In aggregate, the Company operates 25 Polo Ralph Lauren stores, two Polo Sport stores, one Polo Jeans Co. store and one Polo Country store (offering primarily leisure and weekend apparel). Stores are generally leased for initial periods ranging from five to fifteen years with renewal options.

The Company plans to continue to invest in Polo stores. In fiscal 1998, Polo Ralph Lauren stores were opened in Las Vegas, Nevada and Oakbrook, Illinois and a Polo Jeans Co. store was opened in Garden State Plaza, New Jersey. Among other locations, new stores are planned for Palm Beach, Florida, Point Orlando, Florida and Burlingame, California, and new flagship stores are planned for Chicago and London. In fiscal 1998, Polo renovated or relocated its stores in Phoenix, Arizona, Manhasset, New York and Short Hills, New Jersey. Polo plans to convert its Polo Ralph Lauren store in Santa Clara, California to a Polo Jeans Co. store in fiscal 1999.

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

OUTLET STORES

Polo extends its reach to additional consumer groups through its 72 Polo Ralph Lauren Factory Stores. Outlet stores offer selections of the Company's menswear, womenswear, children's apparel, accessories, home furnishings and fragrances. Ranging in size from 5,000 to 13,000 square feet, with an average of approximately 8,000 square feet, the stores are generally located in major outlet centers in 30 states and Puerto Rico.

Outlet stores purchase products from Polo, its licensing partners and its suppliers and from Polo stores in the United States. Outlet stores purchase products from Polo generally at cost and from Polo's domestic product licensing partners and Polo stores at negotiated prices. Outlet stores also source basic products and styles directly from the Company's suppliers. In fiscal 1998, the outlet stores purchased approximately 29%, 38% and 33% of products from the Company, licensing partners and other suppliers, respectively.

The Company plans to add ten to twenty new outlet stores (net of anticipated store closings) over the next three years. In addition, in fiscal 1999, the Company plans to add approximately 20 factory outlet concept stores which will carry only certain Polo brands and products and will be smaller than typical outlet stores.

LICENSING ALLIANCES

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

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

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

Polo has 20 product and 11 international licensing partners. A substantial portion of the Company's net income is derived from licensing revenue received from its licensing partners. The Company's three largest licensing partners by licensing revenue, WestPoint Stevens, Inc., Seibu Department Stores, Ltd. and Jones Apparel Group, Inc. accounted for 12.5%, 11.5% and 11.4%, respectively, of licensing revenue in fiscal 1998.

PRODUCT LICENSING ALLIANCES

Polo has agreements with 20 product licensing partners relating to men's and women's sportswear, men's tailored clothing, children's apparel, personalwear, accessories and fragrances. The products offered by the Company's product licensing partners as of March 28, 1998 are listed below.

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

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

INTERNATIONAL LICENSING ALLIANCES

The Company believes that international markets offer additional opportunities for Polo's quintessential American designs and lifestyle image and is committed to the global development of its businesses. International expansion opportunities may include the roll out of new products and brands following their launch in the U.S., the introduction of additional product lines, the entrance into new international markets and the addition of Polo stores in these markets. For example, following the successful launch of Polo Jeans Co. in the U.S. in Fall 1996, the Company launched the line in Canada, the U.K., Germany, Spain, Japan, Israel, Hong Kong, Singapore and Taiwan. Polo works with its 11 international licensing partners to facilitate this international expansion. International licensing partners also operate 76 Polo stores.

In fiscal 1998, the Company added nine new Polo stores in international markets including a Polo Sport store, a Polo Jeans Co. store and a Polo Ralph Lauren store in Tel Aviv, a Polo Sport store in Kuwait City, a Polo Ralph Lauren store in Dubai, two Polo Jeans Co. stores in Singapore and one Polo Jeans Co. store in each of Hong Kong and Taiwan. The Company is also pursuing plans for expansion into Mexico.

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

The most significant international licensing partners by royalties in fiscal 1998 were Seibu Department Stores, Ltd., which oversees distribution of virtually all of the Company's products in Japan, L'Oreal S.A., which distributes fragrances and toiletries outside of the United States and Poloco, S.A., which distributes men's and boys' Polo apparel, men's and women's Polo Jeans Co. apparel and certain accessories in Europe. The Company's ability to maintain and increase royalties under foreign licenses is dependent upon certain factors not within the Company's control, including fluctuating currency rates, currency controls, withholding requirements levied on royalty payments, governmental restrictions on royalty rates, political instability and local market conditions.

DESIGN

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

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

All Polo Ralph Lauren products are designed by or under the direction of Mr. Ralph Lauren and the Company's design staff of approximately 210, which is divided into three departments: Menswear, Womenswear and Home Collection.

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

MARKETING

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

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

The Company's licensing partners contribute a percentage (usually between two and four percent) of their sales of Polo products for advertising. The Company directly coordinates advertising placement for domestic product licensing partners. During fiscal 1998, Polo and its licensing partners collectively spent more than $154 million worldwide to advertise and promote Polo products.

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

SOURCING, PRODUCTION AND QUALITY

The Company's apparel products are produced for the Company by approximately 180 different manufacturers worldwide. The Company contracts for the manufacture of its products and does not own or operate any production facilities. During fiscal 1998, approximately 42% (by dollar volume) of men's and women's products were produced in the United States and its territories and approximately 58% (by dollar volume) of such products were produced in Hong Kong, Malaysia and other foreign countries. Two manufacturers engaged by the Company accounted for approximately 10% and 8%, respectively, of the Company's total production during fiscal 1998. The primary production facilities of these two manufacturers are located in Hong Kong and Saipan, in the case of the manufacturer that accounted for approximately 10% of the Company's total production during fiscal 1998 and in Malaysia, Sri Lanka, Hong Kong and Mauritius, in the case of the manufacturer that accounted for approximately 8% of the Company's total production during fiscal 1998. No other manufacturer accounted for more than five percent of the Company's total production in fiscal 1998.

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

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

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

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

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

COMPETITION

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

DISTRIBUTION

To facilitate distribution, men's products are shipped from manufacturers to the Company's distribution center in Greensboro, North Carolina for inspection, sorting, packing and shipment to retail customers. The Company's distribution/customer service facility is designed to allow for high density cube storage and utilizes bar code technology to provide inventory management and carton controls. Product traffic management is coordinated from this facility in conjunction with the Company's product management and buying agent staffs. During fiscal 1998, womenswear distribution was provided by a "pick and pack" facility in

New Jersey under a warehousing distribution agreement with an unaffiliated third party. Pursuant to a warehousing distribution agreement entered into by the Company and another unaffiliated third party on December 1, 1997, the Company plans to move its Womenswear warehousing distribution facility to Secaucus, New Jersey commencing on approximately April 1, 1998. This agreement provides that the warehouse distributor will perform storage, quality control and shipping services for the Company. In return, the Company must pay the warehouse distributor a per unit rate and special processing charges for services such as ticketing, bagging and steaming. The initial term of this agreement is through December 1, 2000 and is thereafter renewable annually. Outlet store distribution and warehousing is principally handled through the Greensboro distribution center as well as a satellite center also located in North Carolina. Polo store distribution is provided by a facility in Columbus, Ohio and a facility in New Jersey which services the Company's stores in New York City and East Hampton, New York. The Company's licensing partners are responsible for the distribution of licensed products, including Home Collection products. The Company is currently evaluating warehousing and distribution facilities for its retail stores.

MANAGEMENT INFORMATION SYSTEM

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

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

CREDIT CONTROL

The Company manages its own credit and collection functions. The Company sells its merchandise primarily to major department stores across the United States and extends credit based on an evaluation of the customer's financial condition, usually without requiring collateral. The Company monitors credit levels and the financial condition of its customers on a continuing basis to minimize credit risk. The Company does not factor its accounts receivables or maintain credit insurance to manage the risks of bad debts. The Company's bad debt write-offs were less than 1% of net revenues for fiscal 1998.

BACKLOG

The Company generally receives wholesale orders for apparel products approximately three to five months prior to the time the products are delivered to stores. All such orders are subject to cancellation for late delivery. At March 28, 1998, Summer and Fall backlog, presented on a pro forma basis to reflect the PRC Acquisition, was $340.1 million and $41.3

million, as compared to $304.4 million and $28.0 million at March 29, 1997 for men's and women's apparel, respectively. The Company's backlog depends upon a number of factors, including the timing of the market weeks for its particular lines, during which a significant percentage of the Company's orders are received, and the timing of shipments. As a consequence, a comparison of backlog from period to period is not necessarily meaningful and may not be indicative of eventual shipments.

TRADEMARKS

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

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

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

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

alone, "Lauren/Ralph Lauren," "RRL," etc.). Remittances to this third party are not reflected in licensing revenue in the Company's financial statements and will cease no later than 2008, or sooner, when the remittances with respect to Europe and Mexico to this third party aggregate $15.0 million. As of March 28, 1998, the Company has paid approximately $8.9 million to this third party. The Company's obligation to share royalties with respect to Central and South America and parts of the Caribbean expires in 2013, but the Company also has the right to terminate this obligation at any time by paying $3.0 million. The second agreement was reached with a third party which owned conflicting registrations of the trademarks "Polo" and a polo player astride a horse in the U.K., Hong Kong, and South Africa. Pursuant to the agreement, the third party retains the right to use its "Polo" and polo player symbol marks in South Africa and certain other African countries, and the Company agreed to restrict use of those Polo marks in those countries to fragrances and cosmetics (as to which the Company's use is unlimited) and to the use of the Ralph (polo player symbol) Lauren mark on women's and girls' apparel and accessories. By agreeing to those restrictions, the Company secured the unlimited right to use its trademarks (without payment of any kind) in the United Kingdom and Hong Kong, and the third party is prohibited from distributing products under those trademarks in those countries.

GOVERNMENT REGULATION

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

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

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

EMPLOYEES

As of March 28, 1998, the Company had approximately 5,800 employees, including 5,500 in the United States and 300 in foreign countries. Of the total, approximately 60 employees hold executive and administrative positions, 210 are engaged in design, 130 are engaged in advertising, public relations and creative services, 180 are engaged in production, 240 are engaged in wholesale sales and merchandising, 3,200 are engaged in retail sales, 700 are engaged in distribution and the remaining employees are engaged in other aspects of the business. Approximately 1,000 of the Company's total employees were hired in connection with the PRC Acquisition. Approximately 30 of the Company's United States production and distribution employees in the womenswear business are members of the Union of Needletrades, Industrial & Textile Employees under an industry association collective bargaining agreement which the Company's womenswear subsidiary has adopted. This contract was renegotiated in fiscal 1998 and extended to May 31, 2000. The Company considers its relations with both its union and non-union employees to be good.

ITEM 2. PROPERTIES

The Company does not own any real property except an undeveloped parcel of land adjacent to its leased Greensboro, North Carolina distribution facility and a 50% joint venture interest in a 44,000 square foot building located in the Soho district of New York City. Certain information concerning the Company's principal facilities in excess of 100,000 rentable square feet and of its existing flagship stores of 20,000 rentable square feet or more, all of which are leased, is set forth below:

LOCATION	Use	Approximate Sq. Ft.	Current Lease Term Expiration
Greensboro, N.C.	Distribution	357,000	January 31, 2006
650 Madison Avenue, NYC	Executive, corporate and design offices, men's showrooms	206,000	December 31, 2009
Lyndhurst, N.J.	Corporate and retail administrative offices	162,000	February 28, 2008
Winston-Salem, N.C.	Distribution	115,000	June 30, 1999
867 Madison Avenue, NYC	Direct Retail	27,000	December 31, 2004

During fiscal 1998, the Company leased additional space at its two corporate headquarters (at 650 Madison Avenue, New York City and Lyndhurst, New Jersey) and extended the terms of such leases for an additional five-year period in each case.

The leases for the Company's non-retail facilities (approximately 22 in all) provide for aggregate annual rentals of $18.6 million in fiscal 1998. The Company anticipates that it will be able to extend those leases which expire in the near future on terms satisfactory to the Company or, if necessary, locate substitute facilities on acceptable terms.

As of March 28, 1998, the Company operated 29 Polo stores and 72 outlet stores in leased premises. Aggregate annual rent paid for retail space by the Company in fiscal 1998 totaled $29.7 million. Except for approximately two outlet stores for which the Company will not seek renewal upon lease expiration, the Company anticipates that it will be able to extend those leases which expire in the near future on satisfactory terms or to relocate to more desirable locations.

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

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in a purported national class action lawsuit filed in the Delaware Supreme Court in July 1997. The plaintiff has brought the action allegedly on behalf of a class of persons who purchased products at the Company's outlet stores throughout the United States at any time since July 15, 1991. The complaint alleges that advertising and marketing practices used by the Company in connection with the sales of its products at its outlet stores violate guidelines established by the Federal Trade Commission and the consumer protection statutes of Delaware and other states with statutes similar to Delaware's Consumer Fraud Act and Delaware's Consumer Contracts Act. The lawsuit seeks, on behalf of the class, compensatory and punitive damages as well as attorneys' fees. The Company intends to vigorously defend this lawsuit and believes that it has substantial and meritorious defenses.

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

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

No matters were submitted to a vote of security holders during the quarter ended March 28, 1998.

PART II

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

The Company's Class A Common Stock is publicly traded on the New York Stock Exchange under the symbol "RL." The following table sets forth the high and low sales prices for each quarterly period from June 11, 1997 (i.e., the day the Class A Common Stock was priced in the initial public offering) through March 27, 1998 as reported on the New York Stock Exchange Composite Tape. The Company did not declare any cash dividends during fiscal 1998 on its Common Stock other than dividends declared to holders of Class B Common Stock and Class C Common Stock in connection with the Company's Reorganization (as defined) on June 9, 1997. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

	Market Price of Class A Common Stock	
	HIGH	LOW
First Quarter (since June 11, 1997)	$32.375	$26
Second Quarter	28.0625	23.0625
Third Quarter.....	28.75	22.3125
Fourth Quarter.....	30.8125	21.9375

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

As of June 18, 1998, there were approximately 34,083,302 record holders of Class A Common Stock, 43,280,021 record holders of Class B Common Stock and 22,720,979 record holders of Class C Common Stock.

ITEM 6. SELECTED FINANCIAL DATA.

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended March 28, 1998 have been derived from the Company's audited Consolidated Financial Statements. The following table also includes unaudited pro forma statements of income for fiscal 1998 and fiscal 1997 which give effect to the Reorganization, the initial public offering and the PRC Acquisition as if they had occurred on March 31, 1996. The financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

	FISCAL YEAR ENDED				
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
	(IN THOUSANDS, EXCEPT SHARE DATA)				
Statements of Income:					
Net sales	$1,303,816	$1,043,330	$ 909,720	$746,595	$726,568
Licensing revenue	167,119	137,113	110,153	100,040	84,174
Net revenues	1,470,935	1,180,443	1,019,873	846,635	810,742
Cost of goods sold	755,654	648,597	583,546	474,999	466,525
Gross profit	715,281	531,846	436,327	371,636	344,217
Selling, general and administrative expenses	515,526	374,483	309,207	261,506	262,825
Income from operations	199,755	157,363	127,120	110,130	81,392
Interest expense	159	13,660	16,287	16,450	15,880
Equity in net loss of joint venture	--	3,599	1,101	262	2,837
Income before income taxes	199,596	140,104	109,732	93,418	62,675
Provision for income taxes	52,025	22,804	10,925	13,244	8,778
Net income	$ 147,571	$ 117,300	$ 98,807	$ 80,174	$ 53,897

Pro Forma Statements of Income (Unaudited) (1):		
Net sales	$ 1,303,816	$ 1,131,686
Licensing revenue	167,119	137,113
Net revenues	1,470,935	1,268,799
Cost of goods sold	755,654	687,003
Gross profit	715,281	581,796
Selling, general and administrative expenses	515,526	429,163
Income from operations	199,755	152,633
Interest income	3,003	1,629
Income before income taxes	202,758	154,262
Provisions for income taxes	82,631	64,790
Net income	$ 120,127	$ 89,472
Pro forma net income per share - Basic and Diluted	$ 1.20	$ 0.89
Pro forma common and diluted shares outstanding	100,222,444	100,222,444

	March 28, 1998	March 29, 1997	March 30, 1996	April 1, 1995	APRIL 2, 1994
			(IN THOUSANDS)		
BALANCE SHEET DATA:					
Working capital	$354,206	$209,038	$262,844	$221,050	$ 84,663
Inventories	298,485	222,147	269,113	271,220	209,540
Total assets	825,130	588,758	563,673	487,547	456,076
Total debt	337	140,900	199,645	186,361	230,034
Stockholders' equity and partners' capital	584,326	260,685	237,653	188,579	118,037

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

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

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes thereto which are included herein. The Company utilizes a 52-53 week fiscal year ending on the Saturday nearest March 31. Accordingly, fiscal years 1998, 1997, 1996, 1995 and 1994 ended on March 28, 1998, March 29, 1997, March 30, 1996, April 1, 1995 and April 2, 1994, respectively.

Certain statements in this Form 10-K and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, and in oral statements made by or with the approval of an authorized executive officer constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: risks associated with changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors; changes in global economic conditions; risks associated with the Company's dependence on sales to a limited number of large department store customers and risks related to extending credit to customers; risks associated with the Company's dependence on its licensing partners for a substantial portion of its net income and risks associated with a lack of operational and financial control over licensed businesses; risks associated with consolidations, restructurings and other ownership changes in the retail industry; uncertainties relating to the Company's ability to implement its growth strategy; risks associated with the possible adverse impact of the Company's unaffiliated manufacturers inability to manufacture in a timely manner, to meet quality standards or to use acceptable labor practices; risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing; and, the possible adverse impact of changes in import restrictions. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

The Company began operations in 1968 as a designer and marketer of premium quality men's clothing and sportswear. Since inception, the Company, through internal operations and in conjunction with its licensing partners, has grown through increased sales of existing product lines, the introduction of new brands and products, expansion into international markets and development of its retail operations. Over the last five years, net revenues have increased to nearly $1.5 billion in fiscal 1998 from $810.7 million in fiscal 1994, while income from operations has grown to $199.8 million in fiscal 1998 from $81.4 million in fiscal 1994. The Company's net revenues are generated from its three integrated operations: wholesale, direct retail and licensing alliances. Licensing revenue includes royalties received from Home Collection licensing partners.

	FISCAL YEAR					PRO FORMA FISCAL 1997 (3)
	1998	1997	1996	1995	1994	(UNAUDITED)
			(IN THOUSANDS)			
Wholesale net sales (1)(2)	$ 733,065	$ 663,358	$ 606,022	$496,876	$508,402	$ 623,041
Retail sales (2)	570,751	379,972	303,698	249,719	218,166	508,645
Net sales	1,303,816	1,043,330	909,720	746,595	726,568	1,131,686
Licensing revenue (1)	167,119	137,113	110,153	100,040	84,174	137,113
Total net revenues	$1,470,935	$1,180,443	$1,019,873	$846,635	$810,742	$1,268,799

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

(2) Prior to the PRC Acquisition, the Company accounted for its interest in PRC under the equity method. Effective April 3, 1997, the Company consolidated the operations of PRC in fiscal 1998 and accounted for the transaction under the purchase method. On a pro forma basis for fiscal 1997, wholesale net sales by the Company to PRC are eliminated and PRC net revenues are reflected as retail sales. Assuming the acquisition had taken place at March 31, 1996, pro forma wholesale net sales and retail sales in fiscal 1997 would have been $623.0 million and $508.7 million, respectively.

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

Wholesale net sales result from the sale by the Company of men's and women's apparel to wholesale customers, principally to major department stores, specialty stores and non-Company operated Polo stores located throughout the United States. Net sales for the wholesale division have increased to $733.1 million in fiscal 1998 from $508.4 million in fiscal 1994. This increase is a result of growth in sales of the Company's menswear products driven by the introduction of new brands such as Polo Sport and growth in sales of products under existing brands.

Polo's retail sales are generated from the Polo stores and outlet stores operated by the Company. Since the beginning of fiscal 1994, the Company has added 26 Polo stores (net of store closings, including 21 Polo stores acquired in connection with the PRC Acquisition), and 32 outlet stores (net of store closings). At March 28, 1998, the Company operated 29 Polo stores and 72 outlet stores. Retail sales have grown to $570.8 million in fiscal 1998 from $218.2 million in fiscal 1994.

Licensing revenue consists of royalties paid to the Company under its licensing alliances. In fiscal 1998, Product, International and Home Collection licensing alliances accounted for 47.0%, 24.6% and 28.4% of total licensing revenue, respectively. Through these alliances, Polo combines its core skills with the product or geographic competencies of its licensing partners to create and develop specific businesses. The growth of existing and development of new businesses under licensing alliances has resulted in an increase in licensing revenue to $167.1 million in fiscal 1998 from $84.2 million in fiscal 1994.

On June 9, 1997, the partners and certain of their affiliates contributed to Polo Ralph Lauren Corporation all of the outstanding stock of, and partnership interests in, the entities which comprised the predecessor group of companies in exchange for common stock and cash (the "Reorganization"). Prior to the Reorganization, the Company's operations were conducted predominantly through a partnership structure. Accordingly, the earnings of the Company (other than earnings of certain retail operations) were included in the taxable income of the Company's partners for Federal and certain state income tax purposes, and the Company has generally not been subject to income tax on such earnings, other than certain state and local franchise and similar taxes. In connection with the Reorganization, on June 9, 1997, the Company became fully subject to such taxes. As a result, the Company recorded a deferred tax asset and a corresponding tax benefit in the amount of $27.4 million in its consolidated financial statements in the first quarter of fiscal 1998 in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. The Company's pro forma effective tax rate, excluding the non-recurring tax benefit discussed above, for fiscal 1998 was 40.8%. The effect of taxes is not discussed in Results of Operations below because the historic taxation of the operations of the Company is not meaningful with respect to periods following the Reorganization.

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

PRO FORMA COMBINED STATEMENT OF INCOME FOR FISCAL 1997

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

	ACTUAL COMBINED	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
		(IN THOUSANDS) (UNAUDITED)	
Net sales	$1,043,330	$ 88,356(1)	$ 1,131,686
Licensing revenue	137,113		137,113
Net revenues	1,180,443		1,268,799
Cost of goods sold	648,597	38,406(1)	687,003
Gross profit	531,846		581,796
Selling, general and administrative expenses	374,483	53,812(1) 868(1)	429,163
Income from operations	157,363		152,633
Interest expense (income)	13,660	(15,289)(1)(2)	(1,629)
Equity in net loss of joint venture	3,599	(3,599)(1)	--
Income before income taxes	140,104		154,262
Provision for income taxes	22,804	41,986(3)	64,790
Net income	$ 117,300		$ 89,472

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

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

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

RESULTS OF OPERATIONS

The following discussion of the Company's results of operations for fiscal 1998 compared to fiscal 1997 is presented on a pro forma basis for fiscal 1997, assuming the PRC Acquisition had occurred as of March 31, 1996. The discussion of the Company's results of operations for fiscal 1997 compared to fiscal 1996 is presented on a historical basis. Additionally, as a result of the Company's initial public offering and the use of a portion of the net proceeds therefrom to reduce outstanding indebtedness, historical interest expense is not discussed below because the results are not meaningful.

The table below sets forth the percentage relationship to net revenues of certain items in the Company's statements of income for fiscal 1998, fiscal 1997 and fiscal 1996 presented on a historical and pro forma basis, as indicated:

	HISTORICAL			PRO FORMA
	1998	1997	1996	1997
Net sales	88.6%	88.4%	89.2%	89.2%
Licensing revenue	11.4	11.6	10.8	10.8
Net revenues	100.0	100.0	100.0	100.0
Gross profit	48.6	45.1	42.8	45.8
Selling, general and administrative expenses	35.0	31.8	30.3	33.8
Income from operations	13.6%	13.3%	12.5%	12.0%

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

NET SALES. Net sales increased 15.2% to $1.304 billion in fiscal 1998 from $1.132 billion in fiscal 1997. Wholesale net sales increased 17.7% to $733.1 million in fiscal 1998 from $623.0 million in fiscal 1997. Wholesale growth primarily reflects increased menswear sales resulting from growth in the Company's basic stock replenishment program, improved sales in existing brands, a shift in the sales mix to higher priced wholesale products and sales from the Company's third party wholesale trading business which began operations in the fourth quarter of fiscal 1997. Wholesale growth also reflects increased womenswear sales due to the introduction of Polo Sport in the fourth quarter of fiscal 1997. Retail sales increased 12.2% to $570.8 million in fiscal 1998 from $508.6 million in fiscal 1997. Of this increase, $60.9 million is attributable to the opening of two new Polo stores (net of one store closing) and seven new outlet stores (net of three store closings) in fiscal 1998 and the benefit of a full year of operations for three new Polo stores and ten new outlet stores opened in fiscal 1997.

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

GROSS PROFIT. Gross profit as a percentage of net revenues increased to 48.6% in fiscal 1998 from 45.8% in fiscal 1997. This increase was attributable to improvements in each of the Company's integrated operations. Wholesale gross margins increased significantly in fiscal 1998 over fiscal 1997 as a direct result of increased fulfillment of customer orders, improved supply chain management and a planned reduction in off-price sales. Retail gross margins also increased significantly in fiscal 1998 as compared to fiscal 1997 primarily due to the benefit of operating five new Polo stores (net of one store closing) which were opened in fiscal 1998 and fiscal 1997, and an improved initial markup. Licensing revenue, which has no associated cost of goods sold, increased as a percentage of net revenues to 11.4% in fiscal 1998 from 10.8% in fiscal 1997.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased to $515.5 million or 35.0% of net revenues in fiscal 1998 from $429.2 million or 33.8% of net revenues in fiscal 1997. This increase as a percentage of net revenues was attributable to increased depreciation expense associated with the Company's shop-within-shops development program, increased advertising, marketing and public relations expenditures to support the Company's brands and a one-time charge under terms of a long-term contract with a former executive.

FISCAL 1997 (HISTORICAL BASIS) COMPARED TO FISCAL 1996 (HISTORICAL BASIS)

NET SALES. Net sales increased 14.7 % to $1.043 billion in fiscal 1997 from $909.7 million in fiscal 1996. Wholesale net sales increased 9.5 % to $663.4 million in fiscal 1997 from $606.0 million in fiscal 1996. This increase primarily reflects the benefit of a full year of womenswear sales in fiscal 1997 compared to five and one-half months in fiscal 1996. Retail sales increased by 25.1% to $380.0 million in fiscal 1997 from $303.7 million in fiscal 1996. Of this increase, $58.8 million is attributable to the opening of three new Polo stores and seven new outlet stores (net of four outlet store closings) in fiscal 1997 and the benefit of a full year of operations for seven outlet stores opened in fiscal 1996. Comparable store sales in fiscal 1997 increased 6.3% or $17.5 million. Comparable store sales represent net sales of stores open in both reporting periods for the full duration of such periods.

LICENSING REVENUE. Licensing revenue increased 24.4 % to $137.1 million in fiscal 1997 from $110.2 million in fiscal 1996. This increase reflects the launch of Polo Jeans Co. in fiscal 1997 and an overall increase in sales of licensed products, particularly Chaps, accessories and Home Collection.

GROSS PROFIT. Gross profit as a percentage of net revenues increased to 45.1% in fiscal 1997 from 42.8% in fiscal 1996. The increase was primarily attributable to the increase, as a percentage of total net revenues, in net sales of the Company's higher margin retail sales (relative to wholesale sales) and to increased licensing revenue. In fiscal 1997, wholesale gross margins improved slightly while retail gross margins increased significantly due to a reduction in markdowns as compared to fiscal 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased to $374.5 million or 31.8% of net revenues in fiscal 1997 from $309.2 million or 30.3% of net revenues in fiscal 1996. This increase as a percentage of net revenues was primarily attributable to investment in organizational infrastructure to support growth, increased advertising, marketing and public relations expenditures to support the Company's brands, and personnel and start-up costs associated with the opening of three Polo stores in fiscal 1997. Additionally, SG&A expenses in fiscal 1997 include a full year of womenswear SG&A expenses as compared to five and one-half months in the prior period.

EQUITY IN NET LOSS OF JOINT VENTURE. Equity in net loss of joint venture represents the Company's 50% equity interest in PRC. Such losses increased to $3.6 million in fiscal 1997 from $1.1 million in fiscal 1996, primarily as a result of lost revenues and expenses associated with temporary store closings for renovations in fiscal 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company's main sources of liquidity historically have been cash flows from operations, credit facilities and, prior to the Reorganization, partners' financing. The Company's capital requirements primarily derive from working capital needs, construction and renovation of shop-within-shops, retail expansion and other corporate activities.

Net cash provided by operating activities decreased to $96.2 million in fiscal 1998 from $203.6 million in fiscal 1997. This decrease is primarily a result of increases in inventory levels during fiscal 1998 due to the timing of wholesale shipments and the overall growth of the business, and a planned reduction in wholesale inventory levels in fiscal 1997. Net cash used in investing activities increased to $74.9 million in fiscal 1998 from $38.6 million in fiscal 1997. This increase principally reflects an increase in capital expenditures, the use of $8.6 million in cash to acquire the operations of PRC and investments in joint ventures with nonaffiliated partners. Net cash provided by financing activities increased to $7.8 million in fiscal 1998 from net cash used in financing activities of $149.0 million in fiscal 1997. This increase primarily reflects the net proceeds received from the initial public offering, offset by the application of a portion of the net proceeds to repay outstanding indebtedness and an increase in scheduled debt and subordinated note repayments.

As a result of the initial public offering, the Company's cash flow needs reflect the elimination of ongoing distributions to the partners. Partially offsetting these changes will be the application of funds for the payment of additional Federal, state and local income taxes.

Simultaneously with the closing of the Reorganization, the Company entered into a new financing arrangement (the "New Credit Facility") providing for a $375.0 million revolving line of credit available for the issuance of letters of credit, acceptances or direct borrowings. Upon the closing of the initial public offering, the amount available under the revolving line of credit was reduced to $225.0 million. The New Credit Facility matures on December 31, 2002. Borrowings under the New Credit Facility were used to refinance the Polo Ralph Lauren, L.P. and subsidiaries credit facility of $104.5 million and to repay in full $56.7 million of aggregate borrowings outstanding under The Ralph Lauren Womenswear, L.P. and subsidiaries credit facility and the PRC credit facility.

Borrowings under the New Credit Facility bear interest, at the Company's option, at a Base Rate (the "Base Rate") equal to the higher of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent, and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the London Interbank Offered Rate plus an interest margin. The agreement contains customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreement provides that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock. As of March 28, 1998, the Company had no direct borrowings and $19.9 million in outstanding letters of credit under the New Credit Facility.

On June 17, 1997, the Company completed the sale of 11,170,000 shares of its Class A Common Stock at $26.00 per share in its initial public offering. The net proceeds from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, aggregated $268.8 million. The net proceeds from the initial public offering increased liquidity of the Company by reducing indebtedness as follows: (i) by repayment of borrowings outstanding under the Company's New Credit Facility in the amount of $163.5 million; (ii) by payment of a dividend declared and reorganization notes issued by the Company in connection with the Reorganization in the amount of $43.0 million to Mr. Lauren and related entities and certain investment funds affiliated with The Goldman Sachs Group, L.P. (collectively, the "GS Group"); and (iii) by repayment of subordinated notes and interest thereon in the amount of $24.3 million to Mr. Lauren and the GS Group. The remaining $38.0 million has been used for other general corporate purposes.

Capital expenditures were $63.1 million, $35.3 million and $5.6 million in fiscal 1998, fiscal 1997 and fiscal 1996, respectively. The increase in capital expenditures in fiscal 1998 represents primarily expenditures associated with the Company's shop-within-shops development program which includes new shops, renovations and expansions as well as expenditures incurred in connection with the expansion of the Company's retail operations. The Company plans to invest approximately $120.0 million, net of landlord incentives, over the next fiscal year for its retail stores, including flagship stores, the shop-within-shops development program and other capital projects.

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to $100.0 million of the Company's Class A Common Stock. Share repurchases under this plan will be made from time to time in the open market over a two-year period commencing April 1, 1998. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes.

The Company extends credit to its customers, including those which have accounted for significant portions of its net revenues. The Company had three customers, Dillard Department Stores, Inc., Federated Department Stores, Inc. and The May Department Stores Company, which in aggregate constituted 53.0% and 48.0% of trade accounts receivable outstanding at March 28, 1998 and March 29, 1997, respectively. Additionally, the Company had three licensing partners, WestPoint Stevens, Inc. ("WPS"), Seibu Department Stores, Ltd. ("Seibu") and Jones Apparel Group, Inc., which in aggregate constituted approximately 35.0% of licensing revenue in fiscal 1998. WPS, Seibu and L'Oreal S.A./Cosmair Inc. constituted, in aggregate, 39.0% and 43.0% of licensing revenue in fiscal 1997 and fiscal 1996, respectively. Accordingly, the Company may have significant exposure in collecting accounts receivable from its customers. The Company has credit policies and procedures which it uses to manage its credit risk.

Management believes that cash from ongoing operations and funds available under the New Credit Facility will be sufficient to satisfy the Company's current level of operations, capital requirements and stock repurchase program for the next 12 months. Additionally, the Company does not currently intend to pay dividends on its Common Stock in the next 12 months.

SEASONALITY AND QUARTERLY FLUCTUATIONS

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

EXCHANGE RATES

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

NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, Reporting Comprehensive Income. This Statement establishes standards for reporting of comprehensive income and its components (revenues, expenses, gains and losses) in the financial statements. SFAS No. 130 requires an enterprise to: (i) reconcile net income to comprehensive income; (ii) classify items of other comprehensive income (e.g., foreign currency translation adjustments, unearned compensation, etc.) by their nature in a financial statement; and (iii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of a statement of financial position. SFAS No.130 is effective for the Company's first quarter of fiscal year ending April 3, 1999.

In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This Statement establishes standards for reporting selected financial data and descriptive information about an enterprise's reportable operating segments (as defined). This Statement also requires the reconciliation of total segment information presented to the corresponding amounts in the general purpose financial statements. Additionally, SFAS No. 131 establishes

standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for the Company's fiscal year ending April 3, 1999. The Company has not yet determined what additional disclosures, if any, may be required in connection with adopting this Statement.

In April 1998, the American Institute of Certified Public Accountants ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), Reporting on the Costs of Start-up Activities. SOP 98-5 requires that costs of start-up activities, including organization costs and retail store openings, be expensed as incurred. SOP 98-5 is effective for the Company's fiscal year ending April 1, 2000. The Company has not yet determined whether the application of SOP 98-5 will have a material impact on the Company's financial position or results of operations.

IMPACT OF THE YEAR 2000 ISSUE

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

Based on an internal assessment, the Company determined that it will be required to modify or replace portions of its software applications so that its computer systems will properly utilize dates beyond December 31, 1999. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue can be mitigated. However, if such modifications and conversions are not made or are not timely completed, the Year 2000 Issue could have a material impact on the operations of the Company.

The Company has initiated formal communications with its significant suppliers, licensees, transportation carriers, general service providers and large customers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 Issue. In addition, third party vendors of hardware and packaged software have been contacted about their products' compliance status. There can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

The Company will utilize both internal and external resources to reprogram, replace and test the software for Year 2000 modifications. The Company plans to complete the major initiatives of its Year 2000 project within the current fiscal year. To date, the Company has incurred expenses of approximately $1.1 million related to the assessment of, and preliminary efforts in connection with, its Year 2000 project and the development of a remediation plan. The total remaining cost of the Year 2000 project is estimated at $5.0 to $6.0 million and is being funded through operating cash flows. Of the total project cost, approximately $0.5 million is attributable to the purchase of new software which will be capitalized. The remainder will be expensed as incurred.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from those plans.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The other information required to be included herein by Item 10 of Form 10-K will be included in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders which will be filed within 120 days after the close of the Company's fiscal year ended March 28, 1998 and such information is incorporated herein by reference to such Proxy Statement.

The following table sets forth certain information with respect to the directors and executive officers of the Company as of June 11, 1998.

NAME	Age	Position
Ralph Lauren.....	58	Chairman, Chief Executive Officer and Director
Michael J. Newman.....	52	Vice Chairman, Chief Operating Officer and Director
Richard A. Friedman	40	Director
Frank A. Bennack, Jr....	65	Director
Allen Questrom.....	58	Director
Terry S. Semel.....	55	Director
Peter Strom.....	69	Director
Victor Cohen.....	44	Senior Vice President, General Counsel and Secretary
Nancy A. Platoni Poli	42	Senior Vice President and Chief Financial Officer
Karen L. Rosenbach	43	Senior Vice President, Human Resources and Administration

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

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

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

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

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

TERRY S. SEMEL has been a director of the Company since September 1997. Mr. Semel has been the Chairman of the Board and Co-Chief Executive Officer of the Warner Bros. Division of Time Warner Entertainment LP ("Warner Brothers"), since March 1994 and of Warner Music Group since November 1995. For more than ten years prior to that he was President of Warner Brothers or its predecessor, Warner Bros. Inc. Mr. Semel is a member of the Board of Directors of Revlon, Inc.

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

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

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

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

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

ITEM 11. EXECUTIVE COMPENSATION.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required to be included herein by Items 11 through 13 of Form 10-K will be included in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders, which will be filed within 120 days after the close of the Company's fiscal year ended March 28, 1998 and such information is incorporated herein by reference to such Proxy Statement.

PART IV

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

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

3. Exhibits --

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-24733)) (the "S-1").*
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1).*
10.1	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+
10.3	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*
10.4	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*
10.5	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*
10.6	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*
10.7	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*
10.8	Amendment, dated November 27, 1992, to Foreign Design And Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*
10.9	License Agreement, made as of January 1, 1998, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc.**
10.10	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*
10.11	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan Co., Ltd.** (filed as Exhibit 10-11 to the S-1)*
10.12	Deferred Compensation Agreement dated April 1, 1993, between Michael J. Newman and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P. (filed as Exhibit 10.12 to the S-1)*+
10.14	Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P.(filed as Exhibit 10.14 to the S-1)*+

10.15	Deferred Compensation Agreement dated April 1, 1993 between Cheryl L. Sterling Udell and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P.(filed as Exhibit 10.15 to the S-1)*+
10.16	Amended and Restated Employment Agreement dated October 26, 1993 between Michael J. Newman and Polo Ralph Lauren Corporation, as amended and assigned October 31, 1994 to Polo Ralph Lauren, L.P. and as further amended as of June 9, 1997 (filed as Exhibit 10.17 to the S-1)*+
10.17	Employment Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P. (filed as Exhibit 10.19 to the S-1)*+
10.18	Employment Agreement dated October 26, 1993 between Cheryl L. Sterling Udell and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P. (filed as Exhibit 10.20 to the S-1)*+
10.19	Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*
10.20	Form of Reorganization Note (filed as Exhibit 10.23 to the S-1)*
10.21	Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*
10.22	Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*
10.23	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*
10.24	Employment Agreement dated June 9, 1997 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as Exhibit 10.27 to the S-1)*+
10.25	Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.**
10.26	License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.**
21.1	List of Significant Subsidiaries of the Company.
24.1	Powers of Attorney.
27.1	Financial Data Schedule.

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* Incorporated herein by reference.

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

** Portions of Exhibits 10.4 - 10.11 and 10.25 and 10.26 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POLO RALPH LAUREN CORPORATION
(Registrant)

By: /s/ Ralph Lauren

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

Date: June 26, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE(S)	DATE
/s/ Ralph Lauren Ralph Lauren	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 26, 1998
/s/ Michael J. Newman Michael J. Newman	Vice Chairman of the Board of Directors and Chief Operating Officer	June 26, 1998
/s/ Nancy A. Platoni Poli Nancy A. Platoni Poli	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 26, 1998
/s/ Richard A. Friedman Richard A. Friedman	Director	June 26, 1998
/s/ Frank A. Bennack, Jr. Frank A. Bennack, Jr.	Director	June 26, 1998
/s/ Allen Questrom Allen Questrom	Director	June 26, 1998
/s/ Terry S. Semel Terry S. Semel	Director	June 26, 1998
/s/ Peter Strom Peter Strom	Director	June 26, 1998

POLO RALPH LAUREN CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet as of March 28, 1998 and the combined balance sheet as of March 29, 1997 of Polo Ralph Lauren Corporation and subsidiaries (the "Company") and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended March 28, 1998 and the combined statements of income, partners' capital, and cash flows for the year ended March 29, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company as of March 28, 1998 and March 29, 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New York, New York
May 15, 1998

INDEPENDENT AUDITOR'S REPORT

The Partners
Polo Ralph Lauren Enterprises, L.P.

We have audited the accompanying combined statements of income, partners' capital, and cash flows of Polo Ralph Lauren Corporation (the "Company" as defined in Note 1(a)) for the year ended March 30, 1996. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Polo Ralph Lauren Corporation for the year ended March 30, 1996 in conformity with generally accepted accounting principles.

/s/ Mahoney Cohen Rashba & Pokart, CPA, PC

MAHONEY COHEN RASHBA & POKART, CPA, PC
New York, New York
June 21, 1996
except as to Note 1(a)
dated March 14, 1997

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

	MARCH 28, 1998	MARCH 29, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 58,755	$ 29,599
Accounts receivable, net of allowances of $12,447 and $12,845, respectively	149,120	144,303
Inventories	298,485	222,147
Deferred tax assets	24,448	2,669
Prepaid expenses and other	25,656	37,621
TOTAL CURRENT ASSETS	556,464	436,339
Property and equipment, net	175,348	95,255
Investments in and advances to joint ventures	5,683	17,977
Deferred tax assets	14,213	84
Other assets, net	73,422	39,103
	$ 825,130	$ 588,758
LIABILITIES AND STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL		
Current liabilities		
Notes and acceptances payable - banks	--	$ 26,777
Current portion of long-term debt	$ 337	22,248
Current portion of subordinated notes	--	20,000
Accounts payable	100,126	89,417
Accrued expenses and other	101,795	68,859
TOTAL CURRENT LIABILITIES	202,258	227,301
Long-term debt	--	47,875
Other noncurrent liabilities	38,546	28,897
Subordinated notes	--	24,000
Commitments and contingencies (Note 14)	--	--
Stockholders' equity and partners' capital		
Common Stock		
Class A, par value $.01 per share; 500,000,000 shares authorized; 34,272,726 shares issued and outstanding	343	--
Class B, par value $.01 per share; 100,000,000 shares authorized; 43,280,021 shares issued and outstanding	433	--
Class C, par value $.01 per share; 70,000,000 shares authorized; 22,720,979 shares issued and outstanding	227	--
Additional paid-in-capital	447,918	--
Retained earnings and partners' capital	136,738	260,837
Cumulative translation adjustment	--	(152)
Unearned compensation	(1,333)	--
TOTAL STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL	584,326	260,685
	$ 825,130	$ 588,758

See accompanying notes to financial statements.

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

	FISCAL YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Net sales	$ 1,303,816	$ 1,043,330	$ 909,720
Licensing revenue	167,119	137,113	110,153
Net revenues	1,470,935	1,180,443	1,019,873
Cost of goods sold	755,654	648,597	583,546
Gross profit	715,281	531,846	436,327
Selling, general and administrative expenses	515,526	374,483	309,207
Income from operations	199,755	157,363	127,120
Interest expense	159	13,660	16,287
Equity in net loss of joint venture	--	3,599	1,101
Income before income taxes	199,596	140,104	109,732
Provision for income taxes	52,025	22,804	10,925
Net income	$ 147,571	$ 117,300	$ 98,807
PRO FORMA (NOTE 1) - (UNAUDITED)			
Historical income before income taxes	$ 199,596	$ 140,104	
Pro forma adjustments other than income taxes	3,162	14,158	
Pro forma income before income taxes	202,758	154,262	
Pro forma provision for income taxes	82,631	64,790	
Pro forma net income	$ 120,127	$ 89,472	
Pro forma net income per share - Basic and Diluted	$ 1.20	$ 0.89	
Pro forma common shares outstanding - Basic and Diluted	100,222,444	100,222,444	

See accompanying notes to financial statements.

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

	COMMON STOCK		ADDITIONAL PAID-IN- CAPITAL	RETAINED EARNINGS AND PARTNERS' CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT	UNEARNED COMPENSATION	TOTAL
	SHARES	AMOUNT					
BALANCE AT APRIL 1, 1995	--	--	--	$ 188,635	$ (56)	--	$188,579
Net income				98,807			98,807
Translation adjustment					168		168
Capital contributions				10,000			10,000
Distributions to partners				(59,901)			(59,901)
BALANCE AT MARCH 30, 1996	--	--	--	237,541	112	--	237,653
Net income				117,300			117,300
Translation adjustment					(264)		(264)
Distributions to partners				(94,004)			(94,004)
BALANCE AT MARCH 29, 1997	--	--	--	260,837	(152)	--	260,685
Net income				147,571			147,571
Translation adjustment					25		25
Distributions to partners				(45,665)			(45,665)
Reorganization	89,000,000	890	176,537	(177,554)	127		--
Dividend and Reorganization Notes paid				(48,451)			(48,451)
Common stock issued in public offering, net	11,170,000	112	268,685				268,797
Common stock issued in PRC Acquisition	26,803	--	697				697
Restricted stock grants	76,923	1	1,999			(1,333)	667
BALANCE AT MARCH 28, 1998	100,273,726	$ 1,003	$447,918	$ 136,738	--	$(1,333)	$584,326

See accompanying notes to financial statements.

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

	FISCAL YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 147,571	$ 117,300	$ 98,807
Adjustments to reconcile net income to net cash provided by operating activities:			
Benefit from deferred income taxes	(27,997)	--	--
Depreciation and amortization	27,402	13,755	9,743
Equity in net loss of joint venture	--	3,599	1,101
Provision for losses on accounts receivable	1,155	833	1,122
Changes in deferred liabilities	9,584	5,067	909
Other	3,198	(5,109)	(3,505)
Changes in assets and liabilities, net of acquisition			
Accounts receivable	(4,352)	(137)	(34,155)
Inventories	(48,942)	46,702	21,811
Prepaid expenses and other	(2,031)	(9,223)	(10,428)
Other assets	(18,922)	(4,323)	(6,733)
Accounts payable	3,215	15,173	9,798
Accrued expenses and other	6,325	19,943	2,855
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,206	203,580	91,325
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, net	(63,079)	(35,330)	(5,575)
Acquisition, net of cash acquired	(8,551)	--	(39,726)
Investments in joint ventures	(5,812)	--	--
Cash surrender value - officers' life insurance, net	2,569	(3,230)	(3,685)
NET CASH USED IN INVESTING ACTIVITIES	(74,873)	(38,560)	(48,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments of) proceeds from short-term borrowings, net	(26,777)	(46,954)	14,109
Repayments of borrowings against officers' life insurance policies	(5,757)	--	--
Repayments of long-term debt and subordinated notes	(135,134)	(11,791)	(11,719)
Proceeds from long-term debt	--	--	10,000
Payment of Dividend and Reorganization Notes	(48,451)	--	--
Proceeds from issuance of common stock, net	268,797	--	--
Distributions paid to partners	(44,855)	(90,284)	(56,284)
Capital contributions	--	--	10,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,823	(149,029)	(33,894)
Net increase in cash and cash equivalents	29,156	15,991	8,445
Effect of exchange rate changes on cash and cash equivalents	--	40	(26)
Cash and cash equivalents at beginning of period	29,599	13,568	5,149
Cash and cash equivalents at end of period	$ 58,755	$ 29,599	$ 13,568

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

	FISCAL YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 4,410	$16,005	$17,189
Cash paid for income taxes	$73,873	$22,280	$11,602
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Foreign tax credits distributed to partners	$ 509	$ 3,720	$ 3,617
Capital obligations for completed shop-within-shops	$15,102	$ 8,600	
Fair value of assets acquired, excluding cash	$69,537		$40,260
Less:			
Cash paid	8,551		39,726
Fair market value of common stock issued for PRC Acquisition	697		--
Liabilities assumed	$60,289		$ 534
Fair market value of restricted stock grants	$ 667		

See accompanying notes to financial statements.

1 BASIS OF PRESENTATION AND ORGANIZATION

(a) BASIS OF PRESENTATION

Polo Ralph Lauren Corporation ("PRLC") was incorporated in Delaware in March 1997. PRLC and its subsidiaries are collectively referred to herein as "Polo." On June 9, 1997, the partners and certain of their affiliates contributed to PRLC all of the outstanding stock of, and partnership interests in, the entities which comprised the predecessor group of companies in exchange for common stock and cash (the "Reorganization"). The accompanying combined financial statements for the years ended March 29, 1997 and March 30, 1996 include the accounts of Polo Ralph Lauren Enterprises, L.P. ("Enterprises"), Polo Ralph Lauren, L.P. and subsidiaries ("Polo Partnership"), The Ralph Lauren Womenswear Company, L.P. and subsidiaries ("Womenswear") and Polo Retail Corporation and subsidiaries ("PRC"), a 50% joint venture with a previously nonaffiliated partner (collectively, the "Predecessor Company"). The controlling interests of the Predecessor Company were held by Mr. Ralph Lauren, with a 28.5% interest held by certain investment funds affiliated with The Goldman Sachs Group, L.P. (collectively, the "GS Group").

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

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

All significant intercompany balances and transactions have been eliminated. The equity method of accounting was used for the Company's investment in PRC during the period in which 50% of PRC was owned by a previously nonaffiliated partner (years ended March 29, 1997 and March 30, 1996). Subsequent to the Company's acquisition of the remaining 50% interest in PRC effective April 3, 1997, as discussed further in Note 1 (d) below, the results of operations of PRC have been consolidated and the acquisition has been accounted for as a purchase.

(b) INITIAL PUBLIC OFFERING

On June 17, 1997, PRLC completed the sale of 11.17 million shares of its Class A Common Stock at $26.00 per share in connection with its initial public offering. The net proceeds from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, aggregated $268.8 million. The net proceeds from the initial public offering were used as follows: (i) to repay borrowings outstanding under the Company's New Credit Facility (as defined - see Note 7) in the amount of $163.5 million; (ii) to pay the Dividend and Reorganization Notes (as defined - see Note 1 (c)) in the amount of $43.0 million to Mr. Lauren and related entities and the GS Group; and (iii) to repay subordinated notes and interest thereon (see Note 8) in the amount of $24.3 million to Mr. Lauren and the GS Group. The remaining $38.0 million was used for other general corporate purposes.

(c) DIVIDEND AND REORGANIZATION NOTES

On June 9, 1997, in connection with the Reorganization, the Company declared a dividend and issued reorganization notes aggregating $43.0 million to Mr. Lauren and the GS Group representing estimated undistributed earnings of the Predecessor Company through the closing of the Reorganization ("Dividend and Reorganization Notes"). The Dividend and Reorganization Notes were paid with a portion of the net proceeds of the initial public offering (see Note 1 (b)). Effective June 9, 1997, the Company declared a second dividend (the "Second Dividend") to Mr. Lauren and the GS Group in an amount representing the difference between the actual amount of undistributed earnings through the closing of the Reorganization and the estimated amount of the Dividend and Reorganization Notes. The Second Dividend amounted to $5.4 million and was paid in the fourth quarter of fiscal 1998.

(d) ACQUISITIONS

Simultaneously with the Reorganization, the Company acquired from a partnership of which Mr. Lauren is the sole general partner, the partnership's sole membership interest in an entity which holds the trademarks and other rights under a license agreement relating to the Company's U.S. fragrance business and the interest which the Company did not previously own in the entity that holds the trademarks relating to the Company's international licensing business in exchange for shares of Class B Common Stock. The operating results of these entities have been included in the results of operations of the Predecessor Company for all periods presented based on their common ownership.

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

On October 16, 1995, Womenswear acquired the assets of Ralph Lauren Womenswear, Inc. ("RLW"), a nonaffiliated licensee, at book value which approximated fair value, consisting principally of inventories ($19.7 million) and accounts receivable ($18.2 million) for $40.3 million in cash. This acquisition was accounted for as a purchase.

(e) BUSINESS

The Company designs, licenses, contracts for the manufacture of, markets and distributes men's and women's apparel, accessories, fragrances, skin care products and home furnishings. The Company's sales are principally to major department and specialty stores located throughout the United States. Additionally, the Company also sells directly to consumers through Company-owned Polo stores, including flagship stores in New York City, and outlet stores located throughout the United States. A substantial portion of the Company's net revenues and income from operations are derived from, and identifiable assets are located in, the United States.

The Company is party to licensing agreements which grant the licensee exclusive rights to use the various trademarks owned by the Company in connection with the manufacture and sale of designated products in specified geographical areas. The license agreements typically provide for designated terms with renewal options based on achievement of specified sales targets. The agreements also require that certain minimum amounts be spent on advertising for licensed products. Additionally, as part of the licensing arrangements, each licensee is typically required to enter into a design services agreement pursuant to which design and other creative services are provided. The license and design services agreements provide for payments based on specified percentages of net sales. Additionally, the Company has granted royalty-free licenses to independent parties to operate Polo stores to promote the sale of merchandise of the Company and its licensees both domestically and internationally.

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

(f) PRO FORMA ADJUSTMENTS (UNAUDITED)

The pro forma statement of income data for the years ended March 28, 1998 and March 29, 1997 presents the effects on the historical financial statements of certain transactions as if they had occurred at March 31, 1996. The pro forma statement of income data reflects adjustments for: (i) income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes, calculated using a pro forma effective tax rate of 40.8% for the year ended March 28, 1998 and 42.0% for the year ended March 29, 1997 (see Note 9); (ii) the reduction of interest expense resulting from the application of a portion of the net proceeds from the initial public offering to outstanding indebtedness; and (iii) the PRC Acquisition, including the consolidation of PRC's operations, the amortization of goodwill over 25 years associated with the acquisition and the elimination of the Company's equity in net loss of PRC for the year ended March 29, 1997.

(g) PRO FORMA NET INCOME PER SHARE (UNAUDITED)

Pro forma net income per share has been computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share. Pro forma net income per share was calculated by dividing pro forma net income by the weighted average number of shares outstanding during the period, assuming the initial public offering had been completed on March 31, 1996. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering were considered to be outstanding in the years ended March 28, 1998 and March 29, 1997.

2 SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company's fiscal year ends on the Saturday nearest to March 31. All references herein to "1998," "1997" and "1996" represent the 52 week fiscal years ended March 28, 1998, March 29, 1997 and March 30, 1996, respectively.

USE OF ESTIMATES

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

RECLASSIFICATIONS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

STORE PREOPENING COSTS

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

PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

Property and equipment are stated at cost. Depreciation of furniture and fixtures and machinery and equipment is calculated using the straight-line method over estimated average useful lives of approximately five years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the related lease or the estimated useful life. Major additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred. Additionally, the Company capitalizes its share of the cost of constructing shop-within-shops under agreements with retailers and amortizes such costs using the straight-line method over the lesser of their estimated useful lives or the life of the underlying agreement.

GOODWILL

Goodwill represents the excess of purchase cost over the fair value of net assets of businesses acquired. The Company amortizes goodwill over its estimated useful life of 25 years on a straight-line basis.

IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

The Company assesses the carrying value of long-lived and intangible assets as current facts and circumstances suggest that they may be impaired. In evaluating the fair value and future benefits of such assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the individual assets over the remaining amortization period and would recognize an impairment loss if the carrying value exceeded the expected future cash flows. The impairment loss would be measured based upon the fair value. The Company has determined that its long-lived and intangible assets presented in the accompanying balance sheet at March 28, 1998 are not impaired.

OFFICERS' LIFE INSURANCE

The Company maintains key man life insurance policies on several of its senior executives, the majority of which contain split dollar arrangements. The key man policies are recorded at their cash surrender value, while the policies with split dollar arrangements are recorded at the lesser of their cash surrender value or premiums paid. Amounts recorded under these policies aggregated $28.2 million and $25.0 million, net of loans of $0 and $5.8 million, at March 28, 1998 and March 29, 1997, respectively, and are included in other assets in the accompanying balance sheets.

REVENUE RECOGNITION

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

CONCENTRATION OF CREDIT RISK

The Company sells its merchandise primarily to major upscale department stores across the United States and extends credit based on an evaluation of the customer's financial condition without requiring collateral. Credit risk is driven by conditions or occurrences within the economy and the retail industry and is principally dependent on each customer's financial condition. A decision by the controlling owner of a group of stores or any substantial customer to decrease the amount of merchandise purchased from the Company or to cease carrying its products could have a material adverse effect on the Company. The Company had three customers who in aggregate constituted 53% and 48% of trade accounts receivable outstanding at March 28, 1998 and March 29, 1997, respectively.

The Company had one significant customer that accounted for approximately 11% of net sales in fiscal 1998, 1997 and 1996. Additionally, the Company had three significant licensees (one of which was new in fiscal 1998) who in aggregate constituted approximately 35%, 39% and 43% of licensing revenue in fiscal 1998, 1997 and 1996, respectively.

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

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

ADVERTISING

The Company expenses the production costs of advertising, marketing and public relations expenses upon the first showing of the related advertisement. These expenses amounted to $68.5 million, $55.5 million and $44.5 million in fiscal 1998, 1997 and 1996, respectively.

INCOME TAXES

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates.

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

DEFERRED RENT OBLIGATIONS

The Company accounts for rent expense under noncancellable operating leases with scheduled rent increases and landlord incentives on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives are recorded as a deferred liability. Unamortized deferred rent obligations amounted to $28.1 million and $22.6 million at March 28, 1998 and March 29, 1997, respectively, and are included in accrued expenses and other, and other noncurrent liabilities in the accompanying balance sheets.

FINANCIAL INSTRUMENTS

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

FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of a foreign subsidiary of the Company is measured using the local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at each year end. Results of operations are translated at the average rate of exchange prevailing throughout the period. Translation adjustments arising from differences in exchange rates from period to period are included in the cumulative translation adjustment account. Gains and losses from foreign currency transactions are included in operating results and were not considered by the Company to be material in fiscal 1998, 1997 and 1996.

STOCK OPTIONS

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

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, Reporting Comprehensive Income. This Statement establishes standards for reporting of comprehensive income and its components (revenues, expenses, gains and losses) in the financial statements. SFAS No. 130 requires an enterprise to: (i) reconcile net income to comprehensive income; (ii) classify items of other comprehensive income (e.g., foreign currency translation adjustments, unearned compensation, etc.) by their nature in a financial statement; and (iii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of a statement of financial position. SFAS No.130 is effective for the Company's first quarter of fiscal year ending April 3, 1999.

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This Statement establishes standards for reporting selected financial data and descriptive information about an enterprise's reportable operating segments (as defined). This Statement also requires the reconciliation of total segment information presented to the corresponding amounts in the general purpose financial statements. Additionally, SFAS No. 131 establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for the Company's fiscal year ending April 3, 1999. The Company has not yet determined what additional disclosures, if any, may be required in connection with adopting this Statement.

In April 1998, the American Institute of Certified Public Accountants ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), Reporting on the Costs of Start-up Activities. SOP 98-5 requires that costs of start-up activities, including organization costs and retail store openings, be expensed as incurred. SOP 98-5 is effective for the Company's fiscal year ending April 1, 2000. The Company has not yet determined whether the application of SOP 98-5 will have a material impact on the Company's financial position or results of operations.

3 INVENTORIES

	MARCH 28, 1998	MARCH 29, 1997
Raw materials	$ 26,364	$ 32,781
Work-in-process	12,406	5,788
Finished goods	259,715	183,578
	$298,485	$222,147

Merchandise inventories of $130.9 million and $93.9 million at March 28, 1998 and March 29, 1997, respectively, were valued utilizing the retail method and are included in finished goods.

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

4 PROPERTY AND EQUIPMENT

	MARCH 28, 1998	MARCH 29, 1997
Land	$ 656	$ 656
Furniture and fixtures	116,870	54,415
Machinery and equipment	22,189	18,567
Leasehold improvements	158,255	96,044
	297,970	169,682
Less: accumulated depreciation and amortization	122,622	74,427
	$175,348	$ 95,255

5 INVESTMENTS IN AND ADVANCES TO JOINT VENTURES

Effective March 31, 1997, the Company entered into a joint venture agreement with a nonaffiliated partner to acquire real property in New York City. Concurrent with the signing of the agreement, the Company made an initial contribution for its 50% interest in the joint venture in the amount of $5.0 million. On December 16, 1997, the Company entered into a second 50/50 joint venture agreement with this nonaffiliated partner. The entity formed through this joint venture entered into a long-term lease of a building located in the Soho District of New York City. The Company accounts for its 50% interest in these joint ventures under the equity method commencing from the effective dates of the agreements.

At March 29, 1997, investments in and advances to joint ventures reflect the Company's 50% interest in PRC. Sales by the Company to PRC were $40.3 million and $38.9 million in fiscal 1997 and 1996, respectively. Purchases by the Company from PRC amounted to $6.7 million and $5.7 million in fiscal 1997 and 1996, respectively. At March 29, 1997, the Company had $20.3 million due from PRC which is included in prepaid expenses and other in the accompanying balance sheet.

6 ACCRUED EXPENSES AND OTHER

	MARCH 28, 1998	MARCH 29, 1997
Accrued operating expenses	$ 39,941	$ 29,971
Accrued payroll and benefits	33,898	25,318
Accrued shop-within-shops	24,839	9,737
Accrued other	3,117	3,833
	$101,795	$ 68,859

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

7 FINANCING AGREEMENTS

Long-term debt consists of the following:

	MARCH 28, 1998	MARCH 29, 1997
Polo Partnership term loans	$ --	$60,000
Womenswear term loan	--	9,000
Other	337	1,123
	337	70,123
Less: current portion	337	22,248
	$ --	$47,875

On June 9, 1997, the Company entered into a new financing arrangement (the "New Credit Facility") providing for a $375.0 million revolving line of credit available for the issuance of letters of credit, acceptances or direct borrowings. Upon the closing of the Company's initial public offering, the amount available under the revolving line of credit was reduced to $225.0 million. The New Credit Facility matures on December 31, 2002. Borrowings under the New Credit Facility were used to refinance the Polo Partnership credit facility of $104.5 million and to repay in full $56.7 million of aggregate borrowings outstanding under the Womenswear credit facility and the PRC credit facility. Such borrowings were repaid from the net proceeds of the initial public offering (see Note 1 (b)).

Borrowings under the New Credit Facility bear interest, as determined by the Company, at either the lender's Base Rate (as defined) or at the London Interbank Offered Rate ("LIBOR") plus an interest margin. The New Credit Facility is collateralized by trade accounts receivable and contains restrictive covenants relating to, among other things, net worth and leverage ratios, limitations on indebtedness and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the New Credit Facility provides that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of Polo's Common Stock (as defined herein). At March 28, 1998, the Company had no borrowings outstanding under the New Credit Facility.

On October 31, 1994, the Polo Partnershhip entered into a six-year financing arrangement with commercial banks providing for a $125.0 million revolving credit facility and $80.0 million in term loans. The revolving credit facility was available for the issuance of letters of credit, acceptances or direct borrowings and was limited to a borrowing base calculated on eligible accounts receivable, inventory and letters of credit. Any unused portion of the available credit line ($103.2 million at March 29, 1997) was subject to a 3/8% commitment fee. Notes and acceptances payable under this facility amounted to $4.7 million at March 29, 1997 and bore interest based on either the prime rate or LIBOR plus 1.75%, as permitted by the agreement (ranging from 5.5% to 6.25% at March 29, 1997). The credit facility and term loans were collateralized by trade wholesale accounts receivable, retail inventories and assignments of licensing revenue and certain trademarks.

In fiscal 1996, Womenswear entered into a five-year financing arrangement with a financial institution providing for a $30.0 million revolving credit facility and a $10.0 million term loan. In February 1997, Womenswear amended its credit facility to increase its revolving credit facility to $40.0 million. The revolving credit facility was available for the issuance of letters of credit, acceptances or direct borrowings and was limited to a borrowing base calculated on eligible accounts receivable, inventory and accrued royalties. Any unused portion of the available credit line ($11.2 million at March 29, 1997) was subject to a 3/8% commitment fee. Notes and acceptances payable under this facility amounted to $22.1 million at March 29, 1997 and bore interest at the institution's reference rate (8.25% at March 29, 1997). The credit facility was collateralized by substantially all of the assets of Womenswear.

The Polo Partnership term loans bore interest primarily at LIBOR plus 1.75% ranging from 6.9% to 8.25% at March 29, 1997) and the Womenswear term loan bore interest at the institution's reference rate plus 0.5% (8.75% at March 29, 1997). The weighted average interest rate on borrowings under revolving credit facilities was 8.0%, 7.7% and 8.4% in fiscal 1998, 1997 and 1996, respectively.

8 SUBORDINATED NOTES

The subordinated notes were payable to Mr. Lauren in the amount of $20.0 million and to Mr. Lauren and the GS Group in the aggregate amount of $24.0 million. The subordinated note payable to Mr. Lauren was repaid on April 30, 1997 and the remaining notes were repaid to Mr. Lauren and the GS Group upon closing of the initial public offering (see Note 1 (b)). These notes bore interest at the prime rate (8.5% at March 29, 1997) and were subordinated to the Polo Partnership's credit facility and term notes. Interest expense on the subordinated notes amounted to $.6 million, $3.6 million and $3.8 million in fiscal 1998, 1997 and 1996, respectively.

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

9 INCOME TAXES

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

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

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

	FISCAL YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Current:			
Federal	$ 60,265	$ 16,649	$ 7,644
State and local	15,330	6,633	3,123
Foreign	4,427	460	392
	80,022	23,742	11,159
Deferred:			
Federal	(22,357)	(652)	(234)
State and local	(5,640)	(286)	--
	(27,997)	(938)	(234)
	$ 52,025	$ 22,804	$ 10,925

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

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

	FISCAL YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Domestic	$162,529	$113,188	$ 78,445
Foreign	37,067	26,916	31,287
	$199,596	$140,104	$109,732

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. The components of the net deferred tax asset at March 28, 1998 and March 29, 1997 were as follows:

	MARCH 28, 1998	MARCH 29, 1997
DEFERRED TAX ASSETS:		
Accounts receivable	$11,230	$ 204
Net operating loss carryforwards	8,275	--
Uniform inventory capitalization	7,215	2,012
Deferred compensation	5,685	591
Property and equipment	4,219	347
Accrued expenses	2,990	143
Other	1,368	(544)
	40,982	2,753
Less: Valuation allowance	2,321	--
	$38,661	$ 2,753

The Company had available Federal net operating loss carryforwards of approximately $10.7 million and state net operating loss carryforwards of approximately $35.4 million for tax purposes to offset future taxable income. The net operating loss carryforwards expire beginning in fiscal 2007. The utilization of the Federal net operating loss carryforwards is subject to the limitations of Internal Revenue Code Section 382 which applies following certain changes in ownership of the entity generating the loss carryforward. Management believes that the Company will more likely than not generate sufficient future taxable income to realize the entire deferred tax asset prior to expiration of any of these net operating loss carryforwards.

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

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

Provision has not been made for United States or additional foreign taxes on approximately $21.0 million of undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to tax if they were remitted as dividends, if foreign earnings were lent to a PRLC or a U.S. affiliate, or if the stock of the subsidiaries were sold. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practical. Management believes that the amount of the additional taxes that might be payable on the earnings of foreign subsidiaries, if remitted, would be partially offset by United States foreign tax credits.

The pro forma provision for income taxes represents the income tax provisions that would have been reported had the Company been subject to additional Federal, state and local income taxes for the entire fiscal year. The pro forma effective tax rate was 40.8% and 42.0% in fiscal 1998 and fiscal 1997, respectively, which consisted of the following:

	FISCAL YEAR ENDED	
	MARCH 28, 1998	MARCH 29, 1997
	(UNAUDITED)	
Current:		
Federal	$ 63,822	$ 56,261
State and local	17,119	18,469
Foreign	4,427	512
	85,368	75,242
Deferred:		
Federal	(1,043)	(7,842)
State and local	(1,694)	(2,610)
	(2,737)	(10,452)
	$ 82,631	$ 64,790

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

The pro forma provision for income taxes differs from the amounts computed by applying the statutory Federal income tax rate to income before income taxes due to the following:

	FISCAL YEAR ENDED MARCH 28, 1998	MARCH 29, 1997
	(UNAUDITED)	
Provision for income taxes at statutory Federal rate	$ 70,965	$ 53,991
Increase (decrease) due to:		
State and local income taxes, net of Federal benefit	11,280	9,395
Foreign income, net of foreign credits	(1,213)	(766)
Other	1,599	2,170
	$ 82,631	$ 64,790

10 FINANCIAL INSTRUMENTS

In fiscal 1995, the Company entered into an interest rate swap agreement with a commercial bank which expires on October 14, 1999 to hedge against interest rate fluctuations. The swap agreement effectively converted the outstanding balance of the Polo Partnership's term loan from variable rate borrowings to fixed rate obligations. Under the terms of this agreement, the Company makes payments at a fixed rate of 6.955% and receives payments from the counterparty based on the notional amount ($40.0 million at March 28, 1998), adjusted for scheduled loan repayments, at a variable rate based on LIBOR. The net interest paid or received on this arrangement is included in interest expense. The fair value of this agreement was $.5 million and $.6 million at March 28, 1998 and March 29, 1997, respectively, based upon the estimated amount that the Company would pay to terminate the agreement, as determined by a financial institution. The Company terminated this agreement and paid $.5 million, representing the fair value of the agreement.

The Company from time to time enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. Gains and losses on these contracts are deferred and recognized as adjustments to the bases of those assets. Such gains and losses were not material in fiscal 1998, 1997 and 1996.

At March 28, 1998, the Company had a forward foreign exchange contract outstanding with Goldman, Sachs & Co. ("GS& Co.") to deliver 1.0 billion yen on April 15, 1998 in exchange for $9.1 million. At March 29, 1997, the Company had a forward foreign exchange contract outstanding with GS& Co. to deliver 825.0 million yen on April 15, 1997 in exchange for $8.1 million. These contracts are hedges relating to foreign licensing revenues. At March 28, 1998 and March 29, 1997, the fair value of these contracts approximated carrying value due to their short-term maturities.

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

The carrying amounts of financial instruments reported in the accompanying balance sheets at March 28, 1998 and March 29, 1997 approximated their estimated fair values primarily due to either the short-term maturity of the instruments or their adjustable market rate of interest. Considerable judgment is required in interpreting certain market data to develop estimated fair values for certain financial instruments. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

11 EMPLOYEE BENEFITS

PROFIT SHARING RETIREMENT SAVINGS PLANS

The Company sponsors two defined contribution benefit plans covering substantially all eligible U.S. employees not covered by a collective bargaining agreement. The plans include a savings plan feature under Section 401(k) of the Internal Revenue Code. The Company makes discretionary contributions to the plans and contributes an amount equal to 50% of the first 6% of an employee's contribution. Under the terms of the plans, a participant is 100% vested in the Company's matching and discretionary contributions after five years of credited service. Contributions under these plans approximated $6.0 million, $5.0 million and $4.6 million in fiscal 1998, 1997 and 1996, respectively.

UNION PENSION

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

Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from or termination of a multi-employer plan, is required to continue funding its proportionate share of the plan's unfunded vested benefits. Such withdrawal liability was assumed in conjunction with the acquisition of certain assets from RLW (see Note 1 (d)). Womenswear has no current intention of withdrawing from the plan.

DEFERRED COMPENSATION

The Company has deferred compensation arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. The amounts accrued under these plans were $14.2 million and $10.5 million at March 28, 1998 and March 29, 1997, respectively, and are reflected in other noncurrent liabilities in the accompanying balance sheets. Total compensation expense recorded was $4.9 million, $3.2 million and $2.1 million in fiscal 1998, 1997 and 1996, respectively. The Company funds a portion of these obligations through the establishment of trust accounts on behalf of the executives participating in the plans. The trust accounts are reflected in other assets in the accompanying balance sheets.

12 COMMON STOCK

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

13 STOCK INCENTIVE PROGRAM

On June 9, 1997, the Board of Directors adopted the 1997 Long-Term Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan authorizes the grant of awards to any officer or other employee, consultant to, or director of the Company or any of its subsidiaries with respect to a maximum of 10.0 million shares of the Company's Class A Common Stock (the "Shares"), subject to adjustment to avoid dilution or enlargement of intended benefits in the event of certain significant corporate events, which awards may be made in the form of: (i) nonqualified stock options; (ii) stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code; (iii) stock appreciation rights; (iv) restricted stock and/or restricted stock units; (v) performance awards; and (vi) other stock-based awards. At March 28, 1998, the Company had an additional 5.9 million Shares reserved for issuance under this plan.

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

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

Pro forma net income	$108,985
Pro forma net income per share - Basic and Diluted	$1.09

The weighted average fair value of stock options granted in fiscal 1998 was $12.62 per share. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 6.45%; dividend yield of 0%; volatility factor of 42.0%; and weighted average expected lives of 5.45 years.

On June 9, 1997, the Board of Directors adopted the 1997 Stock Option Plan for Non-Employee Directors (the "Non-Employee Directors Plan"). Under the Non-Employee Directors Plan, grants of options to purchase shares of Class A Common Stock of up to 500,000 shares may be granted to non-employee directors. Stock options vest in equal installments over two years and expire ten years from the date of grant. In fiscal 1998, the Board of Directors granted options to purchase 30,000 shares of Class A Common Stock with exercise prices equal to the stock's fair market value on the date of grant. At March 28, 1998, the Company had 470,000 options reserved for issuance under this plan.

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

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE AT MARCH 29, 1997	--	$ --
Granted	4,550	26.00
Exercised	--	--
Forfeited	(466)	26.00
Expired	--	--
BALANCE AT MARCH 28, 1998	4,084	$26.00

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

At March 28, 1998, the weighted average remaining contractual life of outstanding options was 9.2 years and .5 million shares were exercisable at an exercise price of $26.00 per share. The price range of options granted and outstanding at March 28, 1998 was $22.91 to $29.81.

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

14 COMMITMENTS AND CONTINGENCIES

LEASES

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

As of March 28, 1998, aggregate minimum annual rental payments under noncancelable operating leases with lease terms in excess of one year were payable as follows:

FISCAL YEAR ENDING	
1999	$ 57,145
2000	52,212
2001	46,633
2002	38,545
2003	34,785
Thereafter	268,057
	$497,377

Rent expense charged to operations was $53.9 million, $40.8 million and $34.5 million, net of sublease income of $1.5 million, $2.1 million and $2.1 million, respectively, in fiscal 1998, 1997 and 1996, respectively. Substantially all outlet and retail store leases provide for contingent rentals based upon sales and require the Company to pay taxes, insurance and occupancy costs. Certain rentals are based solely on a percentage of sales and one significant lease requires a fair market value adjustment at January 1, 2004. Contingent rental charges included in rent expense were $3.2 million, $3.7 million and $3.2 million in fiscal 1998, 1997 and 1996, respectively.

LETTERS OF CREDIT

At March 28, 1998, the Company is contingently liable for unexpired bank letters of credit of $19.9 million related to commitments for the purchase of inventories and in connection with its leases.

EMPLOYMENT AGREEMENTS

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

LEGAL MATTERS

The Company initiated an arbitration proceeding in San Francisco in November 1996 for a declaration of rights under its license agreement with The Magnin Company, Inc., an independent free-standing retail licensee which operates a Polo store in Beverly Hills, California. The licensee had previously claimed that the Company breached its license agreement when the Company refused last year to authorize the opening of a free-standing Polo concession at Los Angeles International Airport by the licensee. The licensee in a counterclaim had sought compensatory and punitive damages. On September 8, 1997, the arbitration panel determined that the Company had made its decisions in good faith and fully in accordance with its rights and obligations under the license agreement and awarded the declaration sought by the Company. In addition, the panel determined that the licensee should take nothing by reason of its counterclaim.

The Company is a defendant in a purported national class action lawsuit filed in the Delaware Supreme Court in July 1997. The plaintiff has brought the action allegedly on behalf of a class of persons who purchased products at the Company's outlet stores throughout the United States at any time since July 15, 1991. The complaint alleges that advertising and marketing practices used by the Company in connection with the sales of its products at its outlet stores violate guidelines established by the Federal Trade Commission and the consumer protection statutes of Delaware and other states with statutes similar to Delaware's Consumer Fraud Act and Delaware's Consumer Contracts Act. The lawsuit seeks, on behalf of the class, compensatory and punitive damages as well as attorneys' fees. The Company intends to vigorously defend this lawsuit and believes that it has substantial and meritorious defenses.

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

(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

15 QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of certain unaudited quarterly financial information for fiscal 1998 and 1997:

FISCAL 1998	JUNE 28, 1997	SEPT. 27, 1997	DEC. 27, 1997	MARCH 28, 1998
Net revenues	$287,944	$421,146	$405,672	$356,173
Gross profit	145,418	207,039	191,625	171,199
Net income	44,638	44,933	29,311	28,689
PRO FORMA DATA:				
Net income	17,194	44,933	29,311	28,689
Net income per share - Basic and Diluted	$ 0.17	$ 0.45	$ 0.29	$ 0.29

FISCAL 1997	JUNE 29, 1996	SEPT. 28, 1996	DEC. 28, 1996	MARCH 29, 1997
Net revenues	$223,808	$332,239	$306,459	$317,937
Gross profit	103,573	147,450	137,854	142,969
Net income	12,655	43,920	24,785	35,940
PRO FORMA DATA:				
Net income	12,388	32,879	20,323	23,882
Net income per share - Basic and Diluted	$ 0.12	$ 0.33	$ 0.20	$ 0.24

The pro forma data presents the effects on the historical financial statements of the adjustments described in Note 1 (f) as if they had occurred at March 31, 1996. Net income per share represents both the basic and diluted computation in accordance with SFAS No. 128, Earnings per Share. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering of 100.2 million were considered to be outstanding in the quarter ended June 28, 1997 and in fiscal 1997. The actual weighted average number of shares outstanding of 100.2 million was used for the computation of basic net income per share for the remainder of fiscal 1998. The weighted average number of shares outstanding used in the computation of diluted net income per share was 100.2 million, 100.3 million and 100.4 million for the quarter ended September 27, 1997, December 27, 1997 and March 28, 1998, respectively. The difference between the basic and diluted weighted average shares outstanding is due to the dilutive effect of stock options issued under the Company's stock option plans.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements as of and for the year ended March 28, 1998 and the combined financial statements as of and for the year ended March 29, 1997 of Polo Ralph Lauren Corporation and subsidiaries (the "Company"), and have issued our report thereon dated May 15, 1998; such report is included elsewhere in this Form 10-K. Our audits also included the consolidated and combined financial statement schedule of Polo Ralph Lauren Corporation and subsidiaries, listed in Item 14. This consolidated and combined financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated and combined financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New York, New York
May 15, 1998

INDEPENDENT AUDITOR'S REPORT

The Partners
Polo Ralph Lauren Enterprises, L.P.

We have audited, in accordance with generally accepted auditing standards, the combined statements of income, partners' capital, and cash flows of Polo Ralph Lauren Corporation for the year ended March 30, 1996 included in Polo Ralph Lauren Corporation's Annual Report to Stockholders included in this Form 10-K, and have issued our report thereon dated June 21, 1996. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on the index in Item 14(a) 2 of this Form 10-K is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic financial statements. The financial data for the fiscal year ended March 30, 1996 included in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data for the fiscal year ended March 30, 1996 required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Mahoney Cohen Rashba & Pokart, CPA, PC

MAHONEY COHEN RASHBA & POKART, CPA, PC
New York, New York
June 21, 1996

SCHEDULE II

POLO RALPH LAUREN CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF OF YEAR
YEAR ENDED MARCH 28, 1998					
Allowance for doubtful accounts	$ 6,289	$ 1,155	$ 0	$ 797(a)	$ 6,647
Allowance for sales discounts	6,556	30,539	--	31,295	5,800
	$12,845	$31,694	$ 0	$32,092	$12,447
YEAR ENDED MARCH 29, 1997					
Allowance for doubtful accounts	$ 5,554	$ 833	$ 0	$ 98(a)	$ 6,289
Allowance for sales discounts	5,500	27,308	--	26,252	6,556
	$11,054	$28,141	$ 0	$26,350	$12,845
YEAR ENDED MARCH 30, 1996					
Allowance for doubtful accounts	$ 4,517	$ 1,122	$ 0	$ 85(a)	$ 5,554
Allowance for sales discounts	3,700	22,280	--	20,480	5,500
	$ 8,217	$23,402	$ 0	$20,565	$11,054

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(a) ACCOUNTS WRITTEN-OFF AS UNCOLLECTIBLE.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-24733)) (the "S-1").*
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1).*
10.1	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+
10.3	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*
10.4	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*
10.5	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*
10.6	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*
10.7	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*
10.8	Amendment, dated November 27, 1992, to Foreign Design And Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*
10.9	License Agreement, made as of January 1, 1998, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc.**
10.10	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*
10.11	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan Co., Ltd.** (filed as Exhibit 10-11 to the S-1)*
10.12	Deferred Compensation Agreement dated April 1, 1993, between Michael J. Newman and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P. (filed as Exhibit 10.12 to the S-1)*+
10.14	Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P.(filed as Exhibit 10.14 to the S-1)*+

10.15	Deferred Compensation Agreement dated April 1, 1993 between Cheryl L. Sterling Udell and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P.(filed as Exhibit 10.15 to the S-1)*+
10.16	Amended and Restated Employment Agreement dated October 26, 1993 between Michael J. Newman and Polo Ralph Lauren Corporation, as amended and assigned October 31, 1994 to Polo Ralph Lauren, L.P. and as further amended as of June 9, 1997 (filed as Exhibit 10.17 to the S-1)*+
10.17	Employment Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P. (filed as Exhibit 10.19 to the S-1)*+
10.18	Employment Agreement dated October 26, 1993 between Cheryl L. Sterling Udell and Polo Ralph Lauren Corporation, assigned October 31, 1994 to Polo Ralph Lauren, L.P. (filed as Exhibit 10.20 to the S-1)*+
10.19	Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*
10.20	Form of Reorganization Note (filed as Exhibit 10.23 to the S-1)*
10.21	Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*
10.22	Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*
10.23	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*
10.24	Employment Agreement dated June 9, 1997 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as Exhibit 10.27 to the S-1)*+
10.25	Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.**
10.26	License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.**
21.1	List of Significant Subsidiaries of the Company.
24.1	Powers of Attorney.
27.1	Financial Data Schedule.

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* Incorporated herein by reference.

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

** Portions of Exhibits 10.4 - 10.11 and 10.25 and 10.26 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.9

PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH PORTIONS ARE DESIGNATED "[* * *]".

THIS AGREEMENT made as of January 1, 1998 between RALPH LAUREN HOME COLLECTION, INC., with offices at 103 Foulk Road, Wilmington, Delaware, 19899 ("RLHC"), and WESTPOINT STEVENS, INC., with a principal place of business at 1185 Avenue of the Americas, New York, New York 10036 ("Company").

WITNESSETH:

WHEREAS, RLHC is a subsidiary of PRL USA Holdings, Inc., a Delaware corporation ("Polo"); and

WHEREAS, Polo owns, and RLHC is the exclusive licensee of the rights to use, the "Licensed Marks", hereinafter defined, in connection with the manufacture and sale in the United States of certain items of home furnishings, including the "Licensed Products", hereinafter defined; and

WHEREAS, Company desires to obtain, and RLHC is willing to grant, an exclusive sublicense, to use the Licensed Marks in connection with the manufacture and sale of Licensed Products in the United States;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and undertakings hereinafter set forth, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the term:

1.1. "Licensed Products" shall mean those items listed on Schedule A attached hereto, all bearing the Licensed Marks, hereinafter defined.

1.2. "Licensed Marks" shall only the trademarks "Ralph Lauren Home Collection", "Ralph Lauren", "Ralph (Polo Player Design) Lauren", and the representation of the Polo Player Design, and unless the context indicates otherwise, all of such trademarks, and only such other trademarks as RLHC may, from time to time at its sole discretion, specifically authorize for use by Company. Polo shall have the sole right to determine which trademark shall be used in connection with each particular Licensed Product. From time to time RLHC may authorize Company to manufacture and distribute products bearing the Licensed Marks not expressly listed in Schedule A hereto. Absent an agreement with respect to such products signed by RLHC and Company, all such products shall be deemed Licensed Products for all purposes hereunder; provided, however, that Company's rights with respect to such products (i) shall be non-exclusive and (ii) may be terminated by Company upon 90 days written notice.

1.3. "Territory" shall mean the United States of America, Canada and Mexico; provided, however, that (i) Company may sell Licensed Products in Mexico solely through RLHC's exclusive distributor in Mexico or as otherwise specifically authorized

in advance by RLHC and (ii) Company shall have no right to sell any Licensed Products directly, and RLHC shall be free to sell or authorize the sale of Licensed Products, to hotels, motels and other lodging facilities for use in such facilities (but not for retail sale at such facilities). From time to time RLHC may authorize Company to sell certain Licensed Products to specific purchasers outside the Territory. Absent an agreement with respect to such sales signed by RLHC and Company, all such sales shall be made on all of the terms and conditions set forth in this Agreement; provided, however, that Company's right to make such sales shall be non-exclusive and may be terminated by RLHC immediately upon written notice to Company. Any such termination shall not apply to orders already taken by Company in accordance with RLHC's prior authorization.

2. Grant of License.

2.1. Subject to the terms and provisions hereof, RLHC hereby grants Company, and Company hereby accepts, the exclusive, non-assignable right to use the Licensed Marks for the term of this Agreement, in connection with the manufacture and sale to the trade of Licensed Products in the Territory.

2.2. The sublicense granted herein applies solely to the use of the Licensed Marks in connection with the manufacture and sale to the trade of the Licensed Products. No use of any other trademark of RLHC, Polo or of any of their affiliates, and no use of the Licensed Marks in connection with the manufacture and sale of any other products, shall be authorized or permitted pursuant to this sublicense.

2.3. RLHC reserves all rights granted to it under its agreements with Polo which are not expressly and exclusively granted to Company hereunder, and RLHC may grant sublicenses to others in the Territory in connection with the items of home furnishings designated in such agreements, except for the Licensed Products specifically licensed hereunder.

2.4. It is understood and agreed that all right, title and interest in and to the Licensed Marks are reserved by Polo for its own use or for the use of any other licensee, whether within or outside the Territory, in connection with any and all products and services other than the rights granted to Company herein. Without limiting the generality of the foregoing, Company understands and agrees that RLHC or Polo may manufacture or authorize third parties to manufacture, in the Territory, Licensed Products for ultimate sale outside the Territory.

2.5. Company shall not without RLHC's prior written approval sell any Licensed Products bearing the Mark to any third party which, directly or indirectly, sells or proposes to sell such Licensed Products outside the Territory. Company shall use its best efforts to prevent any such resale outside the Territory and shall,

immediately upon learning or receiving notice from RLHC that a customer is selling Licensed Products outside the Territory, cease all sales and deliveries to such customer.

2.6. RLHC shall not, without Company's consent, grant to others the right and license to use a trademark which bears the words "Polo" or "Ralph Lauren" in connection with the Licensed Products within the Territory. To the extent that it is legally possible to do so, no license is granted hereunder for the manufacture, sale or distribution of Licensed Products to be used for publicity purposes, other than publicity of Licensed Products, in combination sales, as premiums or giveaways or to be disposed of under or in connection with similar methods of merchandising, such rights being specifically reserved for RLHC.

2.7. Company shall not purport to grant any right, permission or sublicense hereunder to any third party, whether at common law or otherwise. In the event of any attempted assignment or sublicense by Company without RLHC's prior written consent, RLHC may at its option immediately terminate such sublicense and this Agreement by written notice to Company to such effect; any such attempted assignment or sublicense shall otherwise be null, void and of no force or effect.

2.8. Company shall not use, or permit another person or entity in its control to use, the words "Polo" or "Ralph Lauren" as part of a corporate name or trade name and Company shall not otherwise permit use of the Licensed Marks in such a way so as to give the impression that the names "Polo" or "Ralph Lauren", or the Licensed Marks, or any modification thereof, is the property of Company.

2.9. Company shall not have the right to use Company's name on the Licensed Products, except with the prior approval by RLHC of the use and placement of Company's name. Company shall, at the option of RLHC, include on its business materials and/or the Licensed Products an indication of the relationship of the parties hereto in a form approved by RLHC.

2.10. Notwithstanding anything to the contrary herein contained, RLHC hereby reserves the right from time to time to authorize others to manufacture and sell Licensed Products as part of a combination sale, or premium or giveaway with certain products other than Licensed Products bearing the Ralph Lauren name.

2.11. Company shall not without RLHC's prior written approval, directly or indirectly, manufacture, distribute, sell or advertise, during the term of this Agreement, any items which bear or are associated with any of the following trademarks: [* * *], or any other fashion apparel or home furnishings designer whose products are sold primarily through department store distribution. In the event that during the term hereof Company shall desire, directly or indirectly, to manufacture, distribute, sell

or advertise any items which bear the name or are associated with the name of any fashion apparel or home furnishings designer other than those specifically named above in markets outside of department store distribution, Company shall notify RLHC in writing of the identity of the designer and the nature of the proposed transaction not less than sixty (60) days prior to concluding an agreement with respect to such transaction, and during such period shall discuss with RLHC in good faith any reasonable concerns RLHC may have with respect thereto. The provisions of this paragraph 2.11 shall not be deemed to prohibit Company from acquiring or merging with any other entity, or engaging in any other transaction, which results in Company directly or indirectly acquiring ownership of any trademark set forth in this paragraph 2.11 or acquiring the right to use any such trademark in connection in connection with products in the same categories as Licensed Products; provided, however, that Company shall promptly notify RLHC in writing of any such transaction and RLHC shall, for sixty (60) days after its receipt of such notice, have the right to terminate this Agreement by written notice to Company, such termination to become effective thirty (30) days after the date notice of termination is received by Company.

2.12. RLHC represents and warrants to Company that it has full legal right, power and authority to grant the sublicense hereby granted by RLHC to Company, to enter into this Agreement, to perform all of its obligations hereunder, and to consummate all of the transactions contemplated herein.

2.13. Company represents and warrants to RLHC that it has full legal right, power and authority to enter into this Agreement, to perform all of its obligations hereunder and to consummate all of the transactions contemplated herein. Company further represents and covenants that it is now and at times shall be adequately capitalized so as to be able to conduct its operations contemplated hereunder and to meet the requirements of its suppliers in connection therewith.

2.14. Company recognizes that there are many uncertainties in the business contemplated by this Agreement. Company agrees and acknowledges that other than those representations explicitly contained in this Agreement, if any, no representations, warranties or guarantees of any kind have been made to Company, either by RLHC, Polo or the "Design Company" (as hereinafter defined), or by anyone acting on their behalf. Without limitation, no representations concerning the value of the Licensed Products or the prospects for the level of their sales or profits have been made and Company has made its own independent business evaluation in deciding to manufacture and distribute the Licensed Products on the terms set forth herein.

3. Design Standards and Prestige of Licensed Products.

3.1. Ralph Lauren ("Lauren") is an internationally famous designer who has been twice inducted into the Coty Hall of Fame for his creation and design of men's

and women's fashions and is a creator of original designs for cosmetics, jewelry and other products. The value of the Licensed Marks is largely derived from the reputation, skill and design talents of Lauren, and Lauren, directly and through his designees, provides design services through Polo Ralph Lauren Corporation (the "Design Company").

3.2. RLHC agrees to provide Company with the benefit of the services of PRLC in connection with the creation and design of Licensed Products, subject to the terms and provisions hereof, in order to enable Company to exploit the rights granted to it under this Sublicense Agreement and to manufacture Licensed Products in conformity with the established prestige and good will of the Licensed Marks. In the event Ralph Lauren dies or becomes incapacitated, RLHC shall continue to provide the design services of PRLC and the Company shall accept the services of PRLC. All Licensed Products manufactured or caused to be manufactured and sold by Company shall be made in accordance with the design and other information approved under this Agreement, and in all other respects in conformity with the terms hereof. In addition, RLHC shall provide the services of PRLC's sales force as set forth in paragraph 4.1 hereof.

3.3. Company acknowledges that the Licensed Marks has established prestige and good will and is well recognized in the trade and the public, and that it is of great importance to RLHC that in the manufacture and sale of the various lines of products bearing the Licensed Marks, including the Licensed Products, the high standards and reputation Polo and Lauren have established be maintained. Accordingly, all items of Licensed Products manufactured by Company hereunder shall be of high quality workmanship with adherence to all details and characteristics embodied in the designs furnished pursuant to the provisions of this Agreement. Company shall, upon RLHC's request, supply RLHC with samples of Licensed Products (including samples of labeling and packaging used in connection therewith) prior to production and from time to time during production, and shall, at all times during the term hereof, upon RLHC's request, make its manufacturing facilities available to RLHC, Polo and/or PRLC, and shall use its best efforts to make available each subcontractor's manufacturing facilities, for inspection by representatives of RLHC, Polo and/or PRLC during usual working hours. No sales of Licensed Products as miscuts, damaged or defective merchandise shall contain any labels or other identification bearing the Licensed Marks without Polo's prior written approval.

4. Marketing; Advertising.

4.1. Except as may otherwise be agreed by RLHC and Company in writing, Licensed Products shall be marketed and sold only by RLHC or PRLC and the PRLC home collection sales group. No commission or other compensation shall be due to RLHC or PRLC in connection with such marketing and sales services, other than the royalty payments set forth herein. Company shall not offer for sale or promote the sale of Licensed Products in any manner without RLHC's prior approval. Company shall have no marketing or selling responsibility for Licensed Products, but shall be the manufacturer of all Licensed Products sold in the Territory. At Company's request, RLHC will provide Company with a list of all approved accounts it plans to sell for that season. RLHC will notify Company of any additions or deletions to the list. Company shall reserve the right to refuse to ship any customer if they do not meet Company's normal credit criteria; provided however that Company shall first notify RLHC of its decision and Company shall give RLHC the opportunity to assist in rectifying the credit situation.

4.2. Company shall maintain the high standards of the Licensed Marks as applied to Licensed Products, in all packaging and, to the extent permitted by RLHC, promotion of the Licensed Products. Company shall not employ or otherwise release any of such packaging or other business materials relating to any Licensed Products and bearing the Licensed Marks unless and until Company shall have made a request to RLHC in writing for approval. Approval or disapproval of any such proposed use shall be given by RLHC as promptly as reasonably practicable after receipt of Company's request in connection therewith, but in all cases within twenty-one (21) business days after receipt by RLHC of Company's request; if neither approval nor disapproval has been given within such time, approval shall be deemed to have been given. Any such approval shall be effective until revoked by RLHC; provided, however, to the extent RLHC's approval relates only to a seasonal collection of Licensed Products, Company shall not thereafter use said packaging or business materials without RLHC's further approval.

4.3. Provided approval to use the Licensed Marks as part of a specific piece of packaging or business material remains effective, it shall not be necessary to obtain prior approval for each separate, substantially similar use of the Licensed Marks containing immaterial changes from the use of the Licensed Marks so approved. Notwithstanding the foregoing, Company shall, as soon as is reasonably possible, either prior to publication, release or other public showing or immediately thereafter, deliver to RLHC a tear sheet, proof or "mock-up" of any such changed use of the Licensed Marks, which shall be subject to disapproval by RLHC; if such disapproval shall be expressed, the same shall not be used at any later time unless approval thereof shall be later obtained.

4.4. Anything in this Agreement to the contrary notwithstanding, as between RLHC and Company, RLHC shall have sole and exclusive right to prepare or place any and all advertising of any nature with respect to the Licensed Products. Any and all cooperative advertising campaigns supported or approved by Company shall be subject to the prior approval of RLHC. In the event RLHC during the term hereof authorizes Company to prepare and place any advertising with respect to the Licensed Products, Company shall not place any such advertising unless and until Company shall have made a request in writing to RLHC for approval of such advertising detailing the use to be made of the advertising material (e.g. TV, print, radio), and RLHC shall have approved the same in writing. Any approval granted hereunder shall be limited to use during the seasonal collection of Licensed Products to which such advertising relates and shall be further limited to the use (e.g. TV, print, radio) for which approval by RLHC was granted.

4.5. Company shall maintain the highest quality and standards of the Licensed Products and shall exercise its best efforts to safeguard the established prestige and good will of the name Ralph Lauren and the Lauren image at least at the same level of prestige and good will as heretofore maintained. "Image", as used herein, refers primarily to quality and style of packaging, shipping, customer service, promotion, selling tools, creation and introduction of new products and types of outlets (with reference to quality of service provided by retail outlets and quality of presentation of Lauren merchandise in retail outlets). Company shall take all necessary steps, and all steps reasonably requested by RLHC, to prevent or avoid any misuse of the Licensed Marks by any of its customers, contractors or other resources.

4.6. To the extent permitted by applicable law, RLHC may from time to time, and in writing, promulgate uniform rules and regulations to Company relating to the manner of use of the Licensed Marks. Company shall comply with such rules and regulations.

4.7. Company agrees to make available for purchase, and to sell on its customary price, credit and payment terms, all lines and styles of Licensed Products to retail stores in the Territory bearing any trademark of Polo or its affiliates pursuant to a license from Polo or any of its affiliates and to any stores or facilities operated or owned by Polo and/or its affiliates, which are authorized to sell Licensed Products within such retail stores. Notwithstanding anything to the contrary contained herein, in the event that any such Licensed Products are not so made available by Company to such stores or facilities, and in addition to any other remedy available to RLHC hereunder, such Licensed Products may be made available to such stores by RLHC (or its affiliates or other licensees).

4.8. Company shall offer Licensed Products for sale to employees of Polo and its licensees for the personal use of such employees at Company's regular invoice

price to unaffiliated retail accounts.

4.9. Company shall make a non-refundable contribution toward RLHC's advertising expenses on the first day of each year during the term hereof, as follows:

January 1, 1998	$ [* * *]
January 1, 1999	$ [* * *]
January 1, 2000	$ [* * *]

Except as otherwise agreed, Company's contributions shall be used for consumer advertising which features Licensed Products, although such advertising may also include products of other RLHC licensees in order to reflect RLHC design concepts and lifestyles.

5. Trademark and Copyright Protection.

5.1. All uses of the Licensed Marks by Company, including, without limitation, use in any business documents, invoices, stationery, advertising, promotions, labels, packaging and otherwise, shall be subject to paragraph 4 hereof and shall require RLHC's prior written consent, and all uses of the Licensed Marks by Company in advertising, promotions, labels and packaging shall bear the notation, "Ralph (Polo Player design) Lauren", the representation of the Polo Player Design, or "Ralph Lauren". Company acknowledges and agrees that its use of the Licensed Marks shall at all times be as sublicensee of RLHC for the account and benefit of RLHC, Polo and PRLC. All uses of the Licensed Marks pursuant to this Agreement shall be for the sole benefit of Polo and shall not vest in Company any title to or right or presumptive right to continue such use. For the purposes of trademark registrations, sales by Company or RLHC shall be deemed to have been made by Polo.

5.2. Company will cooperate fully and in good faith with RLHC for the purpose of securing and preserving RLHC's and Polo's rights in and to the Licensed Marks. Nothing contained in this Agreement shall be construed as an assignment or grant to Company of any right, title or interest in or to the Licensed Marks or any of RLHC's or Polo's other trademarks, and all rights relating thereto are reserved by RLHC and Polo, relative to their respective interests therein, except for the sublicense hereunder to Company of the right to use the Licensed Marks only as specifically and expressly provided herein. Company acknowledges that only Polo may file and prosecute a trademark application or applications to register the Licensed Marks for Licensed Products.

5.3. Company will not, during the term of this Agreement or thereafter, (a) attack Polo's title or rights, or RLHC's rights, in and to the Licensed Marks in any jurisdiction, or attack the validity of this Sublicense or of the Licensed Marks, or (b)

contest the fact that Company's rights under this Agreement (i) are solely those of a manufacturer or distributor, and (ii) subject to the provisions of paragraph 14 hereof, terminate upon termination of this Agreement. The provisions of this paragraph 5.3 shall survive the termination or expiration of this Agreement.

5.4. All right, title and interest in and to all samples, sketches, designs, art work, logos and other materials furnished by or to PRLC or RLHC, whether created by PRLC, RLHC or Company, are hereby assigned in perpetuity to, and shall be the sole property of, Polo, RLHC and/or PRLC, as the case may be; provided, however, that all rights (including copyrights and design patent rights) in designs, and all sketches, artwork and other materials embodying such designs, first proposed by the Company to RLHC which are rejected by RLHC and which are not substantially similar to designs (i) first proposed by RLHC or PRLC or (ii) proposed by Company and accepted by RLHC in whole or in part for use in connection with Licensed Products, shall be owned exclusively by Company. Company will assist RLHC, Polo and PRLC, at RLHC's, Polo's or PRLC's expense, as the case may be, (provided that RLHC, Polo and/or PRLC shall not be responsible for the cost of the time and effort expended by Company's officers and employees in connection with furnishing such assistance) to the extent necessary in the protection of or the procurement of any protection of the rights of Polo or PRLC, as the case may be, to the Licensed Marks or the designs, design patents or copyrights furnished hereunder, as well as to the rights of RLHC to the same. RLHC, Polo and PRLC, as their interests may appear, may commence or prosecute any claims or suits in their own names and may join Company as a party thereto. Company shall promptly notify RLHC and Polo in writing of any uses which may be infringements or imitations by others of the Licensed Marks on articles similar to those covered by this Agreement, and of any uses which may be infringements or imitations by others of the designs, design patents and copyrights furnished hereunder, which may come to the attention of Company. As between Company and RLHC, RLHC shall have the sole right with respect to the Licensed Marks, designs, design patents and copyrights furnished hereunder, to determine whether or not any action shall be taken on account of such infringements or imitations. Company shall not institute any suit or take any action without first obtaining RLHC's written consent to do so.

6. Designs.

6.1. At any time or from time to time Company shall provide RLHC with a list or lists setting forth those Licensed Products for which Company shall require designing by PRLC.

6.2. At any time or from time to time within a reasonable period following receipt by RLHC of the aforesaid lists or lists, RLHC shall provide Company, directly or through PRLC, with PRLC's program of suggested, broad design themes and

concepts with respect to the design of the Licensed Products ("Design Concepts") which shall be embodied in verbal and/or written descriptions of design themes and concepts and such other detailed designs and sketches therefor, as PRLC deems appropriate. PRLC shall have full discretion with respect to the manner in which the Design Concepts shall be formulated and presented to Company but may undertake to prepare and provide finished artwork with respect to the design of Licensed Products. RLHC shall make PRLC available for consultation with Company on Design Concepts for the purpose of making such modifications to the Design Concepts as are required to meet PRLC's approval.

6.3. PRLC may engage such employees, agents, and consultants operating under PRLC's supervision and control as it may deem necessary and appropriate.

6.4. From time to time while this Agreement is in effect, PRLC may (a) develop or modify and implement designs from PRLC, or (b) develop and implement new designs.

6.5. If Company wishes to prepare a design for each of its lines of Licensed Products, it shall submit to RLHC for PRLC's approval Company's proposed design therefor. PRLC may, in its sole discretion, by written notice, approve any of the designs so furnished, with such modifications as it shall deem appropriate, or it may disapprove any or all of the designs.

6.6. All patents and copyrights on designs, and all art work, sketches, logos and other materials depicting the designs or Design Concepts shall only be applied for by PRLC, at its discretion and expense, and shall designate PRLC as the patent or copyright owner, as the case may be, thereof.

6.7. Company shall include within its collection of Licensed Products each design designated by PRLC for inclusion therein. The foregoing notwithstanding, in the event Company is unable, in good faith and due only to physical impossibility or economic impracticability, to include within a collection of Licensed Products a particular Licensed Product which PRLC has designed or designated for inclusion in such collection, RLHC shall be entitled to authorize third parties to manufacture and sell such Licensed Products within the Territory and Company shall display and present such Licensed Products in its showroom for Licensed Products.

7. Design Legends: Copyright Notice and Grant.

7.1. All designs, and all art work, sketches, logos and other materials depicting the designs or Design Concepts created by PRLC, or created by or for Company and reviewed and approved by PRLC or developed by or for Company from Design Concepts or subsequent design concepts furnished or approved by PRLC, shall be

subject to the provisions of this paragraph 7 and shall be owned exclusively by PRLC.

7.2. Company shall cause to be placed on all Licensed Products, when necessary, appropriate notices designating PRLC as the copyright or design patent owner thereof, as the case may be. Prior to use thereof by Company, the manner of presentation of said notices must be reviewed and approved in writing by PRLC.

7.3. RLHC hereby grants to Company the exclusive right, sublicense and privilege in connection with Licensed Products in the Territory to use the designs furnished hereunder and all copyrights, if any, therein, and hereby sublicenses to Company the right to use all patents on such designs, and shall execute and deliver to Company all documents and instruments necessary to perfect or evidence such sublicense; provided, however, that all such right, title and interest therein shall revert to PRLC upon termination of this Agreement for any reason whatsoever, and Company shall thereupon execute and deliver to PRLC all documents and instruments necessary to perfect or evidence such reversions and, provided, further, that such sublicense is limited to use in connection with Licensed Products authorized to be manufactured and sold from time to time pursuant to this Sublicense Agreement. Such sublicense shall continue only during the term of this Agreement.

8. Licensed Products.

8.1. Company shall, through RLHC, obtain the written approval of PRLC of all Licensed Products, by submitting a Prototype, as hereinafter defined, of each different design or model of a Licensed Product, including, but not limited to, the type and quality of materials, colors and workmanship to be used in connection therewith, prior to any commercial production thereof. In the event that PRLC rejects a particular Prototype or Prototypes, Company shall be notified of the reasons for rejection and Company may be provided with suggestions for modifying the particular Prototype or Prototypes which PRLC is rejecting. Company shall promptly correct said Prototype or Prototypes and resubmit said Prototype or Prototypes for PRLC's approval under the same terms and conditions as set forth herein with respect to the first submission of Prototypes. As used herein, the term "Prototype" shall mean any and all models, or actual samples, of Licensed Products; and the term "Final Prototype" shall mean the actual final sample of a Licensed Product from which the first commercial production thereof will be made and which has been approved by PRLC prior to the first commercial production thereof pursuant to paragraphs 8 and 9 hereof.

8.2. The written approval of PRLC of the Prototypes for each seasonal collection shall be evidenced by a written list, signed on behalf of PRLC, setting forth those Prototypes that have been approved for inclusion in such collection. Prototypes so approved shall be deemed Final Prototypes in respect of such collection. Approval

of any and all Prototypes as Final Prototypes shall be in the sole discretion of PRLC. Company shall present for sale, through the showing of each seasonal collection to the trade, all Final Prototypes so approved in respect of such collection.

8.3. The Licensed Products thereafter manufactured and sold by Company shall strictly adhere, in all respects, including without limitation, with respect to materials, colors, workmanship dimensions, styling, detail and quality, to the Prototypes approved by PRLC.

8.4. Company shall comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the manufacture, distribution, sale or promotion of Licensed Products. Company shall advise RLHC to the extent any Final Prototype does not comply with any such law, rule, regulation or requirement.

8.5. Company shall make its personnel, and shall use its best efforts to make the personnel of any of its contractors, suppliers and other resources, available by appointment during normal business hours for consultation with PRLC. Company shall make available to RLHC, upon reasonable notice, marketing plans, reports and information which Company may have with respect to Licensed Products. In addition, when requested by PRLC, Company shall arrange meetings between PRLC and senior executive personnel of Company to discuss and pursue in good faith the resolution of problems encountered by PRLC in connection with this Agreement during the term hereof.

9. Quality of Licensed Products.

9.1. PRLC shall have the right of approval of the styles, designs, colors, materials, workmanship and quality of all Licensed Products to insure that all Licensed Products manufactured, sold or distributed are of the highest quality and are consistent with the highest standards and reputation and established prestige and good will connected with the name "Ralph Lauren". In connection with the production of each item of Licensed Products, Company shall use only such materials as PRLC shall have previously approved pursuant to the Final Prototype with respect to such item of Licensed Products.

9.2. In the event that any Licensed Product is, in the judgment of PRLC, not being manufactured or sold in adherence to the materials, colors, workmanship, design, dimensions, styling, detail and quality embodied in the Final Prototypes, or is otherwise not in accordance with the Final Prototypes, RLHC shall notify Company thereof in writing and Company shall promptly repair or change such Licensed Product to conform strictly thereto. If an item of Licensed Product as repaired or changed does not strictly conform to the Final Prototypes and such strict conformity

cannot be obtained after at least one (1) resubmission, the Licensed Marks shall be promptly removed from the item, at the option of PRLC, in which event the item may be sold by Company, subject to the royalty provisions of Paragraph 10 hereof, provided it is in no way identified as a Licensed Product.

9.3. RLHC and PRLC and their duly authorized representatives shall have the right, upon reasonable notice during normal business hours, to inspect all facilities utilized by Company (and its contractors and suppliers) in connection with the preparation of Prototypes and the manufacture, sale, storage or distribution of Licensed Products pursuant hereto and to examine Licensed Products in the process of manufacture and when offered for sale within Company's operations. Company hereby consents to examination by RLHC and PRLC of Licensed Products held by Company's customers for resale provided Company has such right of examination. Company shall take all necessary steps, and all steps reasonably requested by RLHC and PRLC, to prevent or avoid any misuse of the licensed designs by any of its customers, contractors or other resources.

10. Royalties.

10.1. Company shall pay to RLHC minimum royalties each year during the term of this Sublicense Agreement. The minimum royalty

a. for the first year (as hereinafter defined) shall be $ [* * *]; and

b. for the second year shall be $ [* * *]; and

c. for the third year shall be $ [* * *].

Minimum royalties for each year shall be paid on a quarterly basis, beginning with the minimum royalty payment to be made for the first calendar quarter of 1998, in the manner set forth in paragraph 10.2 below. No credit shall be permitted against minimum royalties payable in any year on account of earned or minimum royalties paid in any other year and minimum royalties shall not be returnable. For the purposes of this Agreement, a "year" shall mean a period of twelve (12) months commencing on each January 1 during the term hereof.

10.2. Company shall pay to RLHC earned royalties based on the Net Sales Price, as hereinafter defined, of all Licensed Products sold hereunder. Earned royalties shall equal [* * *] percent ([***]%) of the Net Sales Price of all Licensed Products sold under this Agreement, including without limitation any sales made pursuant to the terms of paragraphs 3.3, 9.2 and 14 hereof; provided, however, that no royalties shall be due with respect to sales of Licensed Products sold at a price equal to or less than [* * *] percent ([***]%) off the regular wholesale price (although

all such discounted sales shall be separately reflected in Company's accounting statements). Company shall prepare or cause to be prepared statements of operations for each month during the term hereof, which statements shall be furnished to RLHC together with the earned royalties due for each such month on the last day of the following month. The statement and royalty payment provided on the last day of each April (for the month of March), July (for the month of June), October (for the month of September) and January (for the month of December) during the term shall also include Licensee's minimum royalty obligation for the preceding calendar quarter, less the aggregate earned royalties paid for such calendar quarter; provided, however, that any payment of minimum royalties required hereunder may be set off against any excess of earned royalties over minimum royalties in any subsequent quarter of the same year, it being the parties intent that at the end of each year during the term hereof Company shall have paid RLHC an amount equal to the greater of (i) the aggregate earned royalties for the year or (ii) the minimum royalty obligation set forth in paragraph 10.1 above. The term "Net Sales Price" shall mean the gross sales price to retailers or, with respect to Licensed Products that are not sold directly or indirectly to retailers, other ultimate consumers (as in the case of accommodation sales by Company to its employees), of all sales of Licensed Products sold under this Agreement, less trade discounts actually taken and merchandise returns. The Net Sales Price of any Licensed Products sold by Company to affiliates of Company shall, for purposes of this Agreement, be deemed to be the higher of (a) the actual gross sales price, or (b) Company's regular selling price for such Licensed Products sold to unaffiliated parties for sale at retail. Merchandise returns shall be credited in the quarterly period in which the returns are actually made.

10.3. Company shall make a non-refundable contribution each year during the term hereof toward RLHC's travel expenses incurred with respect to design development and approval pursuant to this Agreement (including travel to mills for strike off approvals), in the amount of $40,000, which amount shall be paid together with Company's first royalty payment for each year during the term hereof as set forth in paragraph 10.2 hereof.

10.4. If the payment of any installment of royalties is delayed for any reason, interest shall accrue on the unpaid principal amount of such installment from and after the date on which the same became due pursuant to paragraphs 10.1 and 10.2 hereof at the lower of the highest rate permitted by law in New York and 2% per annum above the rate of interest published from time to time by Chemical Bank, New York, New York (or any successor bank) as its reference rate, or, if such rate is not published, then the nearest equivalent rate thereto then published by Chemical Bank.

10.5. The obligation of Company to pay royalties hereunder shall be absolute notwithstanding any claim Company may assert against RLHC, Polo, Lauren or

PRLC. Company shall not have the right to set off, compensate or make any deduction from such royalty payments for any reason whatsoever.

10.6. In consideration of the rights granted herein, Company shall sell and timely ship to "New Stores" (as hereinafter defined) such Licensed Products as they may wish to purchase, at a discount of at least thirty-five percent (35%) off the regular wholesale price with respect to all Bedroom Products other than solid color sheets and bedding accessories with a 250 thread count ("250 sheets") and at least thirty percent (30%) off the regular wholesale price with respect to 250 Sheets and all Bathroom Products. As used herein, the term "New Stores", including the one in Oakbrook, Illinois, shall mean all full price free-standing stores operating under any service mark or tradename associated with Ralph Lauren which is opened or relocated on or after May 1, 1997, regardless of the product mix, size, location or configuration of such stores and "free-standing stores" shall mean stores which are operating as separate units not a department or sub-unit of a larger store. No royalty shall be due pursuant to paragraph 10.2 hereof with respect to any sales by Company to New Stores pursuant to this paragraph 10.6, but Company shall separately report all such sales in the accounting statements required hereunder. Also in consideration of the rights granted herein, Company shall sell and timely ship Licensed Products to "Polo Outlet Stores" (as each such term is hereinafter defined), to the extent of their requirements on a priority basis in relation to any other secondary distribution of Licensed Products, at a discount which, unless otherwise agreed by Company and RLHC, shall be equal to 25% off the regular wholesale price therefore based on a weighted average, it being understood that (i) larger discounts may be negotiated on a case-by-case basis in respect of excess and irregular inventory taking into account the age, condition and quantity of merchandise to be disposed of and (ii) smaller discounts may be negotiated in exceptional cases for products currently sold in department stores which have been merchandised to hit critical price points. All such sales shall be separately reported by Company in its accounting statements pursuant to paragraph 10.2 hereof, and such sales shall be subject to the royalty obligations set forth herein unless otherwise agreed by RLHC and Company. "Polo Outlet Stores", as used herein, shall mean all "outlet" or "factory" stores doing business under any Polo/Ralph Lauren service mark or tradename.

11. Accounting; Records.

11.1. Company shall at all times keep an accurate account of all operations within the scope of this Agreement and shall prepare and furnish to RLHC full statements of operations with respect to each month in each year during the term of this Agreement within thirty (30) days of the end of such period. Such statements shall include, on a country-by-country basis, all aggregate gross sales, trade discounts, merchandise returns and the Net Sales Price of all sales of License Products for the previous month. Such statements shall be in sufficient detail to be

audited from the books of Company and shall be certified by a financial officer of Company. Once each year, which may be in connection with the regular annual audit of Company's books, Company shall furnish an annual statement of the aggregate gross sales, trade discounts, merchandise returns and Net Sales Price of all sales of Licensed Products made by Company certified by the independent public accountant of Company.

11.2 RLHC and its duly authorized representatives, on reasonable notice, shall have the right, no more than once in each year during regular business hours, for the duration of the term of this Agreement and for three (3) years thereafter, to examine the books of account and records and all other documents, materials and inventory in the possession or under the control of Company and its successors with respect to the subject matter of this Agreement. All such books of account, records and documents shall be maintained and kept available by Company for at least the duration of this Agreement and for three (3) years thereafter. RLHC shall have free and full access thereto in the manner set forth above and shall have the right to make copies and/or extracts therefrom. If as a result of any examination of Company's books and records it is shown that Company's payments to RLHC hereunder with respect to any twelve (12) month period were less than or greater than the amount which should have been paid to RLHC by an amount equal to two percent (2%) of the amount which should have been paid during such twelve (12) month period, Company will, in addition to reimbursement of any underpayment, with interest from the date on which each payment was due at the rate set forth in paragraph 6.3 hereof, promptly reimburse RLHC for the cost of such examination.

11.3. Company shall provide to RLHC in the form requested such information as RLHC may reasonably request with respect to the manufacture, distribution and sale of Licensed Products.

12. Term.

The initial term of this Agreement shall commence on the date hereof and shall terminate on December 31, 2000, unless earlier terminated in accordance with the terms hereof. It is expressly understood that only the company (which may be Company) whose licensed term covers the period subsequent to the expiration of this Agreement shall be entitled to receive designs for Licensed Products intended to be sold after the expiration of this Agreement, and to make presentations of such Licensed Products during the market presentation weeks that relate to such subsequent period, even if such market presentation occurs prior to the termination of this Agreement. Without limiting the generality of the foregoing, in the event the term hereof is not renewed or extended, the last season for which the Company shall be entitled to receive designs and, during the term hereof, to manufacture and sell Licensed Products shall be the [Fall 2000] season, and RLHC shall be entitled to

undertake, directly or through a successor licensee, all activities associated with the design, manufacture and sale Licensed Products commencing with the [Spring 2001] season.

13. Default; Change of Business.

13.1. Each of the following shall constitute an event of default ("Event of Default") hereunder;

(i) Royalty payments are not paid when due and such default continues for more than ten (10) days after notice thereof;

(ii) Company shall fail to timely present for sale to the trade a broadly representative and fair collection of each seasonal collection of Licensed Products designed by PRLC or Company shall fail to timely ship to its customers a material portion of the orders of Licensed Products it has accepted;

(iii) Company fails within ten (10) days after written notice from RLHC that payment is overdue to pay for any Licensed Products or materials, trim, fabrics, packaging or services relating to Licensed Products purchased by Company from RLHC or Polo or any agent or licensee of RLHC or Polo or any other supplier of such items unless Company is in good faith contesting the amount or liability for such payment;

(iv) If Company shall, after achieving distribution and sale of the Licensed Products throughout the Territory, thereafter fail for a consecutive period in excess of two (2) months to continue the bona fide manufacture, distribution and sale of the Licensed Product; or

(v) If a deliberate deficiency in reported Net Sales occurs or if any other deliberate misstatements are made in reports required or requested hereunder; or

(vi) If the quality of the Licensed Products should become lower than that in the approved Prototypes referred to in paragraph 8 hereof; or

(vii) If Company shall use the Licensed Marks in an unauthorized or improper manner and/or if Company shall make an unauthorized disclosure of confidential information or materials given or

loaned to Company by Polo, PRLC and or RLHC; or

(viii) Company defaults in performing any of the terms of this Agreement and continue in default for a period of thirty (30) days after notice thereof (unless the default cannot be totally cured within the initial thirty (30) day period after notice and Company diligently and continuously proceeds to cure and does in fact cure such default, but within no later than ninety (90) days following such initial period); or

(ix) Company institutes proceedings seeking relief under the Bankruptcy Code or any similar law, or consents to entry of an order for relief against it in any bankruptcy or insolvency proceeding or similar proceeding, or files a petition or answer or consents for reorganization or other relief under any bankruptcy act or other similar law, or consents to the filing against it of any petition for the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of it or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or takes any action in furtherance of the foregoing; or

(x) Company transfers or agrees to transfer a substantial part of its property (except as provided in paragraph 13.3 below); or

(xi) The calling of a meeting of creditors, appointment of a committee of creditors or liquidating agents, or offering of a composition or extension to creditors by, for, or of Company; or

(xii) Company shall have failed to perform any material term, covenant or agreement on its part to be performed under any agreement or instrument (other than this Agreement) evidencing or securing or relating to any indebtedness owing by Company, if the effect of such failure is to accelerate the maturity of such indebtedness, or to permit the holder or holders of such indebtedness to cause such indebtedness to become due prior to the stated maturity thereof, regardless of whether or not such failure to perform will be waived by the holder or holders of such indebtedness.

13.2. If any Event of Default shall occur, RLHC, Polo or PRLC, or any of them, shall have the right, exercisable in its discretion, immediately to terminate this

Agreement and the sublicense upon ten (10) days written notice to Company of its intention to do so, and upon the expiration of such ten (10) day period, this Agreement and the sublicense, including, without limitation, all rights of Company in and to the Licensed Marks, and in and to the designs furnished or used hereunder and all copyrights therein and design patents thereon, shall terminate and come to an end without prejudice to any remedy of RLHC for the recovery of any monies (including attorneys' fees for collection) then due it under this Agreement or in respect of any antecedent breach of this Agreement, and without prejudice to any other right of RLHC, including without limitation, damages for breach to the extent that the same may be recoverable. No assignee for the benefit of creditors, receiver, liquidator, sequestrator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Company's assets or business shall have any right to continue the performance of this Agreement.

13.3. During the term of this Agreement, Company shall not dissolve, liquidate or wind-up its business. In addition, Company shall not, without prior written notice to RLHC, (i) merge or consolidate with or into any other corporation, or (ii) directly or indirectly sell or otherwise dispose of all or a substantial portion of its business or assets. In the event Company sells or transfers, or suffers a sale or transfer of, by operation of law or otherwise, directly or indirectly, control of either its Sheets & Bedroom Accessories Division or its Terry Bath & Kitchen Products Division (or such other divisions as may at any time be responsible for any Licensed Products) to a third party, Company shall advise RLHC thereof in writing within ten (10) days of such sale or transfer. Such notice shall identify the name and address of the third party. Within sixty (60) days of its receipt of such notice, RLHC shall have the right to terminate this Agreement, such termination to become effective thirty (30) days after the date of notice of termination is received by Company. Subject to the next following sentence, the transfer of both the aforementioned divisions to a direct or indirect wholly-owned subsidiary of Company will not constitute a sale or transfer to a "third party" under this subparagraph. The parties agree that the acquisition of a controlling interest in Company or its direct or indirect parents by a third party shall be deemed a transfer of control of the aforesaid divisions pursuant to the first sentence of this paragraph 13.3. In addition to, and not in substitution of, its right to terminate this Agreement upon receipt of notice of any such sale or transfer of control, RLHC shall have the option to require Company to offer to the landlord of the premises at 1185 Avenue of the Americas a five-year sublease of the ninth floor on the same terms as contained in the lease therefor between the Company and the landlord, for the purpose of permitting RLHC to sublease the space from the landlord for such period and on such terms.

14. Disposal of Stock upon Termination or Expiration.

14.1. Within ten (10) days following the termination of this Agreement for any reason whatsoever including the expiration of the term hereof, and on the last day of each month during the disposal period set forth in paragraph 14.2 hereof, Company shall furnish to RLHC a certificate of Company listing its inventories of Licensed Products (which defined term for purposes of this paragraph 14.1 shall include all materials, trim and packaging which are used in the manufacture and marketing of Licensed Products) on hand or in process wherever situated. RLHC shall have the right to conduct a physical inventory of Licensed Products in Company's possession or under Company's control. RLHC or RLHC's designee shall have the option (but not the obligation) to purchase from Company all or any part of Company's then existing inventory of Licensed Products upon the following terms and conditions:

(i) RLHC shall notify Company of its or its designee's intention to exercise the foregoing option within thirty (30) days of delivery of the certificate referred to above and shall specify the items of Licensed Products to be purchased.

(ii) The price for Licensed Products manufactured by Company or its affiliates on hand or in process shall be Company's standard cost (the actual manufacturing cost) for each such Licensed Product. The price for all other Licensed Products which are not manufactured by Company or its affiliates shall be Company's landed costs therefor. Landed costs for the purposes hereof means the F.O.B. price of the Licensed Products together with customs, duties, brokerage, freight and insurance costs.

(iii) Company shall deliver the Licensed Products purchased within fifteen (15) days of receipt of the notice referred to in clause (i) above. Payment of the purchase price for the Licensed Products so purchased by RLHC or its designee shall be payable upon delivery thereof, provided, that RLHC shall be entitled to deduct from such purchase price any amounts owed it by Company (and/or to direct payment of any part of such merchandise to any supplier of Licensed Products in order to reduce an outstanding balance due to such supplier from Company).

14.2. In the event RLHC chooses not to exercise the option referred to in paragraph 14.1 hereof with respect to all or any portion of Licensed Products, for a period of ninety (90) days after termination of this Agreement for any reason

whatsoever, except on account of breach of the provisions of paragraphs 3, 4 or 10 hereof, Company may dispose of Licensed Products which are on hand or in the process of being manufactured at the time of termination of this Agreement, provided Company fully complies with the provisions of this Agreement, including specifically those contained in paragraphs 3, 4 or 10 hereof in connection with such disposal. Such sales shall be subject to the payment of earned royalties pursuant to paragraph 10.2. Failure by Company to timely submit the certificates of inventory as set forth in paragraph 14.1 hereof shall deprive Company of its right of disposal of stock pursuant to this paragraph 14.

14.3. Notwithstanding anything to the contrary contained herein, in the event that upon the expiration or termination of the term hereof for any reason Company has not rendered to RLHC all accounting statements then due, and paid (i) all royalties and other amounts then due to RLHC and (ii) all amounts then due to any affiliate of or supplier to RLHC or its affiliates (collectively, "Payments"), Company shall have no right whatsoever to dispose of any inventory of Licensed Products in any manner. In addition, if during any disposal period Company fails timely to render any accounting statements or to make all Payments when due, Company's disposal rights hereunder shall immediately terminate without notice.

15. Effect of Termination.

15.1. Except for the sublicense to use the Licensed Marks and the designs furnished hereunder only as specifically provided in this Agreement, Company shall have no right, title or interest in or to the Licensed Marks, the designs furnished hereunder and design patents thereon, and all copyrights licensed hereby. Upon and after the termination of this sublicense, all rights granted to Company hereunder, including without limitation all right, title and interest in or with respect to all designs, art works, sketches and other materials depicting or relating to the Licensed Products, together with any interest in and to the Licensed Marks Company may acquire, shall forthwith automatically and without further action or instrument be assigned to and revert to Polo, PRLC and RLHC, as their interests may appear. Company will execute any instruments requested by RLHC to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual agreements contained herein. RLHC shall thereafter be free to license to others the use of the Licensed Marks in connection with the manufacture and sale of the Licensed Products covered hereby, and Company will, except as specifically provided in paragraph 14 hereof, (i) refrain from any further use of the Licensed Marks or any reference to it, direct or indirect, or anything deemed by RLHC or Polo to be similar to the Licensed Marks, (ii) refrain from further use of any of the Design Concepts, and (iii) refrain from manufacturing, selling or distributing any products (whether or not they bear the Licensed Marks) which are confusingly similar to, or derived from, the Licensed Products or Design Concepts, in connection with the

manufacture, sale or distribution of Company's products. Upon termination of this Agreement, Company shall forthwith cease the use of the words "Ralph Lauren" and/or the Polo Player Design in any and all respects. It is expressly understood that under no circumstances shall Company be entitled, directly or indirectly, to any form of compensation or indemnity from RLHC, Lauren, Polo, PRLC or their affiliates, as a consequence to the termination of this Agreement, whether as a result of the passage of time, or as the result of any other cause of termination referred to in this Agreement. Without limiting the generality of the foregoing, by its execution of the present Agreement, Company hereby waives any claim which it has or which it may have in the future against RLHC, Polo, PRLC, Lauren or their affiliates, arising from any alleged goodwill created by Company for the benefit of any or all of the said parties or from the alleged creation or increase of a market for Licensed Products.

15.2. Notwithstanding any termination or expiration of this Agreement (whether by reason of the expiration of the stated term of this Agreement, by earlier termination of this Agreement pursuant to paragraph 13 hereof, or otherwise) (a) RLHC shall have and hereby reserves all rights and remedies which it may have, at law or in equity, with respect to the collection of royalties or other funds payable by Company pursuant to this Agreement and the enforcement of all rights relating to the establishment, maintenance or protection of the Licensed Marks and the designs furnished hereunder, and (b) Company and RLHC shall continue to have rights and remedies with respect to damages for breach of this Agreement on the part of the other.

16. Remedies.

Company acknowledges and admits that there would be no adequate remedy at law for its failure (except as otherwise provided in paragraph 14 hereof) to cease the use of the Licensed Marks, or the designs, or the manufacture and sale of the Licensed Products covered by this Agreement at the termination or expiration hereof, and Company agrees that in the event of such failure RLHC, Polo and PRLC, or any of them, shall be entitled to equitable relief by way of temporary and permanent injunction and such other and further relief as any court with jurisdiction may deem just and proper. Such relief shall be in addition to and not in substitution of any other remedies available to RLHC, Polo and PRLC, or any of them, pursuant to this Agreement or otherwise.

17. Certain Employees.

17.1 At all time during the term of this Agreement, Company shall employ seven individuals, each of which shall be approved in advance by RLHC, and who shall be subject to RLHC's continuing approval through the term hereof, whose sole responsibility shall be for the following aspects of the business contemplated

hereunder:

a. Vice President -- oversees entire RLHC-related operation
b. Business Manager -- for Bedroom Products
c. Business Manager -- for Bathroom Products
d. Marketing Manager -- for all Licensed Products
e. Sourcing Manager -- for all Licensed Products
f. Planner -- for Bedroom Products
g. Planner -- for Bathroom Products

17.2. During at least the first year of the term hereof, Company shall employ a CADCAM operator approved in advance by RLHC who shall be entirely dedicated to the development of Licensed Products and shall be located in the RLHC design department. Upon the expiration of the first year of the term hereof, Company and RLHC shall consult with each other in good faith regarding whether or not the position for such CADCAM operator should be continued.

18. Indemnity.

18.1. RLHC shall indemnify and hold harmless Company from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in actions involving third parties or between the parties hereto) which Company is or becomes liable for, or may incur solely by reason of its use within the Territory, in strict accordance with the terms and conditions of this Agreement, of the Licensed Marks or the designs furnished to Company by RLHC or PRLC, to the extent that such liability arises through infringement of another's design patent, trademark, copyright or other proprietary rights; provided that Company gives RLHC prompt notice of, and full cooperation in the defense against, such claim. If any action or proceeding shall be brought or asserted against Company in respect of which indemnity may be sought from RLHC under this paragraph 18.1, Company shall promptly notify RLHC thereof in writing, and RLHC shall assume and direct the defense thereof. Company may thereafter, at its own expense, be represented by its own counsel in such action or proceeding. RLHC's liability pursuant to this paragraph 18.1 shall be limited to and offset against the aggregate of all royalties (whether minimum or earned) heretofore paid by Company to RLHC hereunder.

18.2. To the extent not inconsistent with paragraph 18.1 hereof, Company shall indemnify and save and hold RLHC, Polo, PRLC and Lauren, individually, harmless from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in actions involving third parties or between the parties hereto), which they, or any of them, are or become liable for, or may incur, or be compelled to pay by reason of any

acts, whether of omission or commission, that may be committed or suffered by Company or any of its servants, agents or employees in connection with Company's performance of this Agreement, including Company's use of Company's own designs, in connection with Licensed Products manufactured by or on behalf of Company or otherwise in connection with Company's business.

18.3. Company shall carry product liability insurance with limits of liability in the minimum amount, in addition to defense costs, of $3,000,000 per occurrence and $3,000,000 per person and RLHC, Polo, PRLC and Ralph Lauren, individually, shall be named therein as insureds, as their interests may appear. Company shall, promptly after the signing of this Agreement, deliver to RLHC a certificate of such insurance from the insurance carrier, setting forth the scope of coverage and the limits of liability and providing that the policy may not be canceled or amended without at least thirty (30) days prior written notice to RLHC, Polo, PRLC and Lauren.

19. Disclosure.

RLHC and Company, and their affiliates, employees, attorneys and accountants, shall hold in confidence and not use or disclose, except as permitted by this Agreement, (i) confidential information of the other, or (ii) the terms of this Agreement, except upon consent of the other or pursuant to or as may be required by law, or in connection with regulatory or administrative proceedings and only then with reasonable advance notice of such disclosure to the other. Company shall take all reasonable precautions to protect the secrecy of the designs, art work, sketches and other materials used pursuant to this Agreement prior to the commercial distribution or the showing of samples for sale, and shall not sell any merchandise employing, or adapted from or resulting from the use of any such designs, art work, sketches or other material, except under the Licensed Marks. All press releases and other public announcements shall be subject to the prior approval of RLHC. Every request for a statement, release or other inquiry shall be sent in writing whenever practicable to the advertising/publicity director of RLHC for handling.

20. Brokers.

Each of RLHC and Company hereby represents and warrants to the other that it has not employed or dealt with any broker or finder in connection with this Agreement or the transactions contemplated hereby, and agrees to indemnify the other and hold it harmless from any and all liabilities (including, without limitation, reasonable attorneys' fees and disbursements paid or incurred in connection with any such liabilities) for any brokerage commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby, insofar as such liabilities shall be based on the arrangements or agreements made by it or on its behalf.

21. Manufacture; Distribution; Sale.

Consistent with the high quality and prestige of the Licensed Marks and products manufactured by, or under license from, Polo and its affiliates, Company undertakes, during the term hereof, diligently to manufacture and sell each and every Licensed Product listed in Schedule A, to use its best efforts to create a demand therefor, supply such demand, and maintain adequate arrangements and facilities for the distribution of Licensed Products throughout the Territory. As an essential part of its distribution program, Company agrees to maintain adequate inventories (consistent with good industry practice) of all such Licensed Products at distribution points adequate to satisfy the requirements of its customers for a full line of such Licensed Products and to expedite the delivery thereof.

22. Showroom; Samples.

22.1 Company shall display its Licensed Products at the showroom to be jointly operated and maintained by RLHC and Company on the ninth floor at 1185 Avenue of the Americas (hereinafter referred to as the "Home Collection Showroom" or "Showroom"). Company shall also display at the Home Collection Showroom products other than Licensed Products which comprise the Ralph Lauren Home Collection and which are manufactured by other sublicensees of RLHC. The parties acknowledge that it is of substantial benefit to the Company that the "Collection" be displayed and sold as an entirety in order to create the greatest demand for all Collection products, including Licensed Products, and to promote the image of the Collection as a complete Ralph Lauren lifestyle of products.

22.2 Notwithstanding the provisions of paragraph 10.5 of this Agreement, Company shall be entitled to deduct from earned royalties due each month pursuant to paragraph 10.2 hereof one-twelfth (1/12) of the annual "Qualified Showroom Expenses" (as hereinafter defined) for providing space and maintaining the Home Collection Showroom referred to in paragraph 22.1 hereof. The term "Qualified Showroom Expenses" shall mean the proportionate share (based on the square feet of space actually occupied by RLHC) for rent and leasehold operating expenses (i.e. building, utilities, water, taxes and cleaning, etc.) computed on a basis consistent with current practices as of the execution of this Agreement with respect to such Showroom. The term "Qualified Showroom Expenses" shall exclude, however, any allocable cost of 600 square feet of storage space which Company shall make available without charge at 1185 Avenue of the Americas for storage of samples and stock, and exclude all other basement space which RLCH may occupy from time-to-time pursuant to a separate agreement with Company. In addition to the foregoing, Company shall be entitled to deduct from monthly earned royalties $2,000 for office services provided by WestPoint Stevens Inc. to the Home Collection Showroom. Company shall, upon request, make available for inspection by RLHC records

substantiating the charges for rent, leasehold operating expenses and office services.

22.3 Together with each quarterly royalty remittance, the Company shall submit to RLHC a separate statement, certified by a financial officer of the Company, setting forth the computation of the Qualified Showroom Expenses and charges for office services for the then-ended quarter. Within sixty (60) days of the end of each year, Company shall submit to RLHC a statement setting forth in reasonable detail the total Qualified Showroom Expenses for the year then ended. If during the year Company shall have deducted in excess of the actual total Qualified Showroom Expenses, Company's statement shall be accompanied by a check in the amount of such excess. If there shall have been a shortage of the aggregate deductions in relation to the total Qualified Showroom Expenses and office service charges, RLHC shall, within fifteen (15) days of its receipt of Company's statement, remit a check in the amount of the shortage.

22.4 Upon the expiration of this Agreement, at RLHC's option, exercisable by notice in writing to Company given no later than 90 days prior to such expiration, Company shall, subject to the approval of, and under the terms and conditions required by, Company's landlord, continue to maintain and operate the Home Collection Showroom with RLHC for a period not to exceed three (3) months following such expiration, during which time RLHC may show and sell the Ralph Lauren Home Collection in such showroom. In the event this Agreement is terminated by RLHC as a result of an Event of Default on the part of the Company, RLHC shall be entitled to request in writing, given simultaneously with its notice of termination to Company, that Company continue to maintain and operate the Home Collection Showroom with RLHC for a period of up to twelve (12) months after such termination. To the extent that RLHC requests an extension hereunder, Company shall request approval therefor from its landlord. RLHC shall on the first of each month of any such extension remit to Company one-twelfth of the annual Qualified Showroom Expenses for maintaining and operating such showroom, adjusted according to the terms and conditions required by the landlord, if any, and the parties shall at the end of each three-month period reconcile the aggregate amount actually paid by RLHC in relation to the total of the actual Qualified Showroom Expenses, as adjusted.

22.5 Company shall provide, at no charge, samples for the Home Collection Showroom and for advertising and editorials relating to Licensed Products. All normal expenses with respect to shipping shall be the responsibility of Company and Company may, at its option, insure the samples for risk of damage or loss (including by theft) during shipment and while at the RLHC showroom, but RLHC shall have no liability with respect thereto. All items will be inventoried by RLHC and, at RLHC's discretion, (i) held in storage for future use, (ii) sold at sample sales, or (iii) returned to Company at Company's expense. In the event of a sale at a sample sale, RLHC shall remit to Company, within forty-five (45) days thereof, fifty percent (50%) of the

profits therefrom. In addition, Company shall supply at its own expense, such samples as may be reasonably necessary for RLHC salesmen.

23. Miscellaneous.

23.1. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been properly given or sent (i) on the date when such notice, request, consent or communication is personally delivered and acknowledged, or (ii) five (5) days after the same was sent, if sent by certified or registered mail, or (iii) one (1) day after the same was sent, if sent by overnight courier delivery or confirmed telecopier as follows:

(a) If to RLHC addressed as follows:

Ralph Lauren Home Collection, Inc.
103 Foulk Road
Wilmington, Delaware, 19899
Attention: President
Telecopier: 302.652.8667

(b) With a courtesy copy to:

Victor Cohen, Esq.
650 Madison Avenue
New York, New York 10022
Telecopier: 212.318.7183

(c) If to Company, addressed as follows:

WestPoint Stevens, Inc.
1185 Avenue of the Americas
New York, New York 10036
Attention: Mr. Thomas Ward
Telecopier: 212.930.3876

(d) With a courtesy copy to:

WestPoint Stevens, Inc.
1185 Avenue of the Americas
New York, New York 10036
Attention: Assistant General Counsel
Telecopier: 212.930.3898

Anyone entitled to notice hereunder may change the address to which notices or other communications are to be sent to it by notice given in the manner contemplated hereby.

23.2. Nothing herein contained shall be construed to place Company, RLHC, Polo and/or PRLC in the relationship of partners or joint venturers, and neither Company, RLHC, Polo nor PRLC shall have the power to obligate or bind any other party in any manner whatsoever, except as expressly provided herein.

23.3. None of the terms hereof can be waived or modified except by an express agreement in writing signed by the party to be charged. The failure of either party hereto to enforce, or the delay by either party in enforcing, any of its rights hereunder shall not be deemed a continuing waiver, modification hereof, or a waiver of any other right or remedy hereunder, and either party may, within the time provided by applicable law, commence appropriate legal proceedings to enforce any and all such rights. All rights and remedies provided for herein shall be cumulative and in addition to any other rights or remedies such parties may have at law or in equity. Either party hereto may employ any of the remedies available to it with respect to any of its rights hereunder without prejudice to the use by it in the future of any other remedy with respect to any such rights. Except as provided herein, no person, firm or corporation, other than the parties hereto, shall be deemed to have acquired any rights by reason of anything contained in this Agreement.

23.4. RLHC may assign all or any portion of the royalties payable to it hereunder, as designated by RLHC, and in addition, RLHC may assign all of its rights, duties and obligations hereunder to any entity to which the Licensed Marks, or the right to use the Licensed Marks, has been transferred, or to an affiliate of any such entity. The rights granted to Company are personal in nature, and neither this Agreement nor the sublicense may be assigned by Company without the prior written consent of RLHC, Polo and PRLC. Company may employ subcontractors for the manufacture of the Licensed Products with the prior approval of RLHC, provided, however, that (i) Company shall not employ any subcontractor for the manufacture of Licensed Products until such subcontractor has executed a Trademark and Design Protection Agreement for the benefit of RLHC in such form as RLHC may require, (ii) Company shall maintain appropriate quality controls and such subcontractors shall

comply with the quality requirements of this Agreement and (iii) Company shall not itself sell or otherwise dispose of, and shall be responsible for preventing all subcontractors from selling or otherwise disposing of, any seconds, irregulars or rejected merchandise except with RLHC's prior written consent.

23.5. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties hereto.

23.6. Company shall comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the operations of Company contemplated hereby, including, without limitation, as they relate to the manufacture, distribution, sale or promotion of Licensed Products, notwithstanding the fact that RLHC may have approved such item or conduct.

23.7. This Agreement shall be construed in accordance with the laws of the State of New York applicable to contracts made and performed therein without regard to principles of conflict of laws.

23.8 The parties hereby consent to the jurisdiction of the United States District Court for the Southern District of New York and of any of the courts of the Southern District of New York and of any of the courts of the State of New York located within the Southern District in any dispute arising under this Agreement and agree further that service of process or notice in any such action, suit or proceeding shall be effective if in writing and delivered as provided in paragraph 23.1 hereof.

23.9. Provisions of this Agreement are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction and shall not in any manner affect such provision in this Agreement in any other jurisdiction.

23.10. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused the same to be executed by a duly authorized officer on the day and year first set forth above.

RALPH LAUREN HOME COLLECTION, INC.

By: /s/ David C. Eppes
Title: Vice President

WESTPOINT STEVENS, INC.

By: /s/ Thomas J. Ward
Title: President

SCHEDULE A
"LICENSED PRODUCTS"
(pursuant to paragraph 1.1)

1. Bathroom Products consisting of:

(a) bath towels (non-embellished)
(b) bath sheets (non-embellished)
(c) fingertip towels (non-embellished)
(d) hand towels (non-embellished)
(e) face cloths (non-embellished)
(f) tub mats
(g) men's and women's robes made from towels, it being understood that Company's rights with respect to robes shall be non-exclusive and shall be limited to the sale of robes in the same departments of stores in which other Licensed Products are sold.

2. Bedroom Products consisting of:

(a) sheets
(b) pillow cases (but not pillows)
(c) The following bedroom products to the extent they match sheets that are made under license from Polo:

(1) shams
(2) ruffles
(3) comforters
(4) bedspreads
(5) bed skirts
(6) night spreads
(7) comforter and blanket covers
(8) European squares
(9) valances and draperies
(10) flocked blankets

EXHIBIT 10.25

PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH PORTIONS ARE DESIGNATED "[* * *]".

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DESIGN SERVICES AGREEMENT dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. (the "Design Partnership"), with a place of business at 650 Madison Avenue, New York, New York 10022 and Jones Apparel Group, Inc. (the "Company") with a place of business at 250 Rittenhouse Circle, Bristol, Pennsylvania 19007.

Ralph Lauren ("Lauren") is an internationally famous designer who has been twice inducted into the Coty Hall of Fame for his design of men's and women's fashions, is the recipient of the CFDA Lifetime Achievement Award, and is a creator of original designs for cosmetics, jewelry, home furnishings and other products.

Polo Ralph Lauren, L.P., a Delaware limited partnership ("Polo"), holds the right and interest in and to certain trademarks and trade names, as same may be used in connection with the manufacture and sale of Licensed Products, as hereinafter defined, and on even date herewith, the Company has obtained the right to use a specified trademark (the "Trademark") in connection with the Licensed Products, pursuant to a license agreement ("License Agreement") of even date herewith by and between the Company and Polo.

The value of the Trademark is largely derived from the reputation, skill and design talents of Lauren, and Lauren, directly and through his designees, provides design services through the Design Partnership.

The Company desires to obtain the services of the Design Partnership in connection with the creation and design of the Licensed Products.

The Company desires, in order to exploit the rights granted to it under the License Agreement, to engage and retain the Design Partnership to create and provide to the Company the designs for its line of Licensed Products. The Design Partnership is willing to furnish such designs and render such services on the basis hereinafter set forth. As used herein, the term "Licensed Products" shall have the meaning set forth in the License Agreement.

In consideration of the foregoing premises and of the mutual promises and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Designs; Assistance.

1.1 The parties understand and agree that the Company will be principally responsible for the development and presentation

to the Design Partnership of designs for Licensed Products, which designs will be reviewed by the Design Partnership and which the Design Partnership may approve, disapprove or modify in its sole discretion, in accordance with the terms and conditions set forth herein.

1.2 The Design Partnership and the Company shall create each season, from the Design Partnership's ideas, a program of design themes and concepts with respect to the design of the Licensed Products ("Design Concepts"), which shall be embodied in written descriptions of design themes and concepts, designs and sketches of all looks for the season, and samples of trim and fabrics in the desired qualities and colors. The Company and the Design Partnership shall confer on Design Concepts and shall make such modifications as are required to meet the Design Partnership's final approval, which final approval may be granted or withheld in the Design Partnership's sole discretion.

1.3 The Design Partnership may engage such employees, agents, and consultants operating under the Design Partnership's creative supervision and control as it may deem necessary and appropriate.

1.4 From time to time while this Agreement is in effect, the Design Partnership may (a) develop or modify and implement designs from the Design Concepts or other designs furnished by the Design Partnership or (b) develop and implement new designs.

1.5 The Company shall be principally responsible for creating designs for each season consistent in all respects with the approved Design Concepts for that season, and shall consult with the Design Partnership in good faith with respect to all such designs.

1.6 The Company understands that all or portions of the Design Concepts may be furnished to the Company through or in cooperation with other entities to which the Design Partnership has provided design services. The Company upon its prior written authorization shall pay all costs, including shipping and handling charges, for fabric swatches or mill chips, sketches, specifications, paper sample patterns and product samples furnished to the Company by the Design Partnership or such other entities.

1.7 All patents and copyrights on designs of the Licensed Products created or supplied by the Design Partnership shall be owned exclusively, and applied for, by the Design Partnership or its designee, at the Design Partnership's discretion and expense, and shall designate the Design Partnership or its designee as the patent or copyright owner, as the case may be, therefor. All patents and copyrights on designs of the Licensed Products created or supplied by the Company shall be owned exclusively,

and applied for, by the Company or its designee, at the Company's discretion and expense, and shall designate the Company or its designee as the patent or copyright owner, as the case may be, therefor.

1.8 Company acknowledges that the Licensed Products contain elements which in concept, execution and/or presentation are unique. Company agrees that it will not, during the term of the Agreement, use any designs submitted or modified by the Design Partnership or any designs which are comparable and/or competitive with Licensed Products and which may be identified as Design Partnership designs.

2. Design Legends; Copyright Notice and License.

2.1 All designs, patterns, sketches, artwork, logos and other materials of Licensed Products and the use of such designs, artwork, sketches, logos and other materials created by the Design Partnership or the Design Studio, or, subject to paragraph 2.7 hereof, created by or for the Company and reviewed and approved by the Design Partnership, or developed by or for the Company from Design Concepts or subsequent design concepts furnished or approved by the Design Partnership (all of which shall hereinafter constitute Design Concepts), shall be the property of the Design Partnership and shall be subject to the provisions of this paragraph 2.

2.2 All right, title and interest in and to the samples, sketches, design, artwork, logos and other materials furnished to Company by the Design Partnership, and in all logos or crests which become associated with the Trademark, regardless of whether such logos or crests are created or furnished by the Company or the Design Partnership, are hereby assigned to and shall be the sole property of the Design Partnership. The Company shall cause to be placed on all Licensed Products appropriate notice designating the Design Partnership as the copyright or design patent owner thereof, as the case may be. The manner of presentation of said notices shall be reviewed and approved by the Design Partnership prior to use thereof by the Company.

2.3. The Design Partnership hereby grants to the Company the exclusive right, license and privilege ("License") to use the designs furnished hereunder and all copyrights, if any, and patents, if any therein; provided, however, that the License is limited to use in connection with Licensed Products manufactured and sold, or imported and sold, pursuant to the License Agreement and only for the seasonal collection for which such Design Concepts are approved. All other rights in and to the designs furnished hereunder, including without limitation all rights to use such designs in connection with products other than Licensed Products (as defined in the License Agreement) and in territories other than the Territory (as defined in the License Agreement) are expressly reserved by the Design Partnership. The License shall continue only for such period as this Agreement shall be effective. The Design Partnership shall execute and deliver to the Company all documents and instruments necessary to perfect or evidence the License. Upon termination of this Agreement, for any reason whatsoever, any and all of the Company's right, title and interest in and to the License shall forthwith and without further act or instrument be assigned to, revert to and be the sole and exclusive property of the Design Partnership, and the Company shall have no further or continuing right or interest therein, except the limited right to complete the manufacture of and sell Licensed Products during any Disposal Period, as set forth in paragraph 6.3 hereof. In addition, the Company shall thereupon (i) execute and deliver to the Design Partnership all documents and instruments necessary to perfect or evidence such reversion, (ii) refrain from further use of any of the Design Concepts and (iii) refrain from manufacturing, selling or distributing any products (whether or not they bear the Trademark) which are confusingly similar to or derived from the Licensed Products or Design Concepts.

2.4 Company shall not sublicense any of the rights granted hereunder without first obtaining the Design Partnership's prior written consent in connection therewith, which consent may be withheld by the Design Partnership in its sole discretion.

2.5 The Design Partnership represents and warrants to the Company that it has full right, power and authority to enter into this Agreement, to perform all of its obligations hereunder and to consummate all of the transactions contemplated herein.

2.6 The Company represents and warrants to the Design Partnership that the Company has full right, power and authority to enter into this Agreement, to perform all of its obligations hereunder and to consummate all the transactions contemplated herein.

3. Licensed Products.

3.1 All aspects of the design of Licensed Products for each

season, including, but not limited to, the type and quality of materials, colors, workmanship, styling, detail, dimensions and construction to be used in connection therewith, shall strictly adhere to the Design Concepts approved by the Design Partnership for such season. In addition, all Licensed Products shall be at least of the same quality as comparable products in the Jones New York line as of the date of this Agreement.

3.2 In the event that any Licensed Product is, in the judgment of the Design Partnership, not designed, manufactured or sold in strict adherence to the approved Design Concepts, or if the quality is below the standards required hereunder, the Design Partnership shall notify the Company thereof in writing and the Company shall promptly repair or change such Licensed Product to conform strictly thereto. If an item of Licensed Product as repaired or changed does not strictly conform to the Final Prototypes and such strict conformity or improvement in quality cannot be obtained after at least one (1) resubmission, the Trademark shall be promptly removed from the item, at the option of the Design Partnership, in which event the item may be sold by the Company without payment or compensation hereunder.

3.3 The Design Partnership and its duly authorized representative shall have the right, upon reasonable notice during normal business hours, to inspect all facilities utilized by the Company (and its contractors and suppliers) in connection with the preparation of Prototypes and the manufacture, sale, storage or distribution of Licensed Products pursuant hereto and to examine Licensed Products in process of manufacture and when offered for sale within the Company's operations. The Company hereby consents to the Design Partnership's examination of Licensed Products held by its customers for resale provided the Company has such right of examination. The Company shall take all necessary steps, and all steps reasonably requested by the Design Partnership, to prevent or avoid any misuse of the licensed designs by any of its customers, contractors or other resources.

3.4 The Company shall comply with all laws, rules regulations and requirements of any governmental body which may be applicable to the manufacture, distribution, sale or promotion of Licensed Products. The Company shall advise the Design Partnership to the extent any Final Prototype does not comply with any such law, rule, regulation or requirement.

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3.5 The Company shall upon request make its personnel, and shall use its best efforts to make the personnel of any of its contractors, suppliers and other resources, available by appointment during normal business hours for consultation with the Design Partnership. The Company shall make available to the Design Partnership, upon reasonable notice, marketing plans, reports and information which the Company may have with respect to Licensed Products.

3.6 The Company may employ subcontractors for the manufacture of Licensed Products solely on the terms set forth in paragraph 16.4 of the License Agreement.

4. Compensation; Accounting.

4.1 As compensation for the designs and services rendered hereunder, the Company shall pay minimum compensation to the Design Partnership each year during the term of this Agreement. The minimum compensation to the Design Partnership in connection with the manufacture and sale and importation and sale of Licensed Products for each year shall be as follows:

Year 1 (1997)	$ [* * *]
Year 2	$ [* * *]
Year 3	$ [* * *]
Year 4	$ [* * *]
Year 5	$ [* * *]

Minimum compensation for each year shall be paid on a quarterly basis, beginning with the minimum compensation payment to be made for the [* * *], in the manner set forth in paragraph 6.2 below. No credit shall be permitted against minimum compensation payable in any year on account of actual or minimum compensation paid in any other year, and minimum compensation shall not be returnable. Minimum Compensation for each year of the "Renewal Term" (as defined in paragraph 8 of the Licensee Agreement) shall be an amount equal to [* * *] percent ([***]%) of the actual earned compensation due to the Design Partnership for sales of Licensed Products in 2001. For the purposes of this Agreement, the term "year" shall mean a period of twelve (12) months commencing on each January 1 during the term of this Agreement; provided, however, that the "first year", or "Year 1" shall mean the period commencing on the date hereof and expiring on December 31, 1997 [* * *].

4.2 The Company shall pay to the Design Partnership earned compensation based on the net sales price of Licensed Products manufactured or imported and sold by the Company hereunder. Earned compensation shall equal [* * *] percent ([***]%) of the net sales price of all Licensed Products sold under this Agreement, including, without limitation, sales made pursuant to paragraph 6.3 hereof; provided, however, that Licensor hereby

waives earned royalties with respect to Licensed Products sold and shipped prior to December 31, 1996 for the Fall 1996 and Cruise/Holiday 1996 seasons, but Licensor does not waive earned royalties in respect of Licensed Products for the Spring 1996 season, even if such Licensed Products are are sold and shipped prior to December 31, 1996. The Company shall prepare or cause to be prepared statements of operations for the first month in which Licensed Products are offered for sale to the trade, and for each month thereafter for so long as the Company is offering Licensed Products for sale hereunder, which statements shall be furnished to the Design Partnership together with the earned compensation due for each such month on the last day of the following month. The statement and compensation payment provided on the last day of each April (for the month of March), July (for the month of June), October (for the month of September) and January (for the month of December) during the term shall also include the Company's minimum compensation obligation for the preceding calendar quarter, less the aggregate earned compensation paid for such calendar quarter. The term "net sales price" shall mean the gross sales price of all Licensed Products sold under this Agreement to retailers or, with respect to Licensed Products that are not sold directly or indirectly to retailers, other ultimate consumers (as in the case of accommodation sales by Company to its employees or sales by Company in its own stores), less trade discounts, merchandise returns, sales tax (if separately identified and charged) and markdowns and/or chargebacks which, in accordance with generally accepted accounting principles, would normally be treated as deductions from gross sales, and which, in any event, do not include any chargebacks or the like for advertising, fixture or retail shop costs or contributions, or contributions for in-store personnel. No other deductions shall be taken. Any merchandise returns shall be credited in the month in which the returns are actually made. For purposes of this Agreement, affiliates of the Company shall mean all persons and business entities, whether corporations, partnerships, joint ventures or otherwise, which now or hereafter control, or are owned or controlled, directly or indirectly by the Company, or are under common control with the Company. It is the intention of the parties that compensation will be based on the bona fide wholesale prices at which the Company sells Licensed Products to independent retailers in arms' length transactions. In the event the Company shall sell Licensed Products to its affiliates, compensation shall be calculated on the basis of such a bona fide wholesale price irrespective of the Company's internal accounting treatment of such sale unless such products are sold by its affiliates directly to the end-user consumer, in which case compensation shall be calculated on the basis of the price paid by the end-user consumer, less applicable taxes; provided, however, that compensation on sales to Licensee Outlet Stores (as defined in paragraph 3.3 of the License Agreement) shall be calculated on the basis of the actual invoice price to such Licensee Outlet Stores, but in no event less than

an amount equal to twenty-five percent (25%) less than the regular wholesale price of such Licensed Products. The Company shall identify separately in the statements of operations provided to the Design Partnership pursuant to paragraph 7 hereof, all sales to affiliates.

4.3 The Company shall reimburse the Design Partnership for all its travel and promotion expenses incurred by the Design Partnership or Polo in the performance of the Design Partnership's duties under this Agreement with the prior written approval of the Company. Amounts payable to the Design Partnership pursuant to this paragraph shall become due and payable monthly within thirty (30) days of the date of mailing of the invoices, accompanied by corresponding receipts, for such costs incurred during the preceding month.

4.4 If the payment of any installment of compensation is delayed for any reason, interest shall accrue on the unpaid principal amount of such installment from and after the date on which the same became due pursuant to paragraphs 4.1 or 4.2 hereof at the lower of the highest rate permitted by law in New York and two percent (2%) per annum above the prime rate of interest in effect from time to time at Chemical Bank, New York, New York or its successor.

4.5 The Company shall at all times keep an accurate account of all operations within the scope of this Agreement and shall render a full statement of such operations in writing to the Design Partnership in accordance with paragraph 4.1 hereof. Such statements shall account separately for each different product category and shall include all aggregate gross sales, trade discounts, merchandise returns, sales of miscuts and damaged merchandise and net sales price of all sales for the preceding three (3) month period. Such statements shall be in sufficient detail to be audited from the books of the Company. Once annually, which may be in connection with the regular annual audit of the Company's books, the Company shall furnish an annual statement of the aggregate gross sales, trade and prompt payment discounts, merchandise returns and net sales price of all Licensed Products made or sold by the Company, certified by Company's independent accountant or chief financial officer. Each quarterly financial statement furnished by Company shall be certified by the chief financial officer of the Company or a certified public accountant who may be in the employ of the Company. The Design Partnership and its duly authorized representatives, on reasonable notice, shall have the right, no more than once in each year during regular business hours, for the duration of the term of this Agreement and for three (3) years thereafter, to examine the books of account and records and all other documents, materials and inventory in the possession or under the control of the Company and its successors with respect to the subject matter of this Agreement. All such books of

account, records and documents shall be maintained and kept available by the Company for at least the duration of this Agreement and for three (3) years thereafter. The Design Partnership shall have free and full access thereto in the manner set forth above and shall have the right to make copies and/or extracts therefrom. If as a result of any examination of the Company's books and records it is shown that the Company's payments to the Design Partnership hereunder with respect to any twelve (12) month period were less than or greater than the amount which should have been paid to the Design Partnership by an amount equal to three and one-half percent (3 1/2%) of the amount which should have been paid during such twelve (12) month period, the Company will, in addition to reimbursement of any underpayment, with interest from the date on which each payment was due at the rate set forth in paragraph 4.4 hereof, promptly reimburse the Design Partnership for the cost of such examination.

4.6 The obligation of the Company to pay compensation hereunder shall be absolute notwithstanding any claim which the Company may assert against Polo or the Design Partnership. The Company shall not have the right to set-off, compensate or make any deduction from such compensation payments for any reason whatsoever.

5. Death or Incapacity of Lauren.

The Design Partnership shall perform its obligations hereunder notwithstanding any death or incapacity of Lauren and the Company shall accept the services of the Design Partnership.

6. Term and Termination.

6.1 Unless sooner terminated in accordance with the terms and provisions hereof, this Agreement shall continue in effect for so long as the License Agreement is in effect and shall terminate upon the termination of the License Agreement.

6.2 Each of the following shall constitute an event of default ("Event of Default") hereunder: (i) any compensation is not paid when due and such default continues for more than ten (10) days after notice thereof; (ii) the Company shall fail to timely present for sale to the trade a broadly representative and fair collection of each seasonal collection of Licensed Products designed by the Design Partnership or the Company shall fail to timely ship a material portion of the orders of Licensed Products it has accepted; (iii) the Company shall use the designs in an unauthorized or improper manner and/or Company shall make an unauthorized disclosure of confidential information or materials given or loaned to Company by the Design Partnership or Polo; or (iv) the Company defaults in performing any of the other terms of this Agreement and continues in such default for a period of thirty (30) days after notice thereof (unless the default cannot be cured within such thirty (30) day period and the Company shall have commenced to cure the default and proceeds diligently thereafter to cure within an additional fifteen (15) day period); (v) an event of default shall occur under the License Agreement or any other design agreement entered into between the Company and the Design Partnership or license agreement between the Company and Polo; or (vi) the License Agreement shall be terminated for any reason whatsoever. If any Event of Default other than that described in paragraph 6.2(vi) shall occur, the Design Partnership shall have the right, exercisable in its sole discretion, to terminate this Agreement upon ten (10) days' written notice to the Company of its intention to do so. Upon the expiration of such ten (10) day period, this Agreement shall terminate and come to an end and, subject to paragraph 6.3 hereof, all rights of the Company in and to the designs furnished or used hereunder and all copyrights and designs patents therein and their contemplated use shall terminate. If the Event of Default described in paragraph 6.2(vi) shall occur, this Agreement and the License shall thereupon forthwith terminate and come to an end without any need for notice to the Company. Termination of this Agreement shall be without prejudice to any remedy of the Design Partnership for the recovery of any monies then due to it under this Agreement or in respect of any antecedent breach of this Agreement, and without prejudice to any other right of the Design Partnership, including without limitation, damages for breach to the extent that the same may be recoverable.

6.3 In the event Polo chooses not to exercise the option referred to in paragraph 10.1 of the License Agreement with respect to all or any portion of the Licensed Products (as therein defined), the Company may dispose of Licensed Products, to the extent permitted by and in the manner set forth in paragraph 10.2 of the License Agreement. Such sales shall be subject to the payment of earned compensation pursuant to paragraph 4.2 hereof. Upon the conclusion of the disposal period all rights and interests in and to the designs furnished or used

hereunder and design patents therein and all copyrights licensed hereby shall belong to and be the property of the Design Partnership and the Company shall have no further or continuing right or interest therein.

6.4 The Company acknowledges and admits that there would be no adequate remedy at law for its failure to cease the manufacture or sale of Licensed Products at the termination of this Agreement, by expiration or otherwise, and the Company agrees that in the event of such failure, the Design Partnership shall be entitled to relief by way of temporary or permanent injunction and such other and further relief as any court with jurisdiction may deem proper.

6.5 It is expressly understood that under no circumstances shall the Company be entitled, directly or indirectly, to any form of compensation or indemnity from the Design Partnership, Lauren, Polo or their affiliates as a consequence to the termination of this Agreement, whether as a result of the passage of time, or as the result of any other cause of termination referred to in this Agreement. Without limiting the generality of the foregoing, by its execution of the present Agreement, the Company hereby waives any claim which it has or which it may have in the future against the Design Partnership, Lauren, Polo, Polo Ralph Lauren Corporation or their affiliates, arising from any alleged goodwill created by the Company for the benefit of any or all of the said parties or from the alleged creation or increase of a market for Licensed Products.

7. Indemnity.

7.1 The Company shall indemnify and save and hold the Design Partnership, Lauren, Polo and Polo Ralph Lauren Corporation, and their directors, officers, servants, agents and employees, harmless from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorney's fees and expenses in actions involving third parties or between the parties hereto), which they, or any of them, are or become liable for, or may incur, or be compelled to pay by reason of any acts, whether of omission or commission, that may be committed or suffered by the Company or any of its directors, officers, servants, agents or employees in connection with the Company's performance of this Agreement, in connection with Licensed Products manufactured by or on behalf of the Company or otherwise in connection with the Company's business; provided, however, that the Company shall not be responsible for any liability, claims, causes of action, suits, damages or expenses incurred or suffered by the Design Partnership, Lauren, Polo or Polo Ralph Lauren Corporation, or their directors, officers, servants, agents and employees in connection with any suit or proceeding for infringement of another's design patent, trademark, copyright or other proprietary rights brought against

them as a result of the Company's use of the Trademark, or the Design Concepts furnished by the Design Partnership hereunder, in strict accordance with the terms and conditions of this Agreement and the License Agreement.

8. Disclosure.

The Design Partnership and the Company, and their affiliates, employees, attorneys, bankers and accountants, shall hold in confidence and not use or disclose, except as permitted by this Agreement, (i) confidential information of the other or (ii) the terms of this Agreement, except upon consent of the other or pursuant to, or as may be required by law, or in connection with regulatory or administrative proceedings and only then with reasonable advance notice of such disclosure to the other. The Company shall take all reasonable precautions to protect the secrecy of the materials, samples, sketches, designs, artwork, logos and other materials used pursuant to this Agreement prior to the commercial distribution or the showing of samples for sale and shall not sell any merchandise employing or adapted from any of said designs, sketches, artwork, logos, and other materials or their use except under the Trademark.

9. Miscellaneous.

9.1 All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been properly given or sent (i) on the date when such notice, request, consent or communication is personally delivered, or (ii) five (5) days after the same was sent, if sent by certified or registered mail or (iii) two (2) days after the same was sent, if sent by overnight courier delivery or confirmed telecopier, as follows:

(a) if to the Company, addressed as follows:

Jones Apparel Group, Inc.
250 Rittenhouse Circle
Bristol, Pennsylvania 19007
Attention: Mr. Sidney Kimmel
Telecopier: (215) 785-1795

with a copy to:

Jones Apparel Group, Inc.
1411 Broadway
New York, New York 10018
Attention: Mr. Herbert Goodfriend
Telecopier: (212) 921-5370

(b) if to the Design Partnership addressed as follows:

Polo Ralph Lauren Enterprises, L.P.
650 Madison Avenue
New York, New York 10022
Attention: President
Telecopier: 212.318.7186

with a copy to:

Victor Cohen, Esq.
Eighth Floor
650 Madison Avenue
New York, New York 10022
Telecopier: 212.318.7183

Anyone entitled to notice hereunder may change the address to which notices or other communications are to be sent to it by notice given in the manner contemplated hereby.

9.2 Nothing herein contained shall be construed to place the parties in the relationship of partners or joint venturers, and neither the Design Partnership nor the Company shall have any power to obligate or bind the other in any manner whatsoever, except as otherwise provided for herein.

9.3 None of the terms hereof can be waived or modified except by an express agreement in writing signed by the party to be charged. The failure of any party hereto to enforce, or the delay by any party in enforcing, any of its rights hereunder shall not be deemed a continuing waiver or a modification thereof and any party may, within the time provided by applicable law, commence appropriate legal proceedings to enforce any and all of such rights. All rights and remedies provided for herein shall be cumulative and in addition to any other rights or remedies such parties may have at law or in equity. Any party hereto may employ any of the remedies available to it with respect to any of its rights hereunder without prejudice to the use by it in the future of any other remedy with respect to any of such rights. No person, firm or corporation, other than the parties hereto and

Polo, shall be deemed to have acquired any rights by reason of anything contained in this Agreement.

9.4 The Design Partnership may assign its right to receive all or any portion of its compensation under this Agreement and, in addition, this Agreement and all of the Design Partnership's rights, duties and obligations hereunder may be assigned by the Design Partnership to any entity to which the right to own or use the Trademark has been assigned, or to an affiliate of any such entity. The Company may not assign its rights and obligations under this Agreement without the prior written consent of the Design Partnership, which may be withheld in the Design Partnership's sole discretion.

9.5 The Company will comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the operations of the Company contemplated hereby, including, without limitation, as they relate to the manufacture, distribution, sale or promotion of Licensed Products, notwithstanding the fact that the Design Partnership may have approved such item or conduct.

9.6 This Agreement shall be binding upon and inure to the benefit of the successors, heirs and permitted assigns of the parties hereto.

9.7 This Agreement shall be construed in accordance with and governed by the laws of the State of New York, applicable to contracts made and to be wholly performed therein without regard to its conflicts of law rules.

9.8 If any dispute between the parties leads to litigation, the parties agree that the courts of the State of New York in the City of New York, or the federal courts in that City, shall have the exclusive jurisdiction and venue over such litigation. All parties consent to personal jurisdiction in the State of New York, and agree to accept service of process outside of the State of New York as if service had been made in that state. Notwithstanding anything to the contrary set forth herein, neither Polo Ralph Lauren Corporation nor any other general or limited partner of the Design Partnership shall be liable for any claim based on, arising out of, or otherwise in respect of, this Agreement, and the Company shall not have nor claim to have any recourse for any such claim against any general or limited partner of the Design Partnership.

9.9 In the event of a breach or threatened breach of this Agreement by the Company, the Design Partnership shall have the right, without the necessity of proving any actual damages, to obtain temporary or permanent injunctive or mandatory relief in a court of competent jurisdiction, it being the intention of the parties that this Agreement be specifically enforced to the maximum extent permitted by law.

9.10 Provisions of this Agreement are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction, or any other provision in this Agreement in any jurisdiction. To the extent legally permissible, an arrangement which reflects the original intent of the parties shall be substituted for such invalid or unenforceable provision.

9.11 The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any ambiguity in this Agreement shall not be construed against the party who prepared this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused the same to be executed by a duly authorized officer as of the day and year first above written.

POLO RALPH LAUREN ENTERPRISES, L.P.

By: Polo Ralph Lauren Corporation,
General Partner

By: /s/Michael Newman

JONES APPAREL GROUP, INC.

By: /s/ Sidney Kimmel

EXHIBIT 10.26

Portions of this Exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission. Such portions are designated "[* * *]".

LICENSE AGREEMENT, dated as of October 18, 1995 by and between Polo Ralph Lauren, L.P. ("Licensor"), with a place of business at 650 Madison Avenue, New York, New York 10022, and Jones Apparel Group, Inc. ("Licensee"), a Pennsylvania corporation with a place of business at 250 Rittenhouse Circle, Bristol, Pennsylvania 19007.

WHEREAS, Licensor is engaged in the business of manufacturing, selling and promoting, and licensing others the right to manufacture, sell and promote, high quality apparel and related merchandise under certain Polo/Ralph Lauren trademarks and trade names; and

WHEREAS, Licensee desires to obtain, and Licensor is willing to grant, a license pursuant to which Licensee shall have the right to use the Trademark (as hereinafter defined) on the terms set forth herein;

1. Definitions. As used herein, the term:

1.1. "License" shall mean the exclusive, non-assignable right to use the Trademark in connection with the manufacture and/or importation and sale of Licensed Products in the Territory.

1.2. "Licensed Products" shall mean those items set forth on Schedule A attached hereto and made a part hereof, and all bearing the Trademark. From time to time Licensor may authorize Licensee to manufacture and distribute products bearing the Trademark not expressly listed in Schedule A hereto. Absent an agreement with respect to such products signed by Licensor and Licensee, all such products shall be deemed Licensed Products for all purposes hereunder; provided, however, that Licensee's rights with respect to such products (i) shall be non-exclusive and (ii) may be terminated by Licensor upon 90 days written notice.

1.3. "Licensor" shall mean Polo Ralph Lauren, L.P., a limited partnership organized under the laws of the State of Delaware.

1.4. "Licensee" shall mean Jones Apparel Group, Inc., a corporation organized under the laws of Pennsylvania.

1.5. "Territory" the United States of America, its territories and possessions. From time to time Licensor may authorize Licensee to sell certain Licensed Products to specific purchasers outside the Territory. Absent an agreement with respect to such sales signed by Licensor and Licensee, all such sales shall be made on all of the terms and conditions set forth in this Agreement; provided, however, that Licensee's right to make such sales shall be non-exclusive and may be terminated by Licensor immediately upon written notice to Licensee. Any such termination

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shall not apply to orders already taken by Licensee in accordance with Licensor's prior authorization. In the event that Licensor wishes to use or license a third party to use the Trademark on Licensed Products sold in Canada during the term hereof, Licensor shall grant to Licensee a right of first refusal to act as the Licensee therefor. In the implementation of said first refusal rights, Licensor shall give Licensee notice of the Offer Terms upon which it proposes to grant a license ("Licensor's Offer") for such products. Licensee shall have a period of forty-five (45) days after the date of Licensor's notice of the Offer Terms to accept or reject Licensor's Offer in writing. If Licensee rejects Licensor's Offer or if Licensee initially accepts Licensor's Offer but thereafter is unable to satisfy the Offer Terms, then Licensor shall be free to make a substantially similar Licensor's Offer to any third party. If Licensor shall substantially (as determined in Licensor's reasonable discretion) change the Offer Terms then, during the term hereof, Licensee's right of first refusal as provided hereinabove shall apply to such changed Offer Terms.

1.6. "Trademark" shall mean the trademark set forth on Schedule B hereto, and no other trademark, regardless of whether such trademark is or includes any reference to "Ralph Lauren" or any other trademark owned by Licensor or its affiliates. Licensor shall have the sole right to determine the manner and use each of the Trademark in connection with each particular Licensed Product.

2. Grant of License.

2.1. Subject to the terms and provisions hereof, Licensor hereby grants Licensee and Licensee hereby accepts the License. Licensor shall neither use nor authorize third parties to use the Trademark in connection with the manufacture, sale and/or importation of Licensed Products in the Territory during the term of this Agreement without Licensee's prior approval. To the extent it is legally permissible to do so, no license is granted hereunder for the manufacture, sale or distribution of Licensed Products to be used for publicity purposes, other than publicity of Licensed Products, in combination sales, as premiums or giveaways, or to be disposed of under or in connection with similar methods of merchandising, such license being specifically reserved for Licensor.

2.2. It is understood and agreed that the License applies solely to the use of the Trademark on the Licensed Products, and that (i) no use of any other trademark of Licensor or of any of Licensor's affiliates (including any trademark that uses the name "Ralph Lauren"), and (ii) no use of the Trademark on any other products, is authorized or permitted. Licensor reserves the right to use, and to grant to any other licensee the right to use, the Trademark, whether within or outside the Territory, in connection with any and all products and services, other than Licensed Products within the Territory. Licensee understands and agrees that

Licensor may itself manufacture or authorize third parties to manufacture in the Territory, Licensed Products for ultimate sale outside of the Territory. Subject to the terms of paragraph 17.4 hereof, Licensee may manufacture or cause to be manufactured the Licensed Products outside of the Territory, but solely for purposes of sale within the Territory pursuant to the terms of this Agreement.

2.3. Licensee shall not have the right to use Licensee's name on or in connection with the Licensed Products, except with the prior approval by Licensor of the use and placement of Licensee's name. Licensee shall, at the option of Licensor, include on its business materials and/or the Licensed Products an indication of the relationship of the parties hereto in a form approved by Licensor.

2.4. Licensee shall not use or permit or authorize another person or entity in its control to use the words "Polo" or "Ralph Lauren" as part of a corporate name or tradename without the express written consent of Licensor and Licensee shall not permit or authorize use of the Trademark in such a way so as to give the impression that the name "Ralph Lauren," or the Trademark, or any modifications thereof, are the property of Licensee.

2.5. In the event that (i) Sidney Kimmel is no longer the Chairman of Licensee and the owner of a controlling interest in Licensee, and (ii) Licensee, directly or indirectly, agrees to manufacture, distribute, sell or advertise during the term of this Agreement any items which bear the name or are associated with the name of any person or entity listed on Schedule C hereto, Licensor shall have the right to terminate the term of this Agreement upon sixty (60) days written notice.

2.6. Licensor represents and warrants that it has full right, power and authority to enter into this Agreement, to perform all of its obligations hereunder, and to consummate all of the transactions contemplated herein. In the event that Licensee or Licensor is charged with infringement on account of Licensee's use of any of the Trademark or, if in connection with the development of Licensor's program in the Territory, Licensor determines that the use by Licensee of the trademark should be discontinued upon reasonable written notice to Licensee, this license under the Trademark shall be converted to a license under other mutually agreeable "Ralph Lauren" trademark(s) or label(s); in such event Licensee hereby accepts the exclusive license to use such "Ralph Lauren" trademark(s) in connection with the manufacture and sale of Licensed Products in the Territory subject to all other terms of this License Agreement. In such event, Licensee shall immediately advise Licensor of its inventory of Licensed Products labelled with the Trademark(s) and of its stock of business materials bearing the Trademark(s) and Licensor shall, in its reasonable discretion and judgment, determine whether and to what extent such inventory and

materials of Licensee may continue to be used by Licensee.

2.7. Licensee shall not purport to grant any right, permission or license hereunder to any third party, whether at common law or otherwise. Licensee shall not without Licensor's prior written approval sell any Licensed Products bearing the Mark to any third party which, directly or indirectly, sells or proposes to sell such Licensed Products outside the Territory. Licensee shall use its best efforts to prevent any such resale outside the Territory and shall, immediately upon learning or receiving notice from Licensor that a customer is selling Licensed Products outside the Territory, cease all sales and deliveries to such customer.

2.8. Licensee recognizes that there are many uncertainties in the business contemplated by this Agreement. Licensee agrees and acknowledges that other than those representations explicitly contained in this Agreement, if any, no representations, warranties or guarantees of any kind have been made to Licensee, either by Licensor or its affiliates, or by anyone acting on their behalf. Without limitation, no representations concerning the value of the Licensed Products or the prospects for the level of their sales or profits have been made and Licensee has made its own independent business evaluation in deciding to manufacture and distribute the Licensed Products on the terms set forth herein.

3. Design Standards and Prestige of Licensed Products.

3.1. Licensee acknowledges that it has entered into a design services agreement ("Design Agreement"), of even date herewith, with Polo Ralph Lauren Enterprises, L.P. (the "Design Partnership"), which provides for the furnishing to Licensee by the Design Partnership of design concepts and other professional services so as to enable Licensee to manufacture or cause to be manufactured the Licensed Products in conformity with the established prestige and goodwill of the Trademark. Licensee shall manufacture, or cause to be manufactured, and sell only such Licensed Products as are made in accordance with the design and

other information approved under, and in all other respects in strict conformity with the terms of, the Design Agreement.

3.2. Licensee acknowledges that the Trademark has established prestige and goodwill and are well recognized in the minds of the public, and that it is of great importance to each party that in the manufacture and sale of various lines of Licensor's products, including the Licensed Products, the high standards and reputation that Licensor and Ralph Lauren have established be maintained. Accordingly, all items of Licensed Products manufactured or caused to be manufactured by Licensee hereunder shall be of high quality workmanship with strict adherence to all details and characteristics embodied in the designs furnished pursuant to the Design Agreement. Licensee shall supply Licensor with samples of the Licensed Products (including, if Licensor so requests, samples of labeling and packaging used in connection therewith) prior to production and from time to time during production, and shall, at all times during the term hereof, upon Licensor's request, make its manufacturing facilities available to Licensor, and shall use its best efforts to make available each subcontractor's manufacturing facilities for inspection by Licensor's representatives during usual working hours. No sales of miscuts or damaged merchandise shall contain any labels or other identification bearing the Trademark without Licensor's prior written approval, but sales of all products of Licensor or the Design Partnership's design shall nonetheless be subject to royalty payments pursuant to paragraph 6 hereof.

3.3. In the event that any Licensed Product is, in the judgment of Licensor, not being manufactured, distributed or sold with first quality workmanship or in strict adherence to all details and characteristics furnished pursuant to the Design Agreement, Licensor shall notify Licensee thereof in writing and Licensee shall promptly repair or change such Licensed Product to conform thereto. If a Licensed Product as repaired or changed does not strictly conform after Licensor's request and such strict conformity cannot be obtained after at least one (1) resubmission, the Trademark shall be promptly removed from the item, at the option of Licensor, in which event the item may be sold by Licensee without payment of any royalty hereunder, provided such miscut or damaged item does not contain any labels or other identification bearing the Trademark. Notwithstanding anything in this paragraph 3.3 to the contrary, sales of all products of Licensor's or the Design Partnership's design, whether or not bearing the Trademark, shall nonetheless be subject to royalty payments pursuant to paragraph 6 hereof. Licensor hereby approves Licensee's sale of excess inventory, cutups and clearly marked seconds or irregular merchandise, on all the terms set forth herein: (i) first, upon request to Licensor's factory outlet stores to the extent of their requirements (subject to a reasonable assortment being purchased), at a price equal to thirty-two percent (32%) off the regular wholesale price of such products (but Licensee shall not be

responsible for any royalty payments hereunder or for any compensation payments under the Design Agreement with respect to such sales) and (ii) second, at factory outlet stores owned by Licensee or its affiliates ("Licensee Outlet Stores") and (iii) at such other locations as Licensor may hereafter approve. Licensor and Licensee shall separately agree to the terms of license agreements for Licensee Outlet Stores, which shall bear the Trademark as a service mark, ("Store License Agreements"), it being understood that such Store License Agreements shall (i) not require Licensee to pay Licensor any separate royalty or other compensation for the right to use such service mark herein and in the Design Agreement; (ii) Licensor shall have a right to approve each location for each Licensee Outlet Store in its reasonable business judgment, it being understood that Licensor does not presently intend to approve more than one Licensee Outlet Store in each center and (iii) such Store License Agreements shall be consistent with other similar agreements Licensor has entered into with third parties and shall provide for Licensor's right to approve various aspects of the design, decoration, accessorization and operation of all Licensee Outlet Stores.

3.4. At the request of Licensor, Licensee shall cause to be placed on all Licensed Products appropriate notice designating Licensor or the Design Partnership as the copyright or design patent owner thereof, as the case may be. The manner of presentation of said notices shall be determined by Licensor.

4. Marketing.

4.1. The distribution of the Licensed Products in the Territory shall be performed by Licensee exclusively. The Licensed Products shall be sold by Licensee only to those specialty shops, department stores and other retail outlets which deal in products similar in quality and prestige to Licensed Products, and whose operations will enhance the quality and prestige of the Trademark, and only to those customers listed on Schedule D hereto and other customers of similar quality and prestige. Licensor shall have the right to object by notice to Licensee to any customer not listed on Schedule D hereto, and Licensee shall not thereafter accept orders from such customer, (but Licensee may fulfill orders accepted prior to Licensee's receipt of such notice). In the event Licensor reasonably determines that the unauthorized resale of Licensed Products through unauthorized distribution channels is causing a negative impact on the reputation and desirability of Licensor's products, Licensee shall consult with Licensor in good faith regarding what steps, including the possibility of implementing an inventory marking system, may be taken to remedy such negative impact. Licensee shall not market or promote or seek customers for the Licensed Products outside of the Territory and Licensee shall not establish a branch, wholly owned subsidiary, distribution or warehouse with inventories of Licensed Products outside of the Territory.

4.2. Licensee acknowledges that in order to preserve the good will attached to the Ralph Lauren trademarks, the Licensed Products are to be sold at prices and terms reflecting the prestigious nature of such trademarks, it being understood, however, that Licensor is not empowered to fix or regulate the prices at which the Licensed Products are to be sold, either at the wholesale or retail level.

4.3. Licensee shall maintain the high standards of the Trademark and the Licensed Products, in all advertising, packaging and promotion of the Licensed Products. Licensee shall not employ or otherwise release any of such advertising or packaging or other business materials relating to any Licensed Products or bearing the Trademark, unless and until Licensee shall have made a request, in writing, for approval by Licensor. Licensor may, with respect to any advertising, packaging or business materials submitted by Licensee, make such suggestions as Licensor deems necessary or appropriate, or disapprove, in either event by notice to Licensee. Any approval granted hereunder shall be limited to use during the seasonal collection of Licensed Products to which such advertising relates and shall be further limited to the use (e.g. TV or print) for which approval by Licensor was granted. Licensee shall, at the option of Licensor, include on its business materials an indication of the relationship of the parties hereto in a form approved by Licensor.

4.4. Licensee shall use its best efforts to assure that all cooperative advertising, whereby Licensee provides a customer with a contribution toward the cost of an advertisement for Licensed Products, whether Licensee's contribution be in the form of an actual monetary contribution, a credit or otherwise, shall be subject to prior approval of Licensor under the same terms and conditions as apply to advertising and promotional materials prepared by or to be used by Licensee pursuant to paragraph 4.5 hereof; provided, however, that in the event that Licensee is not as a matter of practice given an opportunity to review the cooperative advertising due to time constraints, then Licensee shall notify Licensor, in advance, of those customers with whom it does cooperative Licensed Product advertising and/or promotion, and Licensee at Licensor's request shall notify the named customer of the terms of this Agreement which pertain to the said advertising or promotional materials.

4.5. Licensee shall exercise its best efforts to safeguard the established prestige and goodwill of the name "Ralph Lauren" and the trademarks associated therewith at the same level of prestige and goodwill as heretofore maintained. "Image" as used herein refers primarily to quality and style of packaging, advertising and promotion, creation and introduction of new products, type of outlets with reference to quality of service provided by retail outlets and quality of presentation of Licensed Products in retail outlets. Licensee shall take all necessary

steps, and all steps reasonably requested by Licensor, to prevent or avoid any misuse of the Trademark by any of its customers, contractors or other resources.

4.6. During each year of this Agreement, Licensee shall expend for the advertising of Licensed Products, which advertising may consist of cooperative advertising, an amount that is not less than the "Annual Advertising Obligation", as hereinafter defined, for such year. Licensor and Licensee shall consult with each other regarding the creation, production and placement of all advertising of Licensed Products, but all final decisions with respect thereto shall be made by Licensor in its sole discretion. The "Annual Advertising Obligation" for each year during the term hereof shall be [* * *] percent ([***]%) of the aggregate net sales price (as defined in paragraph 6.2 hereof) of Licensed Products sold during such year. Licensee shall deliver to Licensor within sixty (60) days after the end of each year hereof an accounting statement in respect of amounts expended by Licensee on advertising for the prior year. Each such accounting statement shall be signed, and certified as correct, by a duly authorized officer of Licensee. Prior to each year hereof, Licensee shall submit Licensee's advertising budget for the upcoming year, based on the aggregate net sales price of Licensed Products during the year then ending and on sales projected for the upcoming year. The Annual Advertising Obligation for such upcoming year will initially be calculated and expended based upon such budget. If in any year during the term hereof an amount less than the Annual Advertising Obligation is expended on advertising for any reason whatsoever (including an underestimate of the actual net sales for such year or because the actual cost of Institutional Advertising, if any, produced and placed during such year is less than the Annual Advertising Obligation), the entire amount not expended shall be added to the Annual Advertising Obligation for the following year.

4.7. During the term of this Agreement, Licensee shall, in consultation with Licensor, provide a budget for the design, construction, re-fits and seasonal changeovers of in-store shops and fixtures to be used exclusively for the presentation of Licensed Products, the design of which shall be subject to Licensor's prior approval. Licensee's budget for such purposes shall be adequate to present Licensed Products in a manner consistent with the high quality and prestige associated with Licensor's trademarks and the price structure of the Licensed Products.

4.8. To the extent permitted by applicable law Licensor may from time to time, and in writing, promulgate reasonable rules and regulations to Licensee relating to the manner of use of the Trademark. Licensee shall comply with such rules and regulations. Any such rules or regulations shall not be inconsistent with or derogate from the terms of this Agreement.

4.9. Licensee agrees to make available for purchase and to sell on its customary price, credit and payment terms all lines and styles of Licensed Products to retail stores in the Territory bearing a trademark of Licensor or its affiliates and to any stores or facilities operated or owned by Licensor and its affiliates, which are authorized to sell the Licensed Products within such retail stores.

4.10. In consideration of the License granted herein, in the event Licensor elects to offer Licensed Products for sale in mail-order catalogs, Licensee shall sell and timely ship Licensed Products to Licensor or its affiliate for such purposes at a price equal to 30% less than the regular wholesale price therefor. All such sales shall be separately reported by Licensee in its accounting statements pursuant to paragraph 6.2 hereof, and such sales shall not be subject to the royalty or advertising obligations set forth herein, or to the compensation obligations set forth in the Design Agreement.

4.11. Licensor shall respond to any requests for approvals or consents from Licensee hereunder as promptly as reasonably practicable consistent with the level of review required.

5. Trademark Protection.

5.1. All uses of the Trademark by Licensee, including, without limitation, use in any business documents, invoices, stationery, advertising, promotions, labels, packaging and otherwise shall require Licensor's prior written consent in accordance with paragraph 4 hereof.

5.2. All uses of the Trademark by Licensee in advertising, promotions, labels and packaging shall bear the notation "Ralph (Polo Player Design) Lauren" or the representation of the Polo Player, as the case may be, and shall include at Licensor's option, a notice to the effect that each Trademark is used by Licensee for the account and benefit of Licensor or that Licensee is a registered user thereof or both such statements. The use of the Trademark pursuant to this Agreement shall be for the benefit of Polo and shall not vest in Licensee any title to or right or presumptive right to continue such use. For the purposes of trademark registration, sales by Licensee shall be deemed to have been made by Licensor.

5.3. Licensee shall cooperate fully and in good faith with Licensor for the purpose of securing and preserving Licensor's rights in and to the Trademark. Nothing contained in this Agreement shall be construed as an assignment or grant to Licensee of any right, title or interest in or to the Trademark, or any of Licensor's other trademarks, it being understood that all rights relating thereto are reserved by Licensor, except for the License hereunder to Licensee of the right to use the Trademark only as

specifically and expressly provided herein. Licensee shall not file or prosecute a trademark or service mark application or applications to register the Trademark, for Licensed Products or otherwise.

5.4. Licensee shall not, during the term of this Agreement or thereafter, (a) attack Licensor's title or rights in and to Licensor's trademarks in any jurisdiction or attack the validity of this License or Licensor's trademarks or (b) contest the fact that Licensee's rights under this Agreement (i) are solely those of a licensee, manufacturer and distributor and (ii) subject to the provisions of paragraph 10 hereof, cease upon termination of this Agreement. The provisions of this paragraph 5.4 shall survive the termination of this Agreement.

5.5. All right, title and interest in and to all samples, patterns, sketches, designs, artwork, logos and other materials furnished by Licensor or the Design Partnership, whether created by Licensor or the Design Partnership, and any logo or crest associated with the Trademark, even if such logo or crest was designed or furnished by Licensee, shall be the sole property of Licensor and/or the Design Partnership, as the case may be. Licensee shall assist Licensor to the extent necessary in the protection of or the procurement of any protection of Licensor's rights to the Trademark, designs, design patents and copyrights hereunder and Licensor, if Licensor so desires, may commence or prosecute any claims or suits in Licensor's own name or in the name of Licensee or join Licensee as a party thereto. Licensee shall promptly notify Licensor in writing of any uses which may be infringements or imitations by others of the Trademark on articles similar to those covered by this Agreement which may come to Licensee's attention. Licensor shall have the sole right to determine whether or not any action shall be taken on account of any such infringements or imitations. Licensor shall bear one hundred percent (100%) of the costs of all actions or proceedings it undertakes, and shall be entitled to all recoveries in such actions. If Licensor declines to take action with respect to a particular infringer Licensee is not obligated to but may, with Licensor's prior written consent, undertake such action at Licensee's expense, in which case Licensee shall be entitled to all recoveries in such action.

6. Royalties.

6.1. Licensee shall pay to Licensor minimum royalties for each year during the term of this Agreement as compensation for the License granted hereunder for the use of the Trademark in the manufacture and sale, and/or importation and sale, of Licensed Products in the Territory. The minimum royalty for each year during the term hereof shall be as follows:

Year 1 (1997)	$ [* * *]
Year 2	$ [* * *]
Year 3	$ [* * *]
Year 4	$ [* * *]
Year 5	$ [* * *]

Minimum royalties for each year shall be paid on a quarterly basis, beginning with the minimum royalty payment to be made for the first calendar quarter of [* * *], in the manner set forth in paragraph 6.2 below. No credit shall be permitted against minimum royalties payable in any year on account of actual or minimum royalties paid in any other year, and minimum royalties shall not be returnable. Minimum royalties for each year of the "Renewal Term" (as defined in paragraph 8 hereof) shall be an amount equal to [* * *] percent ([***]%) of the actual earned royalty due to Licensor for sales of Licensed Products in 2001. For the purposes of this Agreement, the term "year" shall mean a period of twelve (12) months commencing on each January 1 during the term of this Agreement; provided, however, that the "first year", or "Year 1" shall mean the period commencing on the date hereof and expiring on December 31, 1997 [* * *].

6.2. Licensee shall pay to Licensor earned royalties based on the net sales price of all Licensed Products manufactured or imported and sold by Licensee hereunder. Earned royalties shall equal [* * *] percent ([***]%) of the net sales price of all Licensed Products sold under this Agreement, including, without limitation, any sales made pursuant to the terms of paragraph 10.2 hereof; provided, however, that Licensor hereby waives earned royalties with respect to Licensed Products sold and shipped prior to December 31, 1996 for the Fall 1996 and Cruise/Holiday 1996 seasons, but Licensor does not waive earned royalties in respect of Licensed Products for the Spring 1996 season, even if such Licensed Products are sold and shipped prior to December 31, 1996. Licensee shall prepare or cause to be prepared statements of operations for the first month in which Licensed Products are offered for sale to the trade, and for each month thereafter for so long as Licensee is offering Licensed Products for sale hereunder, which statements shall be furnished to Licensor together with the earned royalties due for each such month on the last day of the following month. The statement and royalty payment provided on the last day of each April (for the month of March), July (for the month of June), October (for the month of September) and January (for the month of December) during the term shall also include Licensee's minimum royalty obligation for the preceding calendar quarter, less the aggregate earned royalties paid for such calendar quarter. The term "net sales price" shall mean the gross sales price to retailers of all Licensed Products sold under this Agreement or, with respect to Licensed Products that are not sold directly or indirectly to retailers, other ultimate consumers (as in the case of accommodation sales by Licensee to its employees or sales by Licensee in its own shops), less trade discounts,

merchandise returns, sales tax (if separately identified and charged) and markdowns and/or chargebacks which, in accordance with generally accepted accounting principles, would normally be treated as deductions from gross sales, and which, in any event, do not include any chargebacks or the like for advertising, fixture or retail shop costs or contributions, or contributions for in-store personnel. No other deductions shall be taken. Any merchandise returns shall be credited in the month in which the returns are actually made. For purposes of this Agreement, affiliates of Licensee shall mean all persons and business entities, whether corporations, partnerships, joint ventures or otherwise, which now or hereafter control, or are owned or controlled, directly or indirectly by Licensee, or are under common control with Licensee. It is the intention of the parties that royalties will be based on the bona fide wholesale prices at which Licensee sells Licensed Products to independent retailers in arms' length transactions. In the event Licensee shall sell Licensed Products to its affiliates, royalties shall be calculated on the basis of such a bona fide wholesale price irrespective of Licensee's internal accounting treatment of such sale; provided, however, that royalties on sales to Licensee Outlet Stores (as defined in paragraph 3.3 hereof) shall be calculated on the basis of the actual invoice price to such Licensee Outlet Stores, but in no event less than an amount equal to twenty-five (25%) percent less than the regular wholesale price of such Licensed Products. Licensee shall identify separately in the statements of operations provided to Licensor pursuant to paragraph 7 hereof, all sales to affiliates and through Licensee Outlet Stores. Notwithstanding anything to the contrary contained herein or in the Design Agreement, Licensee may sell to its own employees involved in the business contemplated hereunder, for their personal use, Licensed Products at a discount of thirty-five (35%) percent or more off the regular wholesale price thereof, without payment of royalties or compensation to Licensor; provided that such sales do not exceed $1,000,000 in any year.

6.3. If the payment of any installment of royalties is delayed for any reason, interest shall accrue on the unpaid principal amount of such installment from and after the date which is 10 days after the date the same became due pursuant to paragraphs 6.1 or 6.2 hereof at the lower of the highest rate permitted by law in New York and 2% per annum above the prime rate of interest in effect from time to time at Chemical Bank, New York, New York or any successor bank.

6.4. The obligation of Licensee to pay royalties hereunder shall be absolute notwithstanding any claim which Licensee may assert against Licensor or the Design Partnership. Licensee shall not have the right to set-off, compensate or make any deduction from such royalty payments for any reason whatsoever.

7. Accounting.

7.1. Licensee shall at all times keep an accurate account of all operations within the scope of this Agreement and shall render a full statement of such operations in writing to Licensor in accordance with paragraph 6.2 hereof. Such statements shall account separately for each different product category and shall include all aggregate gross sales, trade discounts, merchandise returns, sales of miscuts and damaged merchandise and net sales price of all sales for the previous month. Such statements shall be in sufficient detail to be audited from the books of Licensee. Once annually, which may be in connection with the regular annual audit of Licensee's books, Licensee shall furnish an annual statement of the aggregate gross sales, trade discounts, merchandise returns and net sales price of all Licensed Products made or sold by Licensee certified by Licensee's independent accountant. Each monthly financial statement furnished by Licensee shall be certified by the chief financial officer or controller of Licensee.

7.2 Licensor and its duly authorized representatives, on reasonable notice, shall have the right, no more than once in each year during regular business hours, for the duration of the term of this Agreement and for three (3) years thereafter, to examine the books of account and records and all other documents, materials and inventory in the possession or under the control of Licensee and its successors with respect to the subject matter of this Agreement. All such books of account, records and documents shall be maintained and kept available by Licensee for at least the duration of this Agreement and for three (3) years thereafter. Licensor shall have free and full access thereto in the manner set forth above and shall have the right to make copies and/or extracts therefrom. If as a result of any examination of Licensee's books and records it is shown that Licensee's payments to Licensor hereunder with respect to any twelve (12) month period were less than or greater than the amount which should have been paid to Licensor by an amount equal to three and one-half percent (3 1/2%) of the amount which should have been paid during such twelve (12) month period, Licensee will, in addition to reimbursement of any underpayment, with interest from the date on which each payment was due at the rate set forth in paragraph 6.3 hereof, promptly reimburse Licensor for the cost of such examination. Licensee shall provide Licensor each year with a copy of its annual report, as soon as it is made available to Licensee's Shareholders.

8. Term.

8.1 The term of this Agreement shall commence as of the date hereof and shall terminate on December 31, 2001; provided, however, that if no Event of Default shall have occurred and not been cured or waived, and Licensee has achieved the Minimum Renewal Volume (as such term is hereinafter defined) for the period January 1, 2000 through December 31, 2000, Licensee shall have the option, upon providing notice to Licensor on or before April 1, 2001, to renew this Agreement for an additional three (3) year period (the

"Renewal Term") so as to expire on December 31, 2004, on the terms and conditions herein except that there will be no further right to renewal. The minimum aggregate net sales price which Licensee must achieve in connection with sales of Licensed Products during the period from January 1, 2000 to December 31, 2000 to (the "Minimum Renewal Volume") in order to be entitled to renew this Agreement for a second term as hereinabove provided shall be $ [* * *] (the "Renewal Volume"). In the event Licensee exercises its option for a Renewal Term, each of Licensor and Licensee shall give the other notice, on or before January 1, 2004, of its desire to extend the term hereof beyond December 31, 2004. In the event Licensee does not achieve the Renewal Volume as hereinabove provided, Licensee may nevertheless request an extension of the term beyond December 31, 2001, and Licensor shall respond to such request (which response shall be in Licensor's sole discretion) within thirty (30) days after its receipt thereof. It is expressly understood that only the company (which may be Licensee) whose licensed term covers the period subsequent to the expiration of this Agreement shall be entitled to receive designs for Licensed Products intended to be sold after the expiration of this Agreement, and to make presentations of such Licensed Products during the market presentation weeks that relate to such subsequent period, even if such market presentation occurs prior to the termination of this Agreement. Without limiting the generality of the foregoing, in the event the term hereof is not renewed or extended at the end of the initial or any renewal term, the last season for which Licensee shall be entitled to receive designs and, during the term hereof, to manufacture and sell Licensed Products shall be the Cruise/Holiday season for the last year of the relevant period, and Licensor shall be entitled to undertake, directly or through a successor licensee, all activities associated with the design, manufacture and sale Licensed Products commencing with the immediately following Spring season.

8.2 Notwithstanding the terms of paragraph 8.1 hereof or anything to the contrary contained herein or in the Design Agreement, in the event that the aggregate net sales price of Licensed Products sold during the period January 1, 1999 through December 31, 1999 is less than $ [* * *], Licensee shall so notify Licensor immediately upon becoming aware of such event and in no event later than February 1, 2000 and, in such event, each of Licensor and Licensee shall have the right, in its sole discretion, by notice to the other on or before March 1, 2000, to terminate the term of this Agreement and the Design Services Agreement effective as of December 31, 2000. In the event either party gives notice of such termination, the effect for all purposes shall be the same as if the term of this Agreement and the Design Services Agreement expired on December 31, 2000; provided, however, that Licensee shall not be responsible for the minimum royalties which would otherwise be due pursuant to paragraph 6.1 hereof or for the minimum compensation payments which would otherwise be due pursuant to paragraph 4.1 of the Design Agreement, but shall be responsible

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for all earned royalty and other payments due hereunder and for all earned compensation and other payments due under the Design Agreement.

9. Default; Change of Control.

9.1. Each of the following shall constitute an event of default ("Event of Default") hereunder:

(i) Any installment of royalty payments is not paid when due and such default continues for more than fifteen (15) days after written notice thereof to Licensee;

(ii) Licensee shall fail to timely present for sale to the trade a broadly representative and fair collection of each seasonal collection of Licensed Products designed by the Design Partnership under the Design Agreement or Licensee shall fail to timely ship to its customers a material portion of the orders of Licensed Products it has accepted;

(iii) Licensee defaults in performing any of the other terms of this Agreement and continues in such default for a period of thirty (30) days after notice thereof (unless the default cannot be cured within such thirty (30) day period and Licensee shall have commenced to cure the default and proceeds diligently thereafter to cure within an additional fifteen (15) day period);

(iv) Licensee fails within fifteen (15) days after written notice that payment is overdue to pay for any Licensed Products or materials, trim, fabrics, packaging or services relating to Licensed Products purchased by Licensee from Licensor or, unless Licensee is contesting in good faith the amount due, any agent or licensee of Licensor or any other supplier of such items;

(v) If Licensee shall use the Trademark in an unauthorized or improper manner and/or if Licensee shall make an unauthorized disclosure of confidential information or materials given or loaned to Licensee by Licensor and/or the Design Partnership;

(vi) Licensee institutes proceedings seeking relief under a bankruptcy act or any similar law, or consents to entry of any order for relief against it in any bankruptcy or insolvency proceeding or similar proceeding, or files a petition for or consent or answer consenting to reorganization or other relief under any bankruptcy act or other similar law, or consents to the filing against it of any petition for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of it or of any substantial part of its property, or a proceeding

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seeking such an appointment shall have been commenced without Licensee's consent and shall continue undismissed for sixty (60) days or an order providing for such an appointment shall have been entered, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due or fails to pay its debts as they become due, or takes any action in furtherance of the foregoing;

(vii) Licensee transfers or agrees to transfer substantially all of its property in a transaction which results in ownership inconsistent with the terms of paragraph 9.3 hereof;

(viii) The calling of a meeting of creditors, appointment of a committee of creditors or liquidating agents, or offering a composition or extension to creditors by, for or of Licensee;

(ix) There shall be a direct or indirect change in control of the company which results in ownership inconsistent with the terms of paragraph 9.3 hereof;

(x) An event of default occurs under the Design, or any other license agreement entered into between Licensor (or its predecessor-in-interest) and Licensee or design agreement between Licensee and the Design Partnership (or its predecessor-in-interest);

(xi) Licensee shall have failed to perform any material term, covenant or agreement on its part to be performed under any agreement or instrument (other than this Agreement) evidencing or securing or relating to any indebtedness owing by Licensee, if the effect of such failure is to accelerate the maturity of such indebtedness, or to permit the holder or holders of such indebtedness to cause such indebtedness to become due prior to the stated maturity thereof.

9.2. If any Event of Default described in paragraphs 9.1 (i), (ii), (iii), (iv), (v), (ix), (x) or (xi) shall occur, Licensor shall have the right, exercisable in its sole discretion, to terminate this Agreement and the License upon ten (10) days' written notice to Licensee of its intention to do so, and upon the expiration of such ten (10) day period, this Agreement and the License shall terminate and come to an end. If the Event of Default described in paragraphs 9.1 (vi), (vii) or (viii) shall occur, this Agreement and the License shall thereupon forthwith terminate and come to an end without any need for notice to Licensee. This Agreement will terminate automatically upon the expiration or termination for any reason whatsoever of the Design Agreement. Any termination of this Agreement shall be without prejudice to any remedy of Licensor for the recovery of any monies then due it under

this Agreement or in respect to any antecedent breach of this Agreement, and without prejudice to any other right of Licensor including, without limitation, damages for breach to the extent that the same may be recoverable and Licensee agrees to reimburse Licensor for any costs and expenses (including attorneys' fees) incurred by Licensor in enforcing its rights hereunder. No assignee for the benefit of creditors, receiver, liquidator, sequestrator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets or business shall have any right to continue the performance of this Agreement.

9.3. During the term of this Agreement, Licensee shall not dissolve, liquidate or wind-up its business. In addition, in the event Licensee sells or transfers, or suffers a sale or a transfer of, by operation of law or otherwise, directly or indirectly, a controlling interest in Licensee (including, without limitation, in any direct or indirect parent of Licensee), Licensee shall promptly advise Licensor thereof in writing. If such sale or transfer results in such controlling interest being owned by an entity which, directly or indirectly, owns any trademark or tradename listed on Schedule C hereto, or the exclusive right to use any of such trademarks or tradenames, in connection with products similar to or competitive with Licensed Products, Licensee shall so notify Licensor, and within sixty (60) days of its receipt of notice, Licensor shall have the right to terminate this Agreement, such termination to become effective thirty (30) days after the date notice of termination is received by the Licensee.

10. Disposal of Stock Upon Termination or Expiration.

10.1. Within ten (10) days following the termination of this Agreement for any reason whatsoever including the expiration of the term hereof, and on the last day of each month during the disposal period set forth in paragraph 10.2 hereof, Licensee shall furnish to Licensor a certificate of Licensee listing its inventories of Licensed Products (which defined term for purposes of this paragraph 10.1 shall include, but shall not be limited to, all fabrics, trim and packaging which are used in the manufacture and marketing of Licensed Products) on hand or in process wherever situated. Licensor shall have the right to conduct a physical inventory of Licensed Products in Licensee's possession or under Licensee's control. Licensor or Licensor's designee shall have the option (but not the obligation) to purchase from Licensee all or any part of Licensee's then existing inventory of Licensed Products upon the following terms and conditions:

(i) Licensor shall notify Licensee of its or its designee's intention to exercise the foregoing option within fifteen (15) days of delivery of the certificate referred to above and shall specify the items of Licensed Products to be purchased.

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(ii) The price for Licensed Products manufactured by or on behalf of Licensee on hand or in process shall be Licensee's standard cost (the actual manufacturing cost) for each such Licensed Product. The price for all other Licensed Products which are not manufactured by Licensee shall be Licensee's landed costs therefor. Landed costs for the purposes hereof means the F.O.B. price of the Licensed Products together with customs, duties, and brokerage, freight and insurance.

(iii) Licensee shall deliver the Licensed Products purchased within fifteen (15) days of receipt of the notice referred to in clause (i) above. Payment of the purchase price for the Licensed Products so purchased by Licensor or its designee shall be payable upon delivery thereof, provided that Licensor shall be entitled to deduct from such purchase price any amounts owed it by Licensee (and/or to direct payment of any part of such merchandise to any supplier of Licensed Products in order to reduce an outstanding balance due to such supplier from Licensee).

10.2. In the event Licensee that, pursuant to paragraph 10.1 hereof, Licensee timely provides the certificate of inventory and Licensor chooses not to exercise its option with respect to all or any portion of Licensed Products, for a period of ninety (90) days after termination of this Agreement for any reason whatsoever, except on account of breach of the provisions of paragraph 3, 4 or 6 hereof, Licensee may dispose of Licensed Products which are on hand or in the process of being manufactured at the time of termination of this Agreement, provided that (i) Licensee fully complies with the provisions of this Agreement, including specifically those contained in paragraphs 3, 4 and 6 hereof in connection with such disposal, and (ii) said disposal takes place within ninety (90) days after notice of termination is given or the expiration of the term of this Agreement, as the case may be.

10.3. Notwithstanding anything to the contrary contained herein, in the event that upon the expiration or termination of the term hereof for any reason Licensee has not rendered to Licensor all accounting statements then due, and paid (i) all royalties and other amounts then due to Licensor, (ii) all compensation then due to Lauren under the Design Agreement and (iii) all amounts then due to any affiliate of or supplier to Licensor or its affiliates (collectively, "Payments"), Licensee shall have no right whatsoever to dispose of any inventory of Licensed Products in any manner. In addition, if during any disposal period Licensee fails timely to render any accounting statements, or certificates of inventory required pursuant to paragraph 10.1 hereof, or to make all Payments when due, Licensee's disposal rights hereunder shall immediately terminate without notice.

11. Effect of Termination.

11.1. It is understood and agreed that except for the License to use the Trademark only as specifically provided for in this Agreement, Licensee shall have no right, title or interest in or to the Trademark. Upon and after the termination of this License, all rights granted to Licensee hereunder, together with any interest in and to the Trademark which Licensee may acquire, shall forthwith and without further act or instrument be assigned to and revert to Licensor. In addition, Licensee will execute any instruments requested by Licensor which are necessary to accomplish or confirm

the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual agreements contained herein. Licensor shall thereafter be free to license to others the right to use the Trademark in connection with the manufacture and sale of the Licensed Products covered hereby, and Licensee will refrain from further use of the Trademark or any further reference to them, direct or indirect, or any other trademark, trade name or logo that is confusingly similar to the Trademark, or associated with the Trademark in any way, in connection with the manufacture, sale or distribution of Licensee's products, except as specifically provided in paragraph 10 hereof. It is expressly understood that under no circumstances shall Licensee be entitled, directly or indirectly, to any form of compensation or indemnity from Licensor, the Design Partnership or their affiliates, as a consequence to the termination of this Agreement, whether as a result of the passage of time, or as the result of any other cause of termination referred to in this Agreement. Without limiting the generality of the foregoing, by its execution of the present Agreement, Licensee hereby waives any claim which it has or which it may have in the future against Licensor, the Design Partnership or their affiliates, arising from any alleged goodwill created by Licensee for the benefit of any or all of the said parties or from the alleged creation or increase of a market for Licensed Products.

11.2. Licensee acknowledges and admits that there would be no adequate remedy at law for its failure (except as otherwise provided in paragraph 10 hereof) to cease the manufacture or sale of the Licensed Products covered by this Agreement at the termination of the License, and Licensee agrees that in the event of such failure Licensor shall be entitled to equitable relief by the way of temporary and permanent injunction and such other and further relief as any court with jurisdiction may deem just and proper.

12. Showroom.

Licensee represents that a separate showroom for the presentation and sale of the Licensed Products will be established and staffed and Licensee agrees to maintain, operate, decorate and staff the showroom in a manner consistent with that of the showrooms established for the presentation and sale of Licensor's other products. Licensor shall have a right of approval with respect to the design, layout, decoration and staffing of the showroom and all expenses incurred with respect to the design, construction, operation and maintenance of such showroom shall be borne by Licensee. Licensee shall admit Licensor's employees to its showroom and shall sell to such employees for their personal use (and not for resale) such Licensed Products as any such employee may reasonably request, at prices equal to the regular wholesale price less a discount equal to not less than thirty percent (30%) of such regular wholesale price. Licensee and Licensor shall mutually agree upon a policy in respect of such

sales that will address reciprocity and avoid interference with Licensee's normal operations.

13. Indemnity.

13.1. Licensor shall indemnify and hold harmless Licensee from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in actions involving third parties or between the parties hereto) which Licensee is or becomes liable for, or may incur solely by reason of its use within the Territory, in strict accordance with the terms and conditions of this Agreement and the Design Agreement, of the Licensed Mark or the designs furnished to Licensee by Licensor or Lauren, to the extent that such liability arises through infringement of another's design patent, trademark, copyright or other proprietary rights; provided, however, that Licensee gives Licensor prompt notice of, and full cooperation in the defense against, such claim. If any action or proceeding shall be brought or asserted against Licensee in respect of which indemnity may be sought from Licensor under this paragraph 13.1, Licensee shall promptly notify Licensor thereof in writing, and Licensor shall assume and direct the defense thereof. Licensee may thereafter, at its own expense, be represented by its own counsel in such action or proceeding.

13.2. To the extent not inconsistent with paragraph 13.1 hereof, Licensee shall indemnify and save and hold Licensor, the Design Partnership, Polo Ralph Lauren Corporation and Ralph Lauren, individually, and their assignees, directors, officers, servants, agents and employees, harmless from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in actions involving third parties or between the parties hereto), which they, or any of them, are or become liable for, or may incur, or be compelled to pay by reason of any acts, whether of omission or commission, that may be committed or suffered by Licensee or any of its servants, agents or employees in connection with Licensee's performance of this Agreement, including Licensee's use of Licensee's own designs, in connection with Licensed Products manufactured by or on behalf of Licensee or otherwise in connection with Licensee's business.

14. Insurance.

Licensee shall carry product liability insurance with limits of liability in the minimum amount, in addition to defense costs, of $3,000,000 per occurrence and $3,000,000 per person and Licensor, the Design Partnership, Polo Ralph Lauren Corporation and Ralph Lauren, individually, shall be named therein as insureds, as their interests may appear. The maximum deductible with respect to such insurance shall be $100,000. Licensee shall, promptly after the signing of this Agreement, deliver to Licensor a certificate of such insurance from the insurance carrier, setting forth the scope of coverage and the limits of liability and providing that the policy may not be canceled or amended without at least thirty (30) days prior written notice to Licensor, the Design Partnership, Polo Ralph Lauren Corporation and Ralph Lauren, individually.

15. Disclosure.

15.1. Licensor and Licensee, and their affiliates, employees, attorneys, accountants and bankers shall hold in confidence and not use or disclose, except as permitted by this Agreement, (i) confidential information of the other or (ii) the terms of this Agreement, except upon consent of the other or pursuant to, or as may be required by law, or in connection with regulatory or administrative proceedings and only then with reasonable advance notice of such disclosure to the other. Licensee shall take all reasonable precautions to protect the secrecy of the material used pursuant to this Agreement prior to the commercial distribution or the showing of samples for sale, and shall not sell any merchandise employing or adapted from any of said designs sketches, artwork, logos, and other materials or their use except under the Trademark.

15.2. Licensee agrees that all press releases and other public announcements related to Licensor's operations hereunder, shall be subject to approval by Licensor, and that each request for a statement, release or other inquiry shall be sent in writing to the advertising/publicity director of Licensor for response.

16. Key Personnel.

16.1. At all times during the term hereof, Licensee shall employ a senior executive, approved in advance by Licensor (such approval not to be unreasonably withheld), whose primary responsibility shall be to manage all of Licensee's operations pursuant to this Agreement.

16.2. At all times during the term hereof, Licensee shall employ a Design Director, approved in advance by Licensor (such approval not to be unreasonably withheld), whose primary responsibility shall be to work with Licensor and the Design Partnership on the creation and implementation of designs for the Licensed Products and related activities under this Agreement.

17. Miscellaneous.

17.1. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been properly given or sent (i) on the date when such notice, request, consent or communication is personally delivered or (ii) five (5) days after the same was sent, if sent by certified or registered mail or (iii) two (2) days after the same was sent, if sent by overnight courier delivery or confirmed telecopier, as follows:

(a) if to Licensee, addressed as follows:

Jones Apparel Group, Inc.
250 Rittenhouse Circle
Bristol, Pennsylvania 19007
Attention: Mr. Sidney Kimmel
Telecopier: (215) 785-1795

with a copy to:

Jones Apparel Group, Inc.
1411 Broadway
New York, New York 10018
Attention: Mr. Herbert Goodfriend
Telecopier: (212) 921-5370

(b) if to Licensor, addressed as follows:

Polo Ralph Lauren, L.P.
650 Madison Avenue
New York, New York 10022
Attention: President
Telecopier: 212.318.7186

with a copy to:

Victor Cohen, Esq.
Eighth Floor
650 Madison Avenue
New York, New York 10022
Telecopier: 212.318.7183

Anyone entitled to notice hereunder may change the address to which notices or other communications are to be sent to it by notice given in the manner contemplated hereby.

17.2. Nothing herein contained shall be construed to place the parties in the relationship of partners or joint venturers, and no party hereto shall have any power to obligate or bind any other party hereto in any manner whatsoever, except as otherwise provided for herein.

17.3. None of the terms hereof can be waived or modified except by an express agreement in writing signed by the party to be charged. The failure of any party hereto to enforce, or the delay by any party in enforcing, any of its rights hereunder shall not be deemed a continuing waiver or a modification thereof and any party may, within the time provided by applicable law, commence appropriate legal proceedings to enforce any and all of such rights. All rights and remedies provided for herein shall be cumulative and in addition to any other rights or remedies such parties may have at law or in equity. Any party hereto may employ any of the remedies available to it with respect to any of its rights hereunder without prejudice to the use by it in the future of any other remedy with respect to any of such rights. No person, firm or corporation, other than the parties hereto and the Design Partnership (and, to the extent set forth in paragraphs 13.1 and 13.2 hereof, Polo Ralph Lauren Corporation and Ralph Lauren, individually), shall be deemed to have acquired any rights by reason of anything contained in this Agreement.

17.4. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties hereto. Licensor may assign all or any portion of the royalties payable to Licensor hereunder, as designated by Licensor, and in addition, Licensor may assign all of its rights, duties and obligations hereunder to any entity to which the Trademark, or the right to use the Trademark, has been transferred, or to an affiliate of any such entity. The rights granted to Licensee hereunder are unique and personal in nature, and neither this Agreement nor the License may be assigned by Licensee without Licensor's prior written consent, which may be withheld in Licensor's sole discretion. Any attempt by Licensee to transfer any of its rights or obligations under this Agreement, whether by assignment, sublicense or otherwise, without having received the prior written consent of Licensor shall constitute an Event of Default, but shall otherwise be null and void. Licensee may employ subcontractors subject to the prior written approval of Licensor for the manufacture of the Licensed Products; provided, however, that in any event, (i) the supervision of production of Licensed Products shall remain under the control of Licensee, (ii) Licensee shall maintain appropriate quality controls, (iii) such subcontractors shall comply with the quality and (iv) such subcontractors shall comply with other requirements of Licensor

consistent with the terms of this Agreement, including, but not limited to, the execution by subcontractor of the Trademark and Design Protection Agreement attached hereto and made a part hereof.

17.5. Licensee shall comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the operations of Licensee contemplated hereby, including, without limitation, as they relate to the manufacture, distribution, sale or promotion of Licensed Products, notwithstanding the fact that Licensor may have approved such item or conduct. Licensee shall advise Licensor in the event any Final Prototype does not comply with any such law, rule, regulation or requirement.

17.6. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, applicable to contracts made and to be wholly performed therein without regard to its conflicts of law rules.

17.7. The parties hereby consent to the jurisdiction of the United States District Court for the Southern District of New York and of any of the courts of the Southern District of New York and of any of the courts of the State of New York located within the Southern District in any dispute arising under this Agreement and agree further that service of process or notice in any such action, suit or proceeding shall be effective if in writing and delivered as provided in paragraph 17.1 hereof. Notwithstanding anything to the contrary set forth herein, neither Polo Ralph Lauren Corporation nor any other general or limited partner of Licensor shall be liable for any claim based on, arising out of, or otherwise in respect of, this Agreement, and Licensee shall not have nor claim to have any recourse for any such claim against any general or limited partner of Licensor.

17.8. The provisions hereof are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction, or any other provision in this Agreement in any jurisdiction. To the extent legally permissible, an arrangement which reflects the original intent of the parties shall be substituted for such invalid or unenforceable provision.

17.9. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused the same to be executed by a duly authorized officer as of the day and year first above written.

POLO RALPH LAUREN, L.P.
By: Polo Ralph Lauren Corporation,
General Partner

By: /s/ Michael Newman

JONES APPAREL GROUP, INC.

By: /s/ Sidney Kimmel

Schedule A

LICENSED PRODUCTS

Licensed Products shall mean the following women's "better" apparel products bearing the Trademark: shirts, blouses, skirts, jackets, suits, sweaters, pants, vests, coats, outerwear, hats. Licensed Products shall also include such other articles of women's apparel as Licensor shall, from time to time, designate in its sole discretion.

Licensed products shall not include denim pants or shorts, and Licensee's rights hereunder shall not be violated by virtue of the manufacture or sale by Licensor or any of its affiliates or licensees of any jeanswear apparel sold as part of a jeanswear line, notwithstanding the similarity of any such products to Licensed Products.

Except as provided below, this Agreement does not cover any other trademark of Licensor or in any way limit Licensor's right to engage in business with such trademarks as it deems appropriate in its sole discretion. However, Licensor agrees not to sell or license another complete line of women's apparel with a "Ralph Lauren" trademark intended to be sold in the "better" area of women's departments in direct competition with Licensed Products (a "Competing Line"). The foregoing restriction is intended to limit Licensor's ability to market an equivalent line of "better" women's apparel under another name, and the parties agree that any womenswear sold as part of any other line (and not individually to be sold with "better" products) bearing any other trademark owned by Licensor or its affiliates, so long as such line is not a Competing Line, shall not violate the foregoing restriction, notwithstanding the similarity of particular products and/or their price points to Licensed Products.

Licensee shall not sell or market Licensed Products in "bridge" or "collection" areas.

Schedule B

TRADEMARK

LAUREN/RALPH LAUREN

and/or

LAUREN BY RALPH LAUREN

Replacement Schedule B received
and filed:

JONES APPAREL GROUP, INC.

By: /s/ Sidney Kimmel

Dated: 10/19/95

Schedule C

Restricted Individuals and Entities

[* * *]

EXHIBIT 21.1

POLO RALPH LAUREN CORPORATION
SIGNIFICANT SUBSIDIARIES

All the significant subsidiaries are wholly-owned by Polo Ralph Lauren Corporation and/or one or more of its wholly-owned subsidiaries.

Name	Jurisdiction in which Organized
Fashions Outlet of America, Inc.	Delaware
PRL USA Holdings, Inc.	Delaware
PRL International, Inc.	Delaware
The Ralph Lauren Womenswear Company, L.P.	Delaware

POWER-OF-ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ralph Lauren, Michael Newman and Nancy A. Platoni Poli, and each of them, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities to sign any and all amendments to the Annual Report on Form 10-K for the fiscal year ended March 28, 1998 of Polo Ralph Lauren Corporation, and to file the same with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and things requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURE	TITLE(S)	DATE
/s/ Ralph Lauren - ---------- Ralph Lauren	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 26, 1998
/s/ Michael J. Newman - ---------- Michael J. Newman	Vice Chairman of the Board of Directors and Chief Operating Officer	June 26, 1998
/s/ Nancy A. Platoni Poli - ---------- Nancy A. Platoni Poli	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 26, 1998
/s/ Frank A. Bennack, Jr. - ---------- Frank A. Bennack, Jr.	Director	June 26, 1998
/s/ Richard A. Friedman - ---------- Richard A. Friedman	Director	June 26, 1998
/s/ Allen Questrom - ---------- Allen Questrom	Director	June 26, 1998
/s/ Terry S. Semel - ---------- Terry S. Semel	Director	June 26, 1998
/s/ Peter Strom - ---------- Peter Strom	Director	June 26, 1998

12-MOS	
MAR-28-1998	
MAR-28-1998	
	58,755
	0
	161,567
	12,447
	298,485
	556,464
	297,970
	122,622
	825,130
	202,258
	0
	0
	0
	1,003
	583,323
825,130	
	1,303,816
	1,470,935
	755,654
	755,654
	515,526
	0
	159
	199,596
	52,025
	147,571
	0
	0
	0
	147,571
	1.20
	1.20

EPS is presented on a pro forma basis. See Notes 1.f. and 1.g. to the consolidated financial statements for the fiscal year ended March 28, 1998 on Form 10-K for basis of presentation.