

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 26, 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
(State or other jurisdiction of
incorporation or organization)

13-2622036
(I.R.S. Employer
Identification No.)

650 MADISON AVENUE, NEW YORK, NEW YORK
(Address of principal executive offices)

10022
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

At November 5, 1998, 33,673,214 shares of the registrant's Class A Common Stock, \$.01 par value, were outstanding, 43,280,021 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding and 22,720,979 shares of the registrant's Class C Common Stock, \$.01 par value were outstanding.

POLO RALPH LAUREN CORPORATION

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

	SEPTEMBER 26, 1998	MARCH 28, 1998
	----- (Unaudited)	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 46,530	\$ 58,755
Accounts receivable, net of allowances of \$12,558 and \$12,447, respectively	170,453	149,120
Inventories	398,335	298,485
Deferred tax assets	24,448	24,448
Prepaid expenses and other	31,589	25,656
	-----	-----
TOTAL CURRENT ASSETS	671,355	556,464
Property and equipment, net	229,774	175,348
Deferred tax assets	14,199	14,213
Other assets, net	100,485	79,105
	-----	-----
	\$ 1,015,813	\$ 825,130
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and acceptances payable - banks	\$ 79,600	\$ --
Accounts payable	132,789	100,126
Income taxes payable	20,819	2,554
Accrued expenses and other	95,735	99,578
	-----	-----
TOTAL CURRENT LIABILITIES	328,943	202,258
Other noncurrent liabilities	45,885	38,546
Stockholders' equity		
Common Stock		
Class A, par value \$.01 per share; 500,000,000 shares authorized; 34,277,078 and 34,272,726 shares issued, respectively	343	343
Class B, par value \$.01 per share; 100,000,000 shares authorized; 43,280,021 shares issued and outstanding	433	433
Class C, par value \$.01 per share; 70,000,000 shares authorized; 22,720,979 shares issued and outstanding	227	227
Additional paid-in-capital	448,031	447,918
Retained earnings	209,368	136,738
Treasury Stock, Class A, at cost (603,864 shares)	(16,084)	--
Unearned compensation	(1,333)	(1,333)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	640,985	584,326
	-----	-----
	\$ 1,015,813	\$ 825,130
	=====	=====

See accompanying notes to financial statements.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	SEPTEMBER 26, 1998	SEPTEMBER 27, 1997	SEPTEMBER 26, 1998	SEPTEMBER 27, 1997
Net sales	\$ 409,456	\$ 372,660	\$ 720,611	\$ 628,072
Licensing revenue	61,503	48,486	104,787	81,018
Other income	3,847	2,208	8,185	3,914
	-----	-----	-----	-----
Net revenues	474,806	423,354	833,583	713,004
Cost of goods sold	241,095	215,075	417,256	358,073
	-----	-----	-----	-----
Gross profit	233,711	208,279	416,327	354,931
Selling, general and administrative expenses	148,783	132,375	293,747	250,283
	-----	-----	-----	-----
Income from operations	84,928	75,904	122,580	104,648
Interest (expense) income	(676)	253	4	(2,509)
	-----	-----	-----	-----
Income before income taxes	84,252	76,157	122,584	102,139
Provision for income taxes	34,333	31,224	49,954	12,568
	-----	-----	-----	-----
Net income	\$ 49,919	\$ 44,933	\$ 72,630	\$ 89,571
	=====	=====	=====	=====
PRO FORMA (NOTE 2) - (UNAUDITED)				
Historical income before income taxes				\$ 102,139
Pro forma adjustments other than income taxes				3,163

Pro forma income before income taxes				105,302
Pro forma provision for income taxes				43,173

Pro forma net income				\$ 62,129
				=====
Net income per share - Basic and Diluted	\$ 0.50	\$ 0.45	\$ 0.73	\$ 0.62
	=====	=====	=====	=====
Common shares outstanding - Basic	99,826,960	100,222,444	100,011,047	100,222,444
	=====	=====	=====	=====
Common shares outstanding - Diluted	99,878,242	100,222,444	100,151,156	100,222,444
	=====	=====	=====	=====

See accompanying notes to financial statements.

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

	SIX MONTHS ENDED	
	----- SEPTEMBER 26, 1998 -----	SEPTEMBER 27, 1997 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 72,630	\$ 89,571
Adjustments to reconcile net income to net cash provided by operating activities		
Benefit from deferred income taxes	--	(21,746)
Depreciation and amortization	22,142	12,472
Provision for losses on accounts receivable	435	435
Changes in deferred liabilities	512	2,536
Other	195	(548)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	(21,717)	6,978
Inventories	(97,696)	(39,574)
Prepaid expenses and other	(5,884)	6,343
Other assets	(7,923)	(5,522)
Accounts payable	30,438	(25,265)
Income taxes payable and accrued expenses and other	12,148	17,820
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,280	43,500
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	(72,407)	(24,905)
Acquisition, net of cash acquired	(6,981)	(8,551)
Investments in joint venture	--	(5,091)
Cash surrender value - officers' life insurance, net	(1,409)	(1,838)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(80,797)	(40,385)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net	113	268,797
Repurchases of common stock	(16,084)	--
Proceeds from (repayments of) short-term borrowings, net	79,600	(20,535)
Repayments of borrowings against officers' life insurance policies	--	(4,901)
Repayments of long-term debt and subordinated notes	(337)	(134,743)
Payment of dividend and Reorganization notes	--	(43,024)
Distributions paid to partners	--	(44,855)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	63,292	20,739
	-----	-----
Net (decrease) increase in cash and cash equivalents	(12,225)	23,854
Cash and cash equivalents at beginning of period	58,755	29,599
	-----	-----
Cash and cash equivalents at end of period	\$ 46,530	\$ 53,453
	=====	=====

See accompanying notes to financial statements.

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

	SIX MONTHS ENDED	
	SEPTEMBER 26, 1998	SEPTEMBER 27, 1997
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1 =====	\$ 4,032 =====
Cash paid for income taxes	\$ 34,583 =====	\$ 19,105 =====
 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Foreign tax credits distributed to partners		\$ 509 =====
Fair value of assets acquired, excluding cash	\$ 14,868	\$ 69,537
Less:		
Cash paid	6,981	8,551
Promissory notes issued	5,000	--
Fair market value of common stock issued for acquisition	--	697
Liabilities assumed	----- \$ 2,887 =====	----- \$ 60,289 =====
Fair market value of restricted stock grants		\$ 667 =====

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION FOR SEPTEMBER 26, 1998 AND SEPTEMBER 27, 1997 IS UNAUDITED)

1 BASIS OF PRESENTATION

(A) UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in a manner consistent with that used in the preparation of the March 28, 1998 audited consolidated financial statements of Polo Ralph Lauren Corporation and subsidiaries ("Polo"). In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows for the periods presented.

Operating results for the six months ended September 26, 1998 and September 27, 1997 are not necessarily indicative of the results that may be expected for a full year. In addition, the unaudited interim consolidated financial statements do not include all information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles. These consolidated financial statements should be read in conjunction with the Company's fiscal 1998 audited consolidated financial statements.

(B) BASIS OF PRESENTATION

Polo Ralph Lauren Corporation ("PRLC") was incorporated in Delaware in March 1997. 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 comprise the predecessor group of companies in exchange for common stock of PRLC and promissory notes (the "Reorganization"). The accompanying consolidated financial statements for the six months ended September 27, 1997 include the combined results of operations of Polo Ralph Lauren Enterprises, L.P., Polo Ralph Lauren, L.P. and subsidiaries and The Ralph Lauren Womenswear Company, L.P. and subsidiaries (collectively, 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 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 financial statements of PRLC have not been included prior to the Reorganization because PRLC was a shell company with no business operations.

The accompanying consolidated financial statements as of and for the three months and six months ended September 26, 1998 and for the three months ended September 27, 1997 include the results of operations of Polo.

The financial statements of the Predecessor Company have been combined and included in the results for the six months ended September 27, 1997 because of their common ownership. The combined financial statements have been prepared as if the entities comprising the Predecessor Company had operated as a single consolidated group since their respective dates of organization.

All significant intercompany balances and transactions have been eliminated.

(C) INITIAL PUBLIC OFFERING

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 connection with its initial public offering. The net proceeds to the Company from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, aggregated \$268.8 million.

2 SIGNIFICANT ACCOUNTING POLICIES

(A) PRO FORMA ADJUSTMENTS (UNAUDITED)

The pro forma statement of income data for the six months ended September 27, 1997 presents the effects on the historical financial statements of certain transactions as if they had occurred at March 30, 1997. The pro forma statement of income data reflects adjustments for: (i) income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes, calculated using a pro forma effective tax rate of 41.0%; and (ii) the reduction of interest expense resulting from the application of a portion of the net proceeds from the initial public offering to outstanding indebtedness.

(B) NET INCOME PER SHARE (UNAUDITED)

Basic net income per share was calculated by dividing net income by the weighted average number of shares outstanding during the period and excluded any potential dilution. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and awards. The weighted average number of shares outstanding in the three months and six months ended September 26, 1998 and in the three months ended September 27, 1997 represents the actual number of shares outstanding during such period. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering was considered to be outstanding in the six months ended September 27, 1997.

(C) RECLASSIFICATIONS

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

(D) COMPREHENSIVE INCOME

Effective March 29, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130, REPORTING COMPREHENSIVE INCOME. This Statement establishes standards for reporting of comprehensive income and its components in the financial statements. For the three months and six months ended September 26, 1998 and September 27, 1997, comprehensive income was equal to net income.

(E) RECENTLY ISSUED PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("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. The required disclosures will be presented in the Company's Annual Report on Form 10-K for the fiscal year ending April 3, 1999.

In June 1998, the FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of the fiscal year ending April 1, 2000 and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on the Company's financial position or results of operations.

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, be expensed as incurred. SOP 98-5 will be effective in the first quarter of 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

	SEPTEMBER 26, 1998	MARCH 28, 1998
Raw materials	\$ 19,110	\$ 26,364
Work-in-process	10,954	12,406
Finished goods	368,271	259,715
	-----	-----
	\$398,335	\$298,485
	=====	=====

Merchandise inventories of \$199.8 million and \$130.9 million at September 26, 1998 and March 28, 1998, respectively, were valued utilizing the retail method and are included in finished goods.

POLO RALPH LAUREN CORPORATION

ITEM 2 - 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 AND THE COMPANY'S FISCAL 1998 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FILED WITH THE COMPANY'S FORM 10-K FOR THE FISCAL YEAR ENDED MARCH 28, 1998. THE COMPANY UTILIZES A 52-53 WEEK FISCAL YEAR ENDING ON THE SATURDAY NEAREST MARCH 31. ACCORDINGLY, FISCAL YEARS 1999 AND 1998 END ON APRIL 3, 1999 AND MARCH 28, 1998, RESPECTIVELY. DUE TO THE COLLABORATIVE AND ONGOING NATURE OF THE COMPANY'S RELATIONSHIPS WITH ITS LICENSEES, SUCH LICENSEES ARE REFERRED TO HEREIN AS "LICENSING PARTNERS" AND THE RELATIONSHIPS BETWEEN THE COMPANY AND SUCH LICENSEES ARE REFERRED TO HEREIN 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.

CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (THE "REFORM ACT"). SEE PART II. OTHER INFORMATION. ITEM 5. - "STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE."

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. The Company's net revenues are generated from its three integrated operations: wholesale, retail and licensing alliances.

RESULTS OF OPERATIONS

The following discussion provides information and analysis of the Company's results of operations for the three months and six months ended September 26, 1998 compared to September 27, 1997. As a result of the Company's initial public offering completed on June 17, 1997 and the use of a portion of the net proceeds therefrom to reduce outstanding indebtedness, historical interest expense for the six months ended September 26, 1998 and September 27, 1997 is not discussed below because such information is not meaningful. The effect of income taxes for the six months ended September 26, 1998 and September 27, 1997 is also not discussed below because the historic taxation of the operations of the Company is not meaningful with respect to periods following the Reorganization.

The table below sets forth the percentage relationship to net revenues of certain items in the Company's statements of income for the three months and six months ended September 26, 1998 and September 27, 1997:

	SEPT. 26, 1998		SEPT. 27, 1997	
	THREE MONTHS	SIX MONTHS	THREE MONTHS	SIX MONTHS
Net sales	86.2%	86.4%	88.0%	88.1%
Licensing revenue	13.0	12.6	11.5	11.4
Other income	0.8	1.0	0.5	0.5
Net revenues	100.0	100.0	100.0	100.0
Gross profit	49.2	49.9	49.2	49.8
Selling, general and administrative expenses	31.3	35.2	31.3	35.1
Income from operations	17.9%	14.7%	17.9%	14.7%
	=====	=====	=====	=====

THREE MONTHS ENDED SEPTEMBER 26, 1998 COMPARED TO THREE MONTHS ENDED SEPTEMBER 27, 1997

NET SALES. Net sales increased 9.9% to \$409.5 million in the three months ended September 26, 1998 from \$372.7 million in the three months ended September 27, 1997. Wholesale net sales increased 13.9% to \$233.9 million in the three months ended September 26, 1998 from \$205.2 million in the corresponding period of fiscal 1998. Wholesale growth primarily reflects volume-driven sales increases in existing menswear and womenswear brands and the timing of menswear product shipments to retailers. These unit increases were partially offset by decreases in average selling prices resulting from changes in product mix. Retail sales increased by 4.9% to \$175.6 million in the three months ended September 26, 1998 from \$167.4 million in the corresponding period in fiscal 1998. Of this increase, \$21.0 million is attributable to the opening of three new Polo stores and 14 new outlet stores in fiscal 1999 and the benefit of three months of operations for three new Polo stores and ten new outlet stores opened in fiscal 1998. Comparable store sales for the three months ended September 26, 1998 decreased by 7.6% largely due to the following: (i) the effects of a more challenging economic environment; (ii) lower tourism, most notably in the Company's West Coast and Hawaiian stores; (iii) issues encountered during a conversion of one of the Company's retail merchandising systems; and (iv) unseasonably warm weather conditions throughout the United States during the start of the fall selling season as well as other weather issues and store closings. Although the Company corrected its system's conversion issues during its second fiscal quarter, it believes that retail sales will continue to be negatively impacted by the general economic uncertainty experienced during the quarter. The Company anticipates that some of these factors affecting its retail operations will continue for the foreseeable future. See Part II. Other Information. Item 5. "Statement Regarding Forward-Looking Disclosure." Comparable store sales represent net sales of stores open in both reporting periods for the full portion of such periods. At September 26, 1998, the Company operated 31 Polo stores and 89 outlet stores.

LICENSING REVENUE. Licensing revenue increased 26.8% to \$61.5 million in the three months ended September 26, 1998 from \$48.5 million in the corresponding period of fiscal 1998. This increase is primarily attributable to an overall increase in sales of existing licensed products, particularly Lauren, Chaps and Polo Jeans, and the Company's continued expansion and growth in international markets.

GROSS PROFIT. Gross profit as a percentage of net revenues remained at 49.2% in the three months ended September 26, 1998 and September 27, 1997. Licensing revenue, which has no associated cost of goods sold, increased as a percentage of net revenues to 13.0% in the three months ended September 26, 1998 from 11.5% in the corresponding period in fiscal 1998. This improvement was offset by decreases in wholesale and retail gross margins. Wholesale margins decreased slightly primarily due to higher off-price sales to reduce inventory levels and changes in product mix. Retail margins also decreased slightly due to higher promotional/point of sale markdowns.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased by \$16.4 million to \$148.8 million in the three months ended September 26, 1998 from \$132.4 million in the corresponding period of fiscal 1998. The increase in SG&A expenses is principally due to increased volume-related expenses to support the revenue growth as well as increased depreciation expense associated with the Company's shop-within-shop development program and continued investment in organizational infrastructure. Despite these increases, SG&A expenses as a percentage of net revenues were 31.3% in both periods.

INTEREST EXPENSE. Interest expense increased to \$0.7 million in the three months ended September 26, 1998 from interest income of \$0.3 million in the corresponding period of fiscal 1998. This increase is due to an increase in working capital borrowing requirements, primarily for inventory, in the three months ended September 26, 1998. The additional working capital requirements for inventory were primarily driven by the overall growth of the business.

INCOME TAXES. The effective income tax rate was approximately 41.0% for the three months ended September 26, 1998 and September 27, 1997.

SIX MONTHS ENDED SEPTEMBER 26, 1998 COMPARED TO SIX MONTHS ENDED SEPTEMBER 27, 1997

NET SALES. Net sales increased 14.7% to \$720.6 million in the six months ended September 26, 1998 from \$628.1 million in the six months ended September 27, 1997. Wholesale net sales increased 20.4% to \$403.8 million in the six months ended September 26, 1998 from \$335.4 million in the corresponding period of fiscal 1998. Wholesale growth primarily reflects increased menswear sales resulting from the timing of shipments to retailers and volume-driven sales increases in existing menswear and womenswear brands. These unit increases were partially offset by decreases in average selling prices resulting from changes in product mix. Retail sales increased by 8.3% to \$316.8 million in the six months ended September 26, 1998 from \$292.6 million in the corresponding period in fiscal 1998. Of this increase, \$36.0 million is attributable to the opening of two new Polo stores (net of one store closing) and 17 new outlet stores (net of one store closing) in fiscal 1999 and the benefit of six

months of operations for three new Polo stores and ten new outlet stores opened in fiscal 1998. Comparable store sales for the six months ended September 26, 1998 decreased by 4.0% largely due to the following: (i) the effects of a more challenging economic environment; (ii) lower tourism, most notably in the Company's West Coast and Hawaiian stores; (iii) issues encountered during a conversion of the Company's retail merchandising systems; and (iv) unseasonably warm weather conditions throughout the United States during the start of the fall selling season as well as other weather issues and store closings.

LICENSING REVENUE. Licensing revenue increased 29.3% to \$104.8 million in the six months ended September 26, 1998 from \$81.0 million in the corresponding period of fiscal 1998. This increase is primarily attributable to an overall increase in sales of existing licensed products, particularly Chaps, Lauren and Polo Jeans, and the Company's continued expansion and growth in international markets.

GROSS PROFIT. Gross profit as a percentage of net revenues increased slightly to 49.9% in the six months ended September 26, 1998 from 49.8% in the corresponding period of fiscal 1998. This improvement was primarily attributable to an increase in licensing revenue, which has no associated cost of goods sold, as a percentage of net revenues to 12.6% in the six months ended September 26, 1998 from 11.4% in the corresponding period in fiscal 1998. Additionally, retail gross margins increased slightly due to an improved initial mark-up. These improvements were offset by a decrease in wholesale gross margins due to higher off-price sales to reduce inventory levels and changes in product mix.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by \$43.4 million to \$293.7 million in the six months ended September 26, 1998 from \$250.3 million in the corresponding period of fiscal 1998. The increase in SG&A expenses is principally due to increased volume-related expenses to support the revenue growth as well as increased depreciation expense associated with the Company's shop-within-shops development program and continued investment in organizational infrastructure. Despite these increases, SG&A expenses as a percentage of net revenues remained constant at approximately 35.2%.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities decreased to \$5.3 million in the six months ended September 26, 1998 from \$43.5 million in the comparable period in fiscal 1998. This reduction was driven by increases in accounts receivable and inventories primarily due to timing (i.e., shipments and customer remittances) and the overall growth of the business. These decreases were offset by changes in trade accounts payable as a result of the timing of payments. Net cash used for investing activities increased to \$80.8 million in the six months ended September 26, 1998 from \$40.4 million in the comparable period in fiscal 1998 principally due to higher capital expenditures. Net cash provided by financing activities increased to \$63.3 million in the six months ended September 26, 1998 from \$20.7 million in the comparable period in fiscal 1998. This increase primarily reflects the utilization of short-term borrowings against the Company's Credit Facility (as defined below) offset by repurchases of common stock in the six months ended September 26, 1998.

On June 9, 1997, the Company entered into a credit facility with a syndicate of banks which consists of a \$225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002 (the "Credit Facility"). Borrowings under the Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the 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 September 26, 1998, the Company had \$79.6 million outstanding in direct borrowings and was contingently liable for \$20.8 million in outstanding letters of credit under the Credit Facility. The weighted average interest rate on amounts outstanding under the Credit Facility on September 26, 1998 was 8.5%.

The Company is currently exploring opportunities to increase efficiency and productivity and reduce its cost structure in order to streamline operations and to better service its long-term strategic objectives. The successful implementation of this initiative could favorably affect future results, but reduce net income in the short-term. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

Capital expenditures were \$72.4 million and \$24.9 million in the six months ended September 26, 1998 and September 27, 1997, respectively. The increase in capital expenditures represents primarily expenditures associated with the Company's shop-within-shops development program which includes new shops, renovations and expansions, as well as expenditures incurred in connection with the expansion of the Company's retail operations. Additionally, capital expenditure increases reflect the purchase by the Company of a distribution center in North Carolina for \$16.0 million which it had been previously leasing. The Company plans to invest approximately \$120.0 million, net of landlord incentives, over the current fiscal year in its retail stores, including flagship stores and expansion of its distribution facility, the shop-within-shops development program and other capital projects. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to \$100.0 million of the Company's Class A Common Stock. Share repurchases under this plan will be made from time to time in the open market over a two-year period which commenced April 1, 1998. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes. As of September 26, 1998, the Company had repurchased 603,864 shares of its Class A Common Stock at an aggregate cost of \$16.1 million.

Management believes that cash from ongoing operations and funds available under the Credit Facility will be sufficient to satisfy the Company's current level of operations, capital requirements, stock repurchase program and other corporate activities for the next twelve months. Additionally, the Company does not intend to pay dividends on its Common Stock in the next twelve months. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

SEASONALITY OF BUSINESS

The Company's business is affected by seasonal trends, with higher levels of wholesale sales in its second and fourth quarters and higher retail sales in its second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments to retail customers and key vacation travel and holiday shopping periods in the retail segment. As a result of the 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 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 enterprises' 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. The required disclosures will be presented in the Company's Annual Report on Form 10-K for the fiscal year ending April 3, 1999.

In June 1998, the FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of fiscal year ending April 1, 2000 and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on the Company's financial position or results of operations.

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, be expensed as incurred. SOP 98-5 will be effective in the first quarter of 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 Company has, with the aid of outside consultants, initiated a program to assess the impact of Year 2000 issues on its information technology ("IT") systems and its non-IT systems and has formulated a plan to address its Year 2000 issues.

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

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

To date, the Company has incurred expenses of approximately \$3.0 million related to the assessment of its Year 2000 issues and development and implementation of its remediation plan. The total remaining cost of the Company's Year 2000 project is estimated at \$3.1 to \$4.1 million and is being funded through operating cash flows. Such costs do not include internal management time and the deferral of other projects, the effects of which are not expected to be material to the Company's results of operations or financial condition. Of the total project cost, approximately \$0.6 million is attributable to the purchase of new software which will be capitalized. The remainder will be expensed as incurred. The costs of the Year 2000 project and the dates upon which the Company plans to complete its Year 2000 initiatives are based on management's best estimates, which were derived by utilizing several assumptions of future events including continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from those plans.

The Company believes that the cause of the most reasonable worst case Year 2000 scenario would be a failure by a significant third party in the Company's supply chain (including, without limitation, utility or other general service provider or government entity) to remediate its Year 2000 deficiencies that continues for several days. If such failure interfered with the Company's electronic data interface ("EDI") system, processing of customer orders and shipments would be impaired and would result in the loss of sales and revenue. In addition, a failure to timely remediate any of the Company's internal inventory management operating systems would adversely affect the Company's stock allocation program resulting in mis-timed shipments and potential order cancellations. The extent of lost revenue as a result of such scenarios cannot be estimated at this time.

The Company is in the process of developing contingency plans to ensure that it can address aspects of these and others of its IT and non-IT systems that could be affected by Year 2000 issues and intends to finalize its contingency plans by no later than the summer of 1999. For instance, the Company is in the process of exploring, where possible, alternate service providers and is analyzing the possibility of using alternate but comparable systems currently in use within the Company. The Company's Year 2000 efforts are ongoing and its overall plan, as well as its development of contingency plans, will continue to evolve as new information becomes available. While the Company anticipates continuity of its business activities, that continuity will be dependent upon its ability, and the ability of third parties with whom the Company relies on directly, or indirectly, to be Year 2000 compliant. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

PART II. OTHER INFORMATION

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

- (a) The Annual Meeting of Stockholders of the Company was held on August 13, 1998.
- (b) The following directors were elected at the Annual Meeting of Stockholders to serve until the 1999 Annual Meeting and until their respective successors are duly elected and qualified:

CLASS A DIRECTOR:

Allen Questrom

CLASS B DIRECTORS:

Ralph Lauren
Michael J. Newman
Frank A. Bennack, Jr.
Terry S. Semel
Peter Strom

CLASS C DIRECTOR:

Richard A. Friedman

- (c)(i) Each person elected as a director received the number of votes (shares of Class B Common Stock are entitled to ten votes per share) indicated beside his name:

	NUMBER OF VOTES FOR -----	NUMBER OF VOTES WITHHELD -----
CLASS A DIRECTOR: -----		
Allen Questrom	29,875,579	75,494
CLASS B DIRECTORS: -----		
Ralph Lauren	432,800,210	-0-
Michael Newman	432,800,210	-0-
Peter Strom	432,800,210	-0-
Terry S. Semel	432,800,210	-0-
Frank A. Bennack, Jr.	432,800,210	-0-
CLASS C DIRECTOR: -----		
Richard A. Friedman	22,720,979	-0-

- (ii) 485,414,622 votes were cast for and 32,226 votes were cast against the ratification of the selection of Deloitte & Touche LLP as the independent auditors of the Company for the year ending April 3, 1999. Abstentions totaled 25,414; there were no broker nonvotes.

ITEM 5. OTHER INFORMATION.

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain statements in this Form 10-Q 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 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: changes in global economic conditions; risks associated with changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors; 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 inability of the Company's unaffiliated manufacturers 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits--

2.1 Agreement of Sale and Purchase, effective July 22, 1998, between Sun Life Assurance Company of Canada, as seller, and Polo Ralph Lauren Corporation, as buyer.

27.1 Financial Data Schedule

(b) Reports on Form 8-K--

No reports on Form 8-K were filed by the Company in the quarter ended September 26, 1998.

SIGNATURES

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

POLO RALPH LAUREN CORPORATION

Date: November 10, 1998

By: /s/ Nancy A. Platoni Poli

Nancy A. Platoni Poli
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

AGREEMENT OF SALE AND PURCHASE

SUN LIFE ASSURANCE COMPANY OF CANADA (SELLER)

&

POLO RALPH LAUREN CORPORATION (BUYER)

PROPERTY: 4100 BEECHWOOD COURT
GREENSBORO
GUILFORD COUNTY, NC

EFFECTIVE DATE: JULY 22, 1998

EXHIBITS:

"A" - LEGAL DESCRIPTION

"B" - ESCROW AGREEMENT

"C" - FIRPTA ESCROW AGREEMENT

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AGREEMENT OF SALE AND PURCHASE

THIS AGREEMENT OF SALE AND PURCHASE ("Agreement") is made this 22nd day of JULY, 1998, between SUN LIFE ASSURANCE COMPANY OF CANADA, a federally chartered Canadian insurance company, having an address at One Sun Life Executive Park, Wellesley Hills, MA 02481, ("Seller") and POLO RALPH LAUREN CORPORATION, a Delaware corporation having an address at 650 Madison Avenue, New York, New York 10022, or its assignee or nominee ("Buyer"). This Agreement shall be effective as of the date (the "Effective Date") on which Buyer and Seller complete the execution of this Agreement and the Escrow Agreement (as defined below).

In consideration of the covenants and provisions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. AGREEMENT TO SELL AND PURCHASE. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, subject to the terms and conditions of this Agreement, that certain tract of land known as 4100 Beechwood Drive, Greensboro, NC 27410, located in Guilford County, North Carolina, as more fully described by metes and bounds in the legal description attached hereto as EXHIBIT "A," together with all right, title and interest of Seller in and to any land lying in the bed of any highway, street, road or avenue, opened or proposed, in front of or abutting or adjoining such tract or piece of land and any easements and appurtenances pertaining thereto (the "Real Property") and all the buildings and other improvements situated thereon, including all of Seller's interest in any fixtures, equipment, appliances and other personal property (if any) attached or appurtenant to, located in or on, or used in connection with the Real Property (the "Personal Property") [the Real Property and the Personal Property are jointly called the "Property"].

2. PURCHASE PRICE. The purchase price for the Property is SIXTEEN MILLION AND NO/100 DOLLARS (\$16,000,000.00) (the "Purchase Price"), payable as follows:

(a) ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00) (the "Deposit") by wire transfer to Chicago Title Insurance Company ("Escrow Agent"), which wire transfer shall be delivered to Escrow Agent within twenty-four (24) hours following the Effective Date. The Deposit shall be held in an interest bearing, federally insured account by Escrow Agent in accordance with the Escrow Agreement attached hereto as EXHIBIT "B" (the "Escrow Agreement") and this Agreement pending consummation of this transaction. Any interest earned on the Deposit shall be paid to Buyer unless Seller shall be entitled to the Deposit by reason of a default by Buyer, in which case such interest shall be paid to Seller. Buyer's Federal Tax I.D. Number is 13-2622036; Seller's Federal Tax I.D. Number is 38-1082080.

(b) The balance of the Purchase Price shall be paid to Seller at Settlement (as defined below), minus any withholding required to comply with Section 1445 of the Internal

Revenue Code as more specifically set forth in Paragraph 9 below, in cash by wire transfer of immediately available federal funds, by certified check or by plain check of any title insurance company approved by Seller and Buyer.

3. SETTLEMENT. Settlement shall be held on August 19, 1998, or on such earlier date as Buyer shall designate by at least five (5) days' advance written notice to Seller, at Buyer's attorney's office at 300 North Greene Street, Suite 1400, Greensboro, North Carolina 27401, at 10:00 a.m. ("Settlement"). It is agreed that the time of Settlement and the obligation of Seller to deliver the general warranty deed at Settlement are of the essence of this Agreement.

4. CONDITION OF TITLE.

(a) Title to the Property shall be good and marketable (i) free and clear of all liens, restrictions, easements, encumbrances, claims or liens by contractors, subcontractors, mechanics and materialmen, leases, financing statements or other personal property liens or encumbrances and other title objections, other than any of the foregoing created, allowed or caused by Buyer, its employees, contractors or agents and routine utility easements which will not adversely affect Buyer's intended use of the Property and such title exceptions as may be approved by Buyer prior to the expiration of the Due Diligence Period (a "Title Matter"); (ii) affirmatively insured as contiguous with no gaps or gores; (iii) affirmatively insured as having legal, direct access to a public street; and (iv) insurable as aforesaid at ordinary rates by a title insurance company selected by Buyer at Buyer's expense.

(b) If Buyer provides Seller written objection to any Title Matter prior to the expiration of the Due Diligence Period, or if any new Title Matter is created or occurs following the expiration of the Due Diligence Period but prior to the Settlement, and Buyer provides Seller written objection to such new Title Matter, Seller shall elect either to cure such matter or not to cure such matter, and communicate its decision by written notice to Buyer sent within ten (10) days following Buyer's notice to Seller. Seller's failure to notify Buyer shall be deemed to be Seller's election not to cure. If Seller elects to cure such Title Matter, Seller must complete such cure prior to the Settlement, provided that Seller shall have the unilateral right to extend the date of Settlement for an additional period of time (not to exceed twenty (20) days) to accomplish such cure. If Seller elects not to cure, Buyer may elect to proceed to close the sale on the date of Settlement (without any reduction to the Purchase Price), and be deemed to have accepted such Title Matter in all respects, or may elect to terminate this Agreement and receive the return of its Deposit, plus accrued interest. The acceptance of a deed from Seller shall be conclusive proof that Buyer has accepted the title to the Property as it existed on the date of Settlement.

5. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller, to induce Buyer to enter into this Agreement and to complete the sale and purchase of the Property hereunder, represents, warrants and covenants to Buyer as follows:

(a) Seller has no knowledge of, and has received no written notice from, any governmental authority requiring any work, repairs, construction, alterations or installations on or in connection with the Property, or asserting any violation of any federal, state, county or

municipal laws, ordinances, codes, orders, regulations or requirements affecting any portion of the Property, including, without limitation, the Americans with Disabilities Act and any applicable environmental laws or regulations. There is no action, suit or proceeding pending or, to the knowledge of Seller, threatened against or affecting Seller or the Property or any portion thereof relating to or arising out of the ownership of the Property, in any court or before or by any federal, state, county or municipal department, commission, board, bureau or agency or other governmental instrumentality.

(b) To the best of Seller's knowledge, Seller has received no written notice of assessments or charges for any public improvements that have been made against the Property which remain unpaid, and Seller has no knowledge of any plans for improvements by any governmental or quasi-governmental authority which might result in a special assessment against the Property. Provided Settlement is completed hereunder, Buyer will be responsible for payment of assessments or notices of assessments for any public improvement made after the Effective Date.

(c) To the best of Seller's knowledge, the Property has been duly subdivided in accordance with all applicable laws and constitutes an independent tract of land for all applicable zoning, subdivision and taxation purposes.

(d) To the best of Seller's knowledge, Seller has received no notice from any insurance company which has issued a policy with respect to the Property or by any board of fire underwriters (or other body exercising similar functions) claiming any defects or deficiencies or requesting the performance of any repairs, alterations or other work.

(e) To the best of Seller's knowledge, all certificates of occupancy necessary for operation of the Property, as presently conducted, have been issued by all authorities having jurisdiction thereof and all such certificates of occupancy are in full force and effect. Seller has not received any written notice of suspension or cancellation of any certificates of occupancy. To the best of Seller's knowledge there is no defective condition, structural or otherwise, in the buildings or other improvements on the Property, or in the buildings' roof, heating, air conditioning, mechanical, plumbing or electrical systems and equipment.

(f) To the best of Seller's knowledge, there has been no release of any "Hazardous Substances" (as hereinafter defined) on the Property during Seller's ownership of the Property, and Seller has received no written notice of any pending or threatened proceedings or claims involving the presence of "Hazardous Substances" on the Property. By its execution hereof, Buyer acknowledges that it has occupied the Property as a tenant during the period of Seller's ownership, and that Seller's representations contained in this subparagraph (f) are based on Buyer's assurances (whether in its capacity as tenant or otherwise) that it (for itself, its employees and agents) is likewise not aware of any of the foregoing. For purposes of this Agreement, the term "Hazardous Substances" shall mean those substances or materials regulated under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. and implementing regulations.

(g) To the best of Seller's knowledge, there are no management, employment, service, equipment, supply, maintenance, water, sewer, or other utility or concession agreements or agreements with municipalities (including improvement or development escrows or bonds) with respect to or affecting the Property which will burden the Property or Buyer after Settlement in any manner whatsoever, except for instruments of record.

(h) Seller holds fee simple title to the Property. Seller is a duly existing corporation and has full legal right and all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Seller and the consummation by Seller of the transaction contemplated hereby have been duly and effectively authorized by the Seller. This Agreement has been duly executed and delivered by the Seller and constitutes a valid and legally binding obligation of Seller, enforceable against Seller in accordance with its terms.

(i) Seller has entered into no leases, whether oral or written, agreements of sale, options, tenancies, licenses or any other claims to possession affecting the Property other than the lease (the "Lease") between Buyer, as tenant, and Haskell Realty Developers Ltd. IV ("Haskell"), dated December 28, 1989, which Lease was assigned to Seller, as landlord, pursuant to the Lease Assignment and Assumption Agreement between Haskell and Seller, dated March 27, 1995. To the best of Seller's knowledge, no other party has any right or option to acquire the Property or any portion thereof.

(j) No representation, statement or warranty by Seller contained in this Agreement or in any exhibit attached hereto contains or will contain any untrue statements or omits or will omit a material fact necessary to make the statement of fact therein recited not misleading. If, after Seller's execution hereof, any event occurs or condition exists which renders any of the representations contained herein untrue or misleading, Seller shall promptly notify Buyer.

(k) To the best of Seller's knowledge, there are no proceedings pending or threatened by or against Seller in bankruptcy, insolvency or reorganization in any state or federal court.

(l) Seller and Buyer acknowledge that, during the entire period of Seller's ownership of the Property, Buyer has been in possession of the Property pursuant to the Lease. Furthermore, Seller and Buyer acknowledge that, pursuant to the Lease, Buyer was charged with certain responsibilities in connection with its occupancy of the Property. Accordingly, Seller's representations and warranties in subparagraphs 5(d), 5(e) and 5(g) are limited to matters which are not within the scope of Buyer's obligations under the Lease.

(m) For purposes of this Agreement, the term "knowledge," or similar words or phrases, shall mean only the actual knowledge of Thomas Pedulla, George Collins, Pete Lash or Donnie Robinson, which are the Seller's representatives who would possess any knowledge possessed by the Seller regarding the Property, and shall not include the knowledge of Buyer or any other tenant of the Property.

6. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer, to induce Seller to enter into this Agreement and to complete the sale and purchase of the Property hereunder, represents, warrants and covenants to Seller that Buyer is a duly existing Delaware corporation and has the full legal right and all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Buyer and the consummation by Buyer of the transaction contemplated hereby have been duly and effectively authorized by the Buyer. This Agreement has been duly executed and delivered by the Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

7. CONDITIONS OF BUYER'S OBLIGATIONS. The obligation of Buyer under this Agreement to purchase the Property from Seller is subject to the satisfaction at Settlement of each of the following conditions (any one of which may be waived in whole or in part by Buyer at or prior to Settlement):

(a) All of the representations and warranties by Seller set forth in this Agreement shall be true and correct at and as of Settlement in all material respects as though such representations and warranties were made at and as of Settlement, and Seller shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed on its part prior to or as of Settlement.

(b) Buyer shall have until August 7, 1998 (the "Due Diligence Period") to conduct due diligence investigations and analysis of the Property and all information pertaining to the Property. During the Due Diligence Period, Seller shall make available to Buyer such records and documents relating to the Property as Buyer may reasonably request and which are in Seller's possession. If Buyer, in its sole discretion, determines that it does not desire to acquire the Property, with or without reason, and notifies Seller in writing by 5:00 p.m. on the last day of the Due Diligence Period of its election to terminate this Agreement, the Deposit and all accrued interest shall be returned to Buyer, this Agreement thereupon shall become void and there shall be no further obligation or liability on either of the parties hereto. Failure to provide such notice in a timely manner shall be deemed to be Buyer's affirmative acceptance of the title to and condition of the Property and the improvements thereon. Any condition or matter known to or discovered by Buyer and not disclosed to Seller prior to the expiration of the Due Diligence Period shall be deemed to be accepted by Buyer, notwithstanding any representation, warranty or statement by Seller herein which is or may be inconsistent with such condition or matter.

(c) Within five (5) days after the Effective Date, Seller shall deliver to Buyer the following if, and only if, such items exist and are in Seller's possession:

(i) the latest as-built plans or surveys (the "Survey") of the Property prepared by a registered and licensed surveyor which are in Seller's possession;

(ii) copies of the floor plans of all buildings on the Property which are in Seller's possession;

(iii) copies of all service contracts, if any, with respect to the Property;

(iv) copies of the latest environmental reports with respect to the Property which are in Seller's possession, the prior receipt of which Buyer hereby acknowledges; and,

(v) copies of the latest title commitment and title policy with respect to the Property which are in Seller's possession.

(d) At Settlement, Seller shall deliver to Buyer duly executed originals of the following:

(i) A general warranty deed to the Real Property duly executed and acknowledged by Seller and in proper form for recording (the "Deed");

(ii) A valid bill of sale for the Personal Property in form and substance mutually and reasonably satisfactory to Buyer and Seller;

(iii) An assignment in form and substance mutually and reasonably satisfactory to Seller and Buyer, duly executed by Seller, assigning to Buyer all of Seller's right, title and interest in and to (A) any and all guaranties and warranties, if any, pertaining to the Property; and (B) any permits, licenses, plans, authorizations and approvals relating to ownership, operation or occupancy of the Property.

(iv) Originals of the following instruments (or copies if originals are unavailable), all certified by Seller as true and complete to the best knowledge of Seller, if, and only if, such items exist and are in Seller's possession:

(A) all certificates of occupancy (and any required governmental approvals in connection with the transfer of the Property), licenses, plans, permits, authorizations and approvals required by law and issued by all governmental authorities having jurisdiction over the Property;

(B) all building records in Seller's possession or control with respect to the Property;

(C) all assigned guaranties and warranties.

(v) An affidavit of title in favor of Buyer and Buyer's title insurer qualified to the best of Seller's knowledge.

(vi) A Lease Termination Agreement mutually acceptable to and executed by Seller and Buyer terminating the Lease.

(vii) Such other documents as reasonably may be required to consummate this transaction in accordance with this Agreement.

(e) Seller previously has turned over to Buyer, and Buyer hereby acknowledges the prior receipt of, certain of the following items and materials: bills of current real estate taxes, sewer charges and assessments, water charges and other utilities; keys and combinations to locks at the Property; plans, specifications, as-built drawings, surveys, site plans, equipment manuals, technical data and other documentation relating to the building systems, and any equipment and other personal property forming a part of the Property. Seller hereby represents and warrants that, to the best of Seller's knowledge, all of the items and materials referenced in this paragraph 7(e) in its possession have been delivered to Buyer.

Unless all the foregoing conditions contained in this Paragraph 7 are satisfied, prior to or at Settlement, Buyer, at its election, may, either (i) terminate this Agreement and have the Deposit refunded together with accrued interest (provided, however, that termination and refund of the Deposit shall not be Buyer's exclusive remedy) or (ii) waive in writing the satisfaction of any such conditions, in which event this Agreement shall be read as if such conditions no longer existed.

8. CONDITION OF SELLER'S OBLIGATIONS. Seller's obligation to sell and convey the Property under this Agreement shall be conditioned upon the Lease remaining in full force and effect until Settlement has been completed. Termination of the Lease at or as of the date of Settlement shall not relieve Buyer from any liability to Seller arising under the Lease, existing at the time of Settlement or relating to an event occurring prior to the date of Settlement, except Seller will acknowledge as of the date of Settlement (if true in all respects) that all rent and other sums then due under the Lease have been paid.

9. FIRPTA WITHHOLDING. Seller acknowledges that it is a "foreign person" for purposes of Section 1445 of the Internal Revenue Code (the "Code"), but Seller covenants that it shall file, on a timely basis, for a withholding certificate (the "Withholding Certificate") which will alleviate Buyer's withholding obligation under Section 1445 of the Code on the basis of adequate security provided to the United States Treasury Department by Seller to secure payment of any tax that may be due and payable. In the event that Seller fails to deliver to Buyer the Withholding Certificate prior to or as of Settlement, Buyer shall be entitled to withhold One Million Six Hundred Thousand and No/100 Dollars (\$1,600,000.00) from the Purchase Price and to deposit such funds pursuant to the FIRPTA Escrow Agreement in the form attached hereto as Exhibit "C" and take all other steps necessary to comply with the requirements of the Code and Seller and Buyer shall proceed with Settlement as if Seller had obtained the Withholding Certificate.

10. POSSESSION. Possession of the Property shall be delivered to Buyer at Settlement by delivery of the Deed, free of any leases (other than the Lease) and other claims to or rights of possession pursuant to any agreement entered into by Seller. The Deed shall be prepared by Buyer at Buyer's expense and shall be submitted to Seller for Seller's approval prior to Settlement hereunder.

11. APPORTIONMENT; TAXES.

(a) Any prepaid rent paid by Buyer to Seller pursuant to the Lease shall be prorated as of Settlement and any rent paid by Buyer in excess of the rent due Seller as of Settlement shall be a credit against the Purchase Price.

(b) All realty transfer taxes imposed on or in connection with this transaction shall be paid by Seller at Settlement.

12. CONDEMNATION. To the best of Seller's knowledge, Seller covenants and warrants that Seller has not heretofore received any written notice of any condemnation proceeding or other proceeding in the nature of eminent domain in connection with the Property. If prior to Settlement any such proceeding is commenced or any change is made, or proposed to be made, to the current means of ingress and egress to the Property or to the roads or driveways adjoining the Property, or to change such ingress or egress or to change the grade thereof, Seller agrees immediately to notify Buyer thereof. Buyer then shall have the right, at Buyer's option, to terminate this Agreement by giving written notice to Seller within ten (10) days after receipt of such notice. If Buyer does not so terminate this Agreement, Buyer shall proceed to Settlement hereunder as if no such proceeding had commenced and will pay Seller the full Purchase Price in accordance with this Agreement, and Seller shall assign to Buyer all of its right, title and interest in and to any compensation for such condemnation.

13. DEFAULT BY BUYER. If Buyer, without the right to do so and in default of its obligations hereunder, fails to complete Settlement without default by Seller, the Deposit and all accrued interest shall be paid to Seller and Buyer shall pay Seller an additional amount (the "Additional Damages") which shall be the difference obtained by subtracting (i) the amount of the Deposit and accrued interest paid to Seller from, (ii) One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00). Such payment of the Deposit, all accrued interest and the Additional Damages to Seller shall be deemed to be liquidated damages for Buyer's default and the receipt of same shall be Seller's exclusive and sole remedy, and Seller hereby waives any right to recover the balance of the Purchase Price, or any part thereof, and the right to pursue any other remedy permitted at law or in equity against Buyer. Buyer acknowledges that in the event of Buyer's default, Seller would incur damages which would be difficult to ascertain, and that the liquidated damages provided for in this paragraph represent a reasonable estimate of the damages that Seller would likely incur as a result of Buyer's default.

14. DEFAULT BY SELLER. If Seller, without the right to do so and in default of its obligations hereunder, fails to complete Settlement without default by Buyer, the Deposit and all accrued interest shall be returned to Buyer. In addition, Buyer may exercise any remedies available to it at law or in equity, including, but not limited to, specific performance.

15. RISK OF LOSS. Seller shall bear the risk of all loss or damage to the Property from all causes until Settlement. If at any time prior to Settlement any portion of the Property is destroyed or damaged as a result of fire or any other casualty whatsoever, Seller shall promptly give written notice thereof to Buyer and Buyer shall have the right (i) to terminate this

Agreement by written notice to Seller, whereupon Escrow Agent shall return the Deposit (with any accrued interest) to Buyer, and thereafter this Agreement shall be void and neither party shall have any further rights or obligations hereunder; or (ii) to complete Settlement pursuant to this Agreement (without reducing the Purchase Price) and to receive an assignment from Seller of any insurance proceeds paid to Seller as a result of the casualty, less costs incurred obtaining such proceeds. All unpaid claims and rights in connection with any such losses shall be assigned to Buyer at Settlement without in any manner affecting the Purchase Price.

16. BROKERAGE. Buyer represents and warrants to Seller and Seller represents and warrants to Buyer that each dealt with no broker, agent, finder or other intermediary in connection with this sale and purchase. Seller agrees to indemnify, defend and hold Buyer harmless from and against the claims of any and all brokers and other intermediaries claiming a commission in connection with this sale or the Lease. Buyer agrees to indemnify, defend and hold Seller harmless from and against any broker's claim arising from any breach by Buyer of Buyer's representation and warranty in this paragraph.

17. OPERATION OF THE PROPERTY PRIOR TO SETTLEMENT. Prior to Settlement:

(a) Seller promptly shall notify Buyer of Seller's receipt of any written notice from any party alleging that Seller is in default of its obligations under any permit or agreement affecting the Property, or any portion or portions thereof.

(b) Without the prior written consent of Buyer, no contract for or on behalf of or affecting the Property shall be negotiated or entered into by Seller which cannot be terminated at any time without charge, cost, penalty or premium.

18. NOTICE. All notices, requests and other communications under this Agreement shall be in writing and shall be delivered (i) in person, (ii) by registered or certified mail, return receipt requested, or (iii) by recognized overnight delivery service providing positive tracking of items (for example, Federal Express) addressed as follows or at such other address of which Seller or Buyer shall have given notice as herein provided:

IF INTENDED FOR SELLER:

SUN LIFE ASSURANCE COMPANY OF CANADA
ONE SUN LIFE EXECUTIVE PARK - SC 1307
WELLESLEY HILLS, MASSACHUSETTS 02481
ATTENTION: THOMAS V. PEDULLA

WITH A COPY TO:

POYNER & SPRUILL, L.L.P.
3600 GLENWOOD AVENUE
RALEIGH, NORTH CAROLINA 27612
ATTENTION: JOSEPH B. DEMPSTER, JR.

IF INTENDED FOR BUYER:

POLO RALPH LAUREN CORPORATION
650 MADISON AVENUE
NEW YORK, NEW YORK 10022
ATTENTION: GENERAL COUNSEL

WITH A COPY TO:

POLO RALPH LAUREN CORPORATION
4100 BEECHWOOD DRIVE
GREENSBORO, NORTH CAROLINA 27410
ATTENTION: JAMES CALO, VICE PRESIDENT OF OPERATIONS

All such notices, requests and other communications shall be deemed to have been sufficiently given for all purposes hereof two (2) business days after deposit in United States mails or one (1) business day after delivery to a recognized overnight carrier. Notices by the parties may be given on their behalf by their respective attorneys.

19. FURTHER ASSURANCES. After Settlement, at Buyer's sole cost and expense, Seller shall execute, acknowledge and deliver, for no further consideration, all assignments, transfers, deeds and other documents as may be required to vest in Buyer all of Seller's right, title and interest in and to the Property.

20. MISCELLANEOUS.

(a) All of the representations and warranties contained in this Agreement, all covenants, agreements and indemnities made herein, and all obligations to be performed under the provisions hereof shall survive Settlement for a period of one (1) year.

(b) This Agreement shall be void and of no force or effect if not executed by Seller and delivered to Buyer or Buyer's attorney within five (5) days after execution by Buyer and delivery to Seller.

(c) The captions in this Agreement are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

(d) Formal tender of an executed deed and purchase money is hereby waived.

(e) Buyer shall have the right to assign this Agreement, and upon written notice from Buyer, Seller agrees to convey the Property directly to Buyer's assignee provided that Buyer and/or assignee have fulfilled Buyer's obligations under this Agreement.

(f) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(g) This Agreement, including the exhibits attached hereto, contains the whole agreement as to the Property between Seller and Buyer and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise of any kind whatsoever concerning this sale and purchase. This Agreement shall not be altered, amended, changed or modified except in writing executed by the parties hereto.

(h) This Agreement shall be construed in accordance with the laws of the State of North Carolina.

(i) Both parties to this Agreement having participated fully and equally in the negotiation and preparation hereof, this Agreement shall not be more strictly construed, or any ambiguities within this Agreement resolved, against either party hereto.

21. EXECUTION. This Agreement may be executed in one or more counterpart originals, which taken together shall constitute but one and the same original instrument.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, intending to be legally bound, the parties have caused this Agreement to be duly executed, under seal, as of the day and year first written above.

SELLER: SUN LIFE ASSURANCE COMPANY OF CANADA

BY: /s/ George M. Collins

FOR PRESIDENT

BY: /s/ Thomas V. Padulla

FOR SECRETARY

WITNESS:

BY: /s/ Charles S. Andes

ITS:Property Investments Analyst

BUYER: POLO RALPH LAUREN CORPORATION

BY: /s/ Michael J. Newman (SEAL)

ITS: Vice Chairman

(CORPORATE SEAL)

ATTEST:

BY: /s/ Victor Cohen

ITS: Secretary

Escrow Agent has caused this Agreement to be executed in its name solely for the purpose of acknowledging receipt of the Deposit.

CHICAGO TITLE INSURANCE COMPANY

BY: /s/ Jeffrey I. Hrdlicka

ITS: Authorized Signatory

EXHIBIT "A"

LEGAL DESCRIPTION

BEING ALL of Lot 4, Section III of Piedmont Centre as per plat thereof recorded in Plat Book 96 at Page 134 in the Office of the Register of Deeds of Guilford County, North Carolina.

EXHIBIT "B"

ESCROW AGREEMENT

WHEREAS, SUN LIFE ASSURANCE COMPANY OF CANADA ("Seller"), by Agreement of Sale and Purchase dated July __, 1998 (the "Agreement"), has agreed to sell to POLO RALPH LAUREN CORPORATION ("Buyer") a certain parcel of ground located in Guilford County, North Carolina, for the consideration therein stated, and to which Agreement this Escrow Agreement is attached as an exhibit.

WHEREAS, such parties have requested Chicago Title Insurance Company ("Escrow Agent") to receive the deposit of One Hundred Thousand Dollars (\$100,000.00) (the "Deposit") to be held in escrow by it and to be applied at Settlement in accordance with the Agreement.

In the event that the transaction contemplated by the Agreement shall not be consummated as provided in the Agreement, Escrow Agent shall release the Deposit only upon written request from either Seller or Buyer and after providing written notice to the other party as hereinafter provided. Upon receipt of a request for release of the Deposit by either party, Escrow Agent promptly shall provide written notice ("Release Notice") to the other party of the request for release of the Deposit. Buyer or Seller, as applicable, shall have ten (10) business days to object, by way of written notice to Escrow Agent, to the release of the Deposit to the other party. In the event that either party shall object to the release of the Deposit as herein provided, Escrow Agent shall hold the Deposit in an interest-bearing account until either: (i) Escrow Agent shall receive written instructions, executed by Seller and Buyer, regarding the disposition of the Deposit; or (ii) a final, non-appealable judgment shall be entered by a court of competent jurisdiction directing the disposition of the Deposit. In the event that either party shall fail to object as herein provided to release of the Deposit to the other party within ten (10) business days after receipt of a Release Notice, Escrow Agent shall release the Deposit to the party requesting release of the Deposit.

IT IS UNDERSTOOD and agreed that Escrow Agent is an escrow holder only, is merely responsible for the safekeeping of the Deposit, and shall not be required to determine questions of fact or law.

Any notice required to be given herein shall be addressed and deemed to be received as provided in the Agreement. All notices intended for Escrow Agent shall be addressed as follows:

Chicago Title Insurance Company
P.O. Box 35587
Greensboro, North Carolina 27425-5587
Attention: Mr. T. Alfred Gardner

In the event that costs or expenses are incurred by Escrow Agent because of litigation or otherwise, arising out of the holding of the Deposit, Escrow Agent shall be entitled to reimburse itself out of the Deposit for any reasonable costs and expenses. Escrow Agent assumes no liability for interest on the funds held.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

THIS ESCROW AGREEMENT constitutes the entire agreement among Escrow Agent, Seller and Buyer concerning the Deposit.

Dated: _____

SUN LIFE ASSURANCE COMPANY OF CANADA, Seller

BY: _____
FOR PRESIDENT

WITNESS:

BY: _____
FOR SECRETARY

BY: _____

ITS: _____

POLO RALPH LAUREN CORPORATION, Buyer

BY: _____ (SEAL)
ITS: _____ PRESIDENT

(CORPORATE SEAL)

ATTEST:

BY: _____

ITS: _____

ACCEPTANCE and receipt of the Deposit is hereby acknowledged:

CHICAGO TITLE INSURANCE COMPANY

By: _____

EXHIBIT "C"

FIRPTA ESCROW AGREEMENT

WHEREAS, SUN LIFE ASSURANCE COMPANY OF CANADA ("Seller"), by Agreement of Sale and Purchase dated July __, 1998 (the "Agreement"), has agreed to sell to POLO RALPH LAUREN CORPORATION ("Buyer") a certain parcel of ground located in Guilford County, North Carolina, for the consideration therein stated, and to which Agreement this Firpta Escrow Agreement is attached as an exhibit.

WHEREAS, such parties have requested Chicago Title Insurance Company ("Escrow Agent") to receive the deposit of One Million Six Hundred Thousand Dollars (\$1,600,000.00) (the "Deposit") to be held in escrow by it and to be applied at Settlement in accordance with the Agreement.

In the event that the transaction contemplated by the Agreement shall not be consummated as provided in the Agreement, Escrow Agent shall release the Deposit only upon written request from either Seller or Buyer and after providing written notice to the other party as hereinafter provided. Upon receipt of a request for release of the Deposit by either party, Escrow Agent promptly shall provide written notice ("Release Notice") to the other party of the request for release of the Deposit. Buyer or Seller, as applicable, shall have ten (10) business days to object, by way of written notice to Escrow Agent, to the release of the Deposit to the other party. In the event that either party shall object to the release of the Deposit as herein provided, Escrow Agent shall hold the Deposit in an interest-bearing account until either: (i) Escrow Agent shall receive written instructions, executed by Seller and Buyer, regarding the disposition of the Deposit; or (ii) a final, non-appealable judgment shall be entered by a court of competent jurisdiction directing the disposition of the Deposit. In the event that either party shall fail to object as herein provided to release of the Deposit to the other party within ten (10) business days after receipt of a Release Notice, Escrow Agent shall release the Deposit to the party requesting release of the Deposit.

IT IS UNDERSTOOD and agreed that Escrow Agent is an escrow holder only, is merely responsible for the safekeeping of the Deposit, and shall not be required to determine questions of fact or law.

Any notice required to be given herein shall be addressed and deemed to be received as provided in the Agreement. All notices intended for Escrow Agent shall be addressed as follows:

Chicago Title Insurance Company
P.O. Box 35587
Greensboro, North Carolina 27425-5587
Attention: Mr. T. Alfred Gardner

In the event that costs or expenses are incurred by Escrow Agent because of litigation or otherwise, arising out of the holding of the Deposit, Escrow Agent shall be entitled to reimburse itself out of the Deposit for any reasonable costs and expenses. Escrow Agent assumes no liability for interest on the funds held.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

THIS FIRPTA ESCROW AGREEMENT constitutes the entire agreement among Escrow Agent, Seller and Buyer concerning the Deposit.

Dated: _____

SUN LIFE ASSURANCE COMPANY OF CANADA, Seller

BY: _____
FOR PRESIDENT

WITNESS:

BY: _____
FOR SECRETARY

BY: _____

ITS: _____

POLO RALPH LAUREN CORPORATION, Buyer

BY: _____ (SEAL)
ITS: _____ PRESIDENT

(CORPORATE SEAL)

ATTEST:

BY: _____

ITS: _____

ACCEPTANCE and receipt of the Deposit is hereby acknowledged:

CHICAGO TITLE INSURANCE COMPANY

By:

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