



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended July 3, 2010

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)

650 Madison Avenue,  
New York, New York

(Address of principal executive offices)

13-2622036

(I.R.S. Employer  
Identification No.)

10022

(Zip Code)

(212) 318-7000

(Registrant's telephone number, including area code)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At August 6, 2010, 65,032,579 shares of the registrant's Class A common stock, \$.01 par value, and 30,831,276 shares of the registrant's Class B common stock, \$.01 par value, were outstanding.

POLO RALPH LAUREN CORPORATION  
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**POLO RALPH LAUREN CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<u>July 3,</u> <u>2010</u>	<u>April 3,</u> <u>2010</u>
	(millions) (unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 345.8	\$ 563.1
Short-term investments	644.9	584.1
Accounts receivable, net of allowances of \$181.9 million and \$206.1 million	270.1	381.9
Inventories	629.6	504.0
Deferred tax assets	101.7	103.0
Prepaid expenses and other	168.9	139.7
<b>Total current assets</b>	<u>2,161.0</u>	<u>2,275.8</u>
Non-current investments	71.9	75.5
Property and equipment, net	675.2	697.2
Deferred tax assets	129.6	101.9
Goodwill	970.5	986.6
Intangible assets, net	355.4	363.2
Other assets	135.4	148.7
<b>Total assets</b>	<u>\$ 4,499.0</u>	<u>\$ 4,648.9</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 220.6	\$ 149.8
Income tax payable	69.5	37.8
Accrued expenses and other	473.9	559.7
<b>Total current liabilities</b>	<u>764.0</u>	<u>747.3</u>
Long-term debt	261.7	282.1
Non-current liability for unrecognized tax benefits	141.7	126.0
Other non-current liabilities	365.8	376.9
Commitments and contingencies (Note 15)		
<b>Total liabilities</b>	<u>1,533.2</u>	<u>1,532.3</u>
<b>Equity:</b>		
Class A common stock, par value \$.01 per share; 87.6 million and 75.7 million shares issued; 65.0 million and 56.1 million shares outstanding	0.9	0.8
Class B common stock, par value \$.01 per share; 30.8 million and 42.1 million shares issued and outstanding	0.3	0.4
Additional paid-in-capital	1,266.3	1,243.8
Retained earnings	3,026.5	2,915.3
Treasury stock, Class A, at cost (22.6 million and 19.6 million shares)	(1,444.7)	(1,197.7)
Accumulated other comprehensive income	116.5	154.0
<b>Total equity</b>	<u>2,965.8</u>	<u>3,116.6</u>
<b>Total liabilities and equity</b>	<u>\$ 4,499.0</u>	<u>\$ 4,648.9</u>

See accompanying notes.

POLO RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions, except per share data) (unaudited)	
Net sales	\$ 1,115.5	\$ 982.5
Licensing revenue	37.8	41.2
<b>Net revenues</b>	<b>1,153.3</b>	<b>1,023.7</b>
Cost of goods sold <sup>(a)</sup>	(441.1)	(422.5)
<b>Gross profit</b>	<b>712.2</b>	<b>601.2</b>
<b>Other costs and expenses:</b>		
Selling, general and administrative expenses <sup>(a)</sup>	(531.9)	(478.9)
Amortization of intangible assets	(6.0)	(5.2)
Restructuring charges	(0.1)	(0.4)
<b>Total other costs and expenses</b>	<b>(538.0)</b>	<b>(484.5)</b>
<b>Operating income</b>	<b>174.2</b>	<b>116.7</b>
Foreign currency gains (losses)	(0.8)	0.9
Interest expense	(4.5)	(6.6)
Interest and other income, net	1.8	2.8
Equity in income (loss) of equity-method investees	(1.2)	0.3
<b>Income before provision for income taxes</b>	<b>169.5</b>	<b>114.1</b>
Provision for income taxes	(48.7)	(37.3)
<b>Net income attributable to PRLC</b>	<b>\$ 120.8</b>	<b>\$ 76.8</b>
<b>Net income per common share attributable to PRLC:</b>		
Basic	\$ 1.24	\$ 0.77
Diluted	\$ 1.21	\$ 0.76
<b>Weighted average common shares outstanding:</b>		
Basic	97.2	99.2
Diluted	99.9	101.5
Dividends declared per share	\$ 0.10	\$ 0.05
(a) Includes total depreciation expense of:	\$ (40.0)	\$ (39.1)

See accompanying notes.

**POLO RALPH LAUREN CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions) (unaudited)	
<b>Cash flows from operating activities:</b>		
Net income attributable to PRLC	\$ 120.8	\$ 76.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	46.0	44.3
Deferred income tax expense (benefit)	(21.1)	(4.7)
Equity in loss (income) of equity-method investees, net of dividends received	1.2	(0.3)
Non-cash stock-based compensation expense	15.5	12.6
Non-cash provision for bad debt expense	0.8	0.5
Non-cash foreign currency (gains) losses	(1.8)	0.1
Non-cash restructuring charges (reversals), net	(0.6)	—
Non-cash litigation-related charges (reversals), net	(1.5)	—
Changes in operating assets and liabilities:		
Accounts receivable	104.4	224.8
Inventories	(132.5)	(82.0)
Accounts payable and accrued liabilities	38.2	17.4
Deferred income liabilities	(5.6)	(3.6)
Other balance sheet changes	7.6	6.4
<b>Net cash provided by operating activities</b>	<u>171.4</u>	<u>292.3</u>
<b>Cash flows from investing activities:</b>		
Acquisitions and ventures, net of cash acquired and purchase price settlements	(2.4)	(1.7)
Purchases of investments	(359.5)	(350.2)
Proceeds from sales and maturities of investments	268.3	223.2
Capital expenditures	(38.5)	(17.8)
Change in restricted cash deposits	(2.8)	5.7
<b>Net cash used in investing activities</b>	<u>(134.9)</u>	<u>(140.8)</u>
<b>Cash flows from financing activities:</b>		
Payments of capital lease obligations	(1.3)	(1.2)
Payments of dividends	(9.8)	(5.0)
Repurchases of common stock, including shares surrendered for tax withholdings	(247.0)	(14.0)
Proceeds from exercise of stock options	5.3	4.2
Excess tax benefits from stock-based compensation arrangements	1.8	3.3
<b>Net cash used in financing activities</b>	<u>(251.0)</u>	<u>(12.7)</u>
Effect of exchange rate changes on cash and cash equivalents	(2.8)	0.8
Net increase (decrease) in cash and cash equivalents	(217.3)	139.6
Cash and cash equivalents at beginning of period	563.1	481.2
Cash and cash equivalents at end of period	<u>\$ 345.8</u>	<u>\$ 620.8</u>

See accompanying notes.

POLO RALPH LAUREN CORPORATION

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

**1. Description of Business**

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

The Company classifies its businesses into three segments: Wholesale, Retail and Licensing. The Company's wholesale sales are made principally to major department and specialty stores located throughout the U.S., Canada, Europe and Asia. The Company also sells directly to consumers through full-price and factory retail stores located throughout the U.S., Canada, Europe, South America and Asia, through concessions-based shop-within-shops located primarily in Asia, and through its retail internet sites located at [www.RalphLauren.com](http://www.RalphLauren.com) and [www.Rugby.com](http://www.Rugby.com). In addition, the Company often licenses the right to unrelated third parties to use its various trademarks in connection with the manufacture and sale of designated products, such as apparel, eyewear and fragrances, in specified geographical areas for specified periods.

**2. Basis of Presentation**

***Interim Financial Statements***

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

The consolidated balance sheet data as of April 3, 2010 is derived from the audited financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended April 3, 2010 (the "Fiscal 2010 10-K"), which should be read in conjunction with these interim financial statements. Reference is made to the Fiscal 2010 10-K for a complete set of financial statements.

***Basis of Consolidation***

The unaudited interim consolidated financial statements present the financial position, results of operations and cash flows of the Company and all entities in which the Company has a controlling voting interest. The unaudited interim consolidated financial statements also include the accounts of any variable interest entities in which the Company is considered to be the primary beneficiary and such entities are required to be consolidated in accordance with US GAAP.

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

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Fiscal Year***

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2011 will end on April 2, 2011 and will be a 52-week period ("Fiscal 2011"). Fiscal year 2010 ended on April 3, 2010 and reflected a 53-week period ("Fiscal 2010"). In turn, the first quarter for Fiscal 2011 ended on July 3, 2010 and was a 13-week period. The first quarter for Fiscal 2010 ended on June 27, 2009 and also was a 13-week period.

In April 2009, the Company performed an internal legal entity reorganization of certain of its wholly owned Japan subsidiaries. As a result of the reorganization, the Company's former Polo Ralph Lauren Japan Corporation and Impact 21 Co., Ltd. subsidiaries were merged into a new wholly owned subsidiary named Polo Ralph Lauren Kabushiki Kaisha ("PRL KK"). The financial position and operating results of the Company's consolidated PRL KK entity are reported on a one-month lag. Accordingly, the Company's operating results for the three-month periods ended July 3, 2010 and June 27, 2009 include the operating results of PRL KK for the three-month periods ended May 29, 2010 and May 31, 2009, respectively. The net effect of this reporting lag is not material to the Company's unaudited interim consolidated financial statements.

***Use of Estimates***

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

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for customer returns, discounts, end-of-season markdowns and operational chargebacks; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; the valuation of stock-based compensation and related expected forfeiture rates; reserves for restructuring; and accounting for business combinations.

***Reclassifications***

On December 31, 2009, the Company acquired certain assets from Dickson Concepts International Limited ("Dickson"), its former licensee of Polo-branded apparel in Asia-Pacific (excluding Japan), and assumed direct control of its business in that region (the "Asia-Pacific Licensed Operations Acquisition"). Dickson formerly conducted the Company's business in Asia-Pacific (excluding Japan) through a combination of freestanding owned stores, freestanding licensed stores and shop-within-shops at department stores or malls. The terms of trade for shop-within-shops were largely conducted on a concessions basis, whereby inventory continued to be owned by the Company (not the department store) until ultimate sale to the end consumer and the salespeople involved in the sales transaction were employees of the Company. As management believes that this concessions-based sales model possesses more attributes of a retail model than a wholesale model, it was determined that all concessions-based sales arrangements (including those conducted in Japan) should be classified within the Company's Retail segment, in contrast to the historical classification within its Wholesale segment. Accordingly, effective with the closing of the Asia-Pacific Licensed Operations Acquisition at the beginning of the fourth quarter of Fiscal 2010, the Company restated its segment presentation to reclassify concessions-based sales arrangements to its Retail segment from its Wholesale segment. There have been no changes in total revenue, total operating income or total assets as a result of this change. Segment information for the first quarter of Fiscal 2010 has been recast to conform to the current period's presentation. See Note 16 for further discussion of the Company's segment information.

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



**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Seasonality of Business***

The Company's business is typically affected by seasonal trends, with higher levels of wholesale sales in its second and fourth quarters and higher retail sales in its second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school and holiday shopping periods in the Retail segment. Accordingly, the Company's operating results and cash flows for the three months ended July 3, 2010 are not necessarily indicative of the results and cash flows that may be expected for the full Fiscal 2011.

**3. Summary of Significant Accounting Policies**

***Revenue Recognition***

Revenue is recognized across all segments of the business when there is persuasive evidence of an arrangement, delivery has occurred, price has been fixed or is determinable, and collectibility is reasonably assured.

Revenue within the Company's Wholesale segment is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, seasonal results, an evaluation of current economic and market conditions and retailer performance. Estimates for operational chargebacks are based on actual notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Retail store and concessions-based shop-within-shop revenue is recognized net of estimated returns at the time of sale to consumers. E-commerce revenue from sales of products ordered through the Company's retail internet sites at RalphLauren.com and Rugby.com is recognized upon delivery and receipt of the shipment by its customers. Such revenue also is reduced by an estimate of returns.

Gift cards issued by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company recognizes income for unredeemed gift cards when the likelihood of a gift card being redeemed by a customer is remote and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property.

Revenue from licensing arrangements is recognized when earned in accordance with the terms of the underlying agreements, generally based upon the higher of (a) contractually guaranteed minimum royalty levels or (b) actual sales and royalty data, or estimates thereof, received from the Company's licensees.

The Company accounts for sales and other related taxes on a net basis, excluding such taxes from revenue.

***Shipping and Handling Costs***

The costs associated with shipping goods to customers are reflected as a component of selling, general and administrative ("SG&A") expenses in the consolidated statements of operations. Shipping costs were \$6.2 million during the first quarter of Fiscal 2011 and \$5.3 million during the first quarter of Fiscal 2010. The costs of preparing merchandise for sale, such as picking, packing, warehousing and order charges ("handling costs"), also are included in SG&A expenses. Handling costs were \$17.9 million during the first quarter of Fiscal 2011 and \$18.1 million during the first quarter of Fiscal 2010. Shipping and handling costs billed to customers are included in revenue.

***Net Income Per Common Share***

Basic net income per common share is computed by dividing the net income applicable to common shares after preferred dividend requirements, if any, by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Diluted net income per common share adjusts basic net income per common share for the effects of outstanding stock options, restricted stock, restricted stock units and any other potentially dilutive financial instruments, only in the periods in which such effect is dilutive under the treasury stock method.

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

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
Basic	97.2	99.2
Dilutive effect of stock options, restricted stock and restricted stock units	2.7	2.3
Diluted shares	<u>99.9</u>	<u>101.5</u>

Options to purchase shares of common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding restricted stock units that are issuable only upon the achievement of certain service and/or performance goals. Such performance-based restricted stock units are included in the computation of diluted shares only to the extent the underlying performance conditions (a) are satisfied prior to the end of the reporting period or (b) would be satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of July 3, 2010 and June 27, 2009, there was an aggregate of approximately 1.2 million and 2.5 million, respectively, of additional shares issuable upon the exercise of anti-dilutive options and the contingent vesting of restricted stock and performance-based restricted stock units that were excluded from the diluted share calculations.

#### **Accounts Receivable**

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

A reserve for sales returns is determined based on an evaluation of current market conditions and historical returns experience. Charges to increase the reserve are treated as reductions of revenue.

A reserve for trade discounts is determined based on open invoices where trade discounts have been extended to customers, and charges to increase the reserve are treated as reductions of revenue.

Estimated end-of-season markdown charges are included as reductions of revenue. The related markdown provisions are based on retail sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions.

A reserve for operational chargebacks represents various deductions by customers relating to individual shipments. Charges to increase this reserve, net of expected recoveries, are included as reductions of revenue. The reserve is based on actual notifications of order fulfillment discrepancies and past experience.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns and operational chargebacks is presented below:

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
Beginning reserve balance	\$ 186.0	\$ 170.4
Amount charged against revenue to increase reserve	93.5	87.8
Amount credited against customer accounts to decrease reserve	(111.7)	(106.6)
Foreign currency translation	(5.7)	1.7
Ending reserve balance	<u>\$ 162.1</u>	<u>\$ 153.3</u>

An allowance for doubtful accounts is determined through analysis of periodic aging of accounts receivable, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions. A rollforward of the activity in the Company's allowance for doubtful accounts is presented below:

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
Beginning reserve balance	\$ 20.1	\$ 20.5
Amount charged to expense to increase reserve(a)	0.8	0.5
Amount written off against customer accounts to decrease reserve	(0.2)	(2.0)
Foreign currency translation	(0.9)	0.2
Ending reserve balance	<u>\$ 19.8</u>	<u>\$ 19.2</u>

(a) Amounts charged to bad debt expense are included within SG&A expense in the consolidated statements of operations.

**Concentration of Credit Risk**

The Company sells its wholesale merchandise primarily to major department and specialty stores across the U.S., Canada, Europe and Asia and extends credit based on an evaluation of each customer's financial capacity and condition, usually without requiring collateral. In its wholesale business, concentration of credit risk is relatively limited due to the large number of customers and their dispersion across many geographic areas. However, the Company has five key department-store customers that generate significant sales volume. For Fiscal 2010, these customers in the aggregate contributed approximately 45% of all wholesale revenues. Further, as of July 3, 2010, the Company's five key department-store customers represented approximately 30% of gross accounts receivable.

**4. Recently Issued Accounting Standards**

**Consolidation of Variable Interest Entities**

In June 2009, the Financial Accounting Standards Board ("FASB") issued revised guidance for accounting for a variable interest entity ("VIE") (formerly referred to as Statement of Financial Accounting Standards ("FAS") No. 167, "Amendments to FASB Interpretation No. 46(R)"), which has been codified within Accounting Standards Codification ("ASC") topic 810, "Consolidation" ("ASC 810"). The revised guidance within ASC 810 changes the approach to determining the primary beneficiary of a VIE, replacing the quantitative-based risks and rewards approach with a qualitative approach that focuses on identifying which enterprise has (i) the power to direct the

## POLO RALPH LAUREN CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the VIE. ASC 810 also now requires ongoing reassessment of whether an enterprise is the primary beneficiary of a VIE, as well as additional disclosures about an enterprise's involvement in VIEs. The Company adopted the revised guidance for VIE's within ASC 810 as of the beginning of Fiscal 2011 (April 4, 2010). The adoption did not have a significant impact on the Company's consolidated financial statements.

**5. Acquisitions and Joint Ventures*****Fiscal 2011 Transactions****Agreement to Acquire South Korea Licensed Operations*

Subsequent to the end of the first quarter of Fiscal 2011, in July 2010, the Company entered into an agreement with Doosan Corporation ("Doosan") to assume direct control of its Polo-branded licensed apparel and accessories businesses in South Korea effective January 1, 2011 in exchange for a payment of approximately \$25 million plus an additional estimated payment of approximately \$22 million for inventory and certain other net assets. Doosan is currently the Company's licensee for Polo-branded apparel and accessories in South Korea. The transaction is subject to certain customary closing conditions. The Company expects to account for this transaction as a business combination during the third quarter of Fiscal 2011.

***Fiscal 2010 Transactions****Asia-Pacific Licensed Operations Acquisition*

On December 31, 2009, in connection with the transition of the Polo-branded apparel business in Asia-Pacific (excluding Japan) from a licensed to a wholly owned operation, the Company acquired certain net assets from Dickson in exchange for an initial payment of approximately \$20 million and other consideration of approximately \$17 million. Dickson was the Company's licensee for Polo-branded apparel in the Asia-Pacific region (excluding Japan), which is comprised of China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Thailand. The Company funded the Asia-Pacific Licensed Operations Acquisition with available cash on-hand.

The Company accounted for the Asia-Pacific Licensed Operations Acquisition as a business combination during the fourth quarter of Fiscal 2010. The acquisition cost of \$37 million (excluding transaction costs) has been allocated to the net assets acquired based on their respective fair values as follows: inventory of \$2 million; customer relationship intangible asset of \$29 million; tax-deductible goodwill of \$1 million and other net assets of \$5 million. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Transaction costs of \$4 million were expensed as incurred and classified within SG&A expense in the consolidated statement of operations.

The customer relationship intangible asset was valued using the excess earnings method. This approach discounts the estimated after tax cash flows associated with the existing base of customers as of the acquisition date, factoring in expected attrition of the existing customer base. The customer relationship intangible asset is being amortized over its estimated useful life of ten years.

The results of operations for the Polo-branded apparel business in Asia-Pacific have been consolidated in the Company's results of operations commencing January 1, 2010.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**6. Inventories**

Inventories consist of the following:

	July 3, 2010	April 3, 2010 (millions)	June 27, 2009
Raw materials	\$ 7.0	\$ 5.9	\$ 5.3
Work-in-process	2.4	1.3	1.4
Finished goods	620.2	496.8	605.7
Total inventory	<u>\$ 629.6</u>	<u>\$ 504.0</u>	<u>\$ 612.4</u>

**7. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consist of the following:

	July 3, 2010	April 3, 2010 (millions)
Accrued operating expenses	\$ 256.4	\$ 237.6
Accrued payroll and benefits	79.8	187.1
Accrued inventory	56.8	43.8
Deferred income	51.0	50.5
Other	29.9	40.7
Total accrued expenses and other current liabilities	<u>\$ 473.9</u>	<u>\$ 559.7</u>

**8. Restructuring**

The Company has recorded restructuring liabilities in recent years relating to various cost-savings initiatives, as well as certain of its acquisitions. Restructuring costs incurred in connection with acquisitions that are not obligations of the acquiree as of the acquisition date are expensed. Such acquisition-related restructuring costs were not material in any period presented. Liabilities for costs associated with non-acquisition-related restructuring initiatives are expensed and initially measured at fair value when incurred in accordance with US GAAP. A description of the nature of significant non-acquisition-related restructuring activities and related costs is presented below.

Apart from the restructuring activity related to the Fiscal 2009 Restructuring Plan as defined and discussed below, the Company recognized \$0.1 million of net restructuring charges during the first quarter of Fiscal 2011, of which \$0.7 million related to employee termination costs associated with its Wholesale operations and \$0.6 million represented the reversal of reserves associated with previously closed Retail stores deemed no longer necessary. During the first quarter of Fiscal 2010, the Company recognized \$0.4 million of restructuring charges related to employee termination costs.

***Fiscal 2009 Restructuring Plan***

During the fourth quarter of Fiscal 2009, the Company initiated a restructuring plan designed to better align its cost base with the slowdown in consumer spending that has been negatively affecting sales and operating margins and to improve overall operating effectiveness (the "Fiscal 2009 Restructuring Plan"). The Fiscal 2009 Restructuring Plan included the termination of approximately 500 employees and the closure of certain underperforming retail stores.

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

In connection with the Fiscal 2009 Restructuring Plan, the Company recorded \$20.8 million in restructuring charges during the fourth quarter of Fiscal 2009. There were no additional restructuring charges recognized by the Company in connection with this plan and related payments of \$0.4 million were made during the first quarter of Fiscal 2011. The remaining liability under the Fiscal 2009 Restructuring Plan was \$0.7 million as of July 3, 2010.

**9. Income Taxes**

***Uncertain Income Tax Benefits***

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties, for the three months ended July 3, 2010 and June 27, 2009 is presented below:

	<u>Three Months Ended</u>	
	<u>July 3, 2010</u>	<u>June 27, 2009</u>
	(millions)	
Unrecognized tax benefits beginning balance	\$ 96.2	\$ 113.7
Additions related to current period tax positions	0.8	1.6
Additions related to prior periods tax positions	24.8	—
Reductions related to prior periods tax positions	(8.1)	—
Additions (reductions) charged to foreign currency translation	(2.2)	1.3
Unrecognized tax benefits ending balance	<u>\$ 111.5</u>	<u>\$ 116.6</u>

The Company classifies interest and penalties related to unrecognized tax benefits as part of its provision for income taxes. A reconciliation of the beginning and ending amounts of accrued interest and penalties related to unrecognized tax benefits for the three months ended July 3, 2010 and June 27, 2009 is presented below:

	<u>Three Months Ended</u>	
	<u>July 3, 2010</u>	<u>June 27, 2009</u>
	(millions)	
Accrued interest and penalties beginning balance	\$ 29.8	\$ 41.1
Net additions charged to expense	0.9	1.8
Additions (reductions) charged to foreign currency translation	(0.5)	0.2
Accrued interest and penalties ending balance	<u>\$ 30.2</u>	<u>\$ 43.1</u>

The total amount of unrecognized tax benefits, including interest and penalties, was \$141.7 million as of July 3, 2010 and \$126.0 million as of April 3, 2010 and was included within non-current liability for unrecognized tax benefits in the consolidated balance sheets. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was \$109.2 million as of July 3, 2010.

***Future Changes in Unrecognized Tax Benefits***

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not anticipate that the balance of gross unrecognized tax benefits, excluding interest and penalties, will change significantly during the next 12 months. However, changes in the occurrence, expected outcomes and timing of those events could cause the Company's current estimate to change materially in the future.

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

The Company files tax returns in the U.S. federal and various state, local and foreign jurisdictions. With few exceptions for those tax returns, the Company is no longer subject to examinations by the relevant tax authorities for years prior to Fiscal 2004.

**10. Debt**

***Euro Debt***

As of July 3, 2010, the Company had outstanding €209.2 million principal amount of 4.5% notes due October 4, 2013 (the “Euro Debt”). The Company has the option to redeem all of the outstanding Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the outstanding Euro Debt at any time at par plus accrued interest in the event of certain developments involving U.S. tax law. Partial redemption of the Euro Debt is not permitted in either instance. In the event of a change of control of the Company, each holder of the Euro Debt has the option to require the Company to redeem the Euro Debt at its principal amount plus accrued interest. The indenture governing the Euro Debt (the “Indenture”) contains certain limited covenants that restrict the Company’s ability, subject to specified exceptions, to incur liens or enter into a sale and leaseback transaction for any principal property. The Indenture does not contain any financial covenants.

As of July 3, 2010, the carrying value of the Euro Debt was \$261.7 million, compared to \$282.1 million as of April 3, 2010.

***Revolving Credit Facility and Term Loan***

The Company has a credit facility that provides for a \$450 million unsecured revolving line of credit through November 2011 (the “Credit Facility”). The Credit Facility also is used to support the issuance of letters of credit. As of July 3, 2010, there were no borrowings outstanding under the Credit Facility and the Company was contingently liable for \$13.1 million of outstanding letters of credit (primarily relating to inventory purchase commitments). The Company has the ability to expand its borrowing availability to \$600 million subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Credit Facility.

The Credit Facility contains a number of covenants that, among other things, restrict the Company’s ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. The Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the “leverage ratio”) of no greater than 3.75 as of the date of measurement for four consecutive quarters. Adjusted Debt is defined generally as consolidated debt outstanding plus 8 times consolidated rent expense for the last twelve months. EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense and (iv) consolidated rent expense. As of July 3, 2010, no Event of Default (as such term is defined pursuant to the Credit Facility) has occurred under the Company’s Credit Facility.

Refer to Note 14 of the Fiscal 2010 10-K for detailed disclosure of the terms and conditions of the Company’s debt.

**11. Fair Value Measurements**

US GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used

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

in valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). The three levels are defined as follows:

- **Level 1** — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2** — inputs to the valuation methodology based on quoted prices for similar assets and liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.
- **Level 3** — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis:

	<u>July 3, 2010</u>	<u>April 3, 2010</u>
	(millions)	
<i>Financial assets carried at fair value:</i>		
Variable rate municipal securities(a)	\$ 50.5	\$ 66.5
Auction rate securities(b)	2.3	2.3
Derivative financial instruments(b)	28.1	16.6
Total	<u>\$ 80.9</u>	<u>\$ 85.4</u>
<i>Financial liabilities carried at fair value:</i>		
Derivative financial instruments(b)	\$ 7.4	\$ 4.2
Total	<u>\$ 7.4</u>	<u>\$ 4.2</u>

(a) Based on Level 1 measurements.

(b) Based on Level 2 measurements.

Derivative financial instruments are recorded at fair value in the Company's consolidated balance sheets. To the extent these instruments are designated as cash flow hedges and highly effective at reducing the risk associated with the exposure being hedged, the related unrealized gains or losses are deferred in equity as a component of accumulated other comprehensive income. The Company's derivative financial instruments are valued using a pricing model, primarily based on market observable external inputs including forward and spot rates for foreign currencies, which considers the impact of the Company's own credit risk, if any. The Company mitigates the impact of counterparty credit risk by entering into contracts with select financial institutions based on credit ratings and other factors, adhering to established limits for credit exposure and continually assessing the creditworthiness of counterparties. Changes in counterparty credit risk are considered in the valuation of derivative financial instruments.

The Company's variable rate municipal securities ("VRMS") are classified as available-for-sale securities and are recorded at fair value in the Company's consolidated balance sheet based upon quoted market prices, with unrealized gains or losses deferred in equity as a component of accumulated other comprehensive income.



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

The Company's auction rate securities are classified as available-for-sale securities and are recorded at fair value in the Company's consolidated balance sheets, with unrealized gains and losses deferred in equity as a component of accumulated other comprehensive income. Third-party pricing institutions may value auction rate securities at par, which may not necessarily reflect prices that would be obtained in the current market. When quoted market prices are unobservable, fair value is estimated based on a number of known factors and external pricing data, including known maturity dates, the coupon rate based upon the most recent reset market clearing rate, the price/yield representing the average rate of recently successful traded securities, and the total principal balance of each security.

Cash and cash equivalents, restricted cash, short-term and non-current investments held-to-maturity, and accounts receivable are recorded at carrying value, which approximates fair value. The Company's Euro Debt, which is adjusted for foreign currency fluctuations, is also reported at carrying value.

The Company's non-financial instruments, which primarily consist of goodwill, intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be recoverable (and at least annually for goodwill), non-financial instruments are assessed for impairment and, if applicable, written-down to and recorded at fair value.

## 12. Financial Instruments

### Derivative Financial Instruments

The Company primarily has exposure to changes in foreign currency exchange rates relating to certain anticipated cash flows from its international operations and possible declines in the fair value of reported net assets of certain of its foreign operations, as well as changes in the fair value of its fixed-rate debt relating to changes in interest rates. Consequently, the Company periodically uses derivative financial instruments to manage such risks. The Company does not enter into derivative transactions for speculative or trading purposes. All undesignated hedges of the Company are entered into to hedge specific economic risks.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of July 3, 2010 and April 3, 2010:

Derivative Instrument <sup>(a)</sup>	Notional Amounts		Derivative Assets				Derivative Liabilities			
	July 3, 2010	April 3, 2010	Balance Sheet Line <sup>(b)</sup>	Fair Value	Balance Sheet Line <sup>(b)</sup>	Fair Value	Balance Sheet Line <sup>(b)</sup>	Fair Value	Balance Sheet Line <sup>(b)</sup>	Fair Value
			July 3, 2010	April 3, 2010	July 3, 2010	April 3, 2010	July 3, 2010	April 3, 2010	July 3, 2010	April 3, 2010
(millions)										
<b>Designated Hedges:</b>										
FC — Inventory purchases	\$ 240.1	\$ 294.0	PP	\$ 25.1	PP	\$ 14.5	AE	\$ (2.0)	AE	\$ (2.4)
FC — 1/C royalty payments	111.8	84.4	(c)	2.6	(d)	2.1	(e)	(3.0)	ONCL	(0.1)
FC — Interest payments	13.3	13.9	—	—	—	—	AE	(2.0)	AE	(1.2)
FC — Other	8.5	2.8	—	—	—	—	—	—	AE	(0.1)
Interest Rate Swap	261.7	—	—	—	—	—	—	—	—	—
NI — Euro Debt	261.7	282.1	—	—	—	—	LTD	(270.0)	LTD	(291.7)(f)
Total Designated Hedges	\$ 897.1	\$ 677.2		\$ 27.7		\$ 16.6		\$ (277.0)		\$ (295.5)
<b>Undesignated Hedges:</b>										
FC — Other <sup>(g)</sup>	70.4	13.6	PP	0.4	—	—	AE	(0.4)	AE	(0.4)
Total Undesignated Hedges	\$ 70.4	\$ 13.6		\$ 0.4		\$ —		\$ (0.4)		\$ (0.4)
Total Hedges	\$ 967.5	\$ 690.8		\$ 28.1		\$ 16.6		\$ (277.4)		\$ (295.9)

(a) FC = Forward exchange contracts for the sale or purchase of foreign currencies; NI = Net Investment; Euro Debt = Euro-denominated 4.5% notes due October 4, 2013.

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

- (b) PP = Prepaid expenses and other; OA = Other assets; AE = Accrued expenses and other; ONCL = Other non-current liabilities; LTD = Long-term debt.  
(c) \$2.5 million included within PP and \$0.1 million included within OA.  
(d) \$1.1 million included within PP and \$1.0 million included within OA.  
(e) \$2.5 million included within AE and \$0.5 million included within ONCL.  
(f) The Company's Euro Debt is reported at carrying value in the Company's consolidated balance sheets. The carrying value of the Euro Debt was \$261.7 million as of July 3, 2010 and \$282.1 million as of April 3, 2010.  
(g) Primarily related to foreign currency-denominated revenues and other net operational exposures.

The following tables summarize the impact of the Company's derivative instruments on its consolidated financial statements for the three months ended July 3, 2010 and June 27, 2009:

Derivative Instrument(a)	Gains (Losses) Recognized in OCI(b)		Gains (Losses) Reclassified from AOCI(b) to Earnings		Location of Gains (Losses) Reclassified from AOCI to Earnings
	Three Months Ended		Three Months Ended		
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009	
	(millions)				
<b>Designated Cash Flow Hedges:</b>					
FC — Inventory purchases	\$ 12.7	\$ (10.3)	\$ 0.3	\$ 1.8	Cost of goods sold
FC — I/C royalty payments	(1.9)	(3.4)	0.6	(0.2)	Foreign currency gains (losses)
FC — Interest payments	(0.8)	—	—	1.0	Foreign currency gains (losses)
FC — Other	0.1	1.5	(0.2)	0.2	Foreign currency gains (losses)
	<u>\$ 10.1</u>	<u>\$ (12.2)</u>	<u>\$ 0.7</u>	<u>\$ 2.8</u>	
<b>Designated Hedge of Net Investment:</b>					
Euro Debt	\$ 20.4	\$ (11.4)	\$ —	\$ —	(c)
Total Designated Hedges	<u>\$ 30.5</u>	<u>\$ (23.6)</u>	<u>\$ 0.7</u>	<u>\$ 2.8</u>	

Derivative Instrument(a)	Gains (Losses) Recognized in Earnings		Location of Gains (Losses) Recognized in Earnings
	Three Months Ended		
	July 3, 2010	June 27, 2009	
	(millions)		
<b>Undesignated Hedges:</b>			
FC — Inventory purchases	\$ —	\$ 0.5	Foreign currency gains (losses)
FC — Other	1.0	(0.2)	Foreign currency gains (losses)
Total Undesignated Hedges	<u>\$ 1.0</u>	<u>\$ 0.3</u>	

- (a) FC = Forward exchange contracts for the sale or purchase of foreign currencies; Euro Debt = Euro-denominated 4.5% notes due October 4, 2013.  
(b) Accumulated other comprehensive income ("AOCI"), including the respective fiscal year's other comprehensive income ("OCI"), is classified as a component of total equity.  
(c) To the extent applicable, to be recognized as a gain (loss) on the sale or liquidation of the hedged net investment.

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

Over the next twelve months, it is expected that approximately \$21 million of net gains deferred in accumulated other comprehensive income related to derivative financial instruments outstanding as of July 3, 2010 will be recognized in earnings. No material gains or losses relating to ineffective hedges were recognized during any of the fiscal periods presented.

The following is a summary of the Company's risk management strategies and the effect of those strategies on the consolidated financial statements.

***Foreign Currency Risk Management***

***Forward Foreign Currency Exchange Contracts***

The Company primarily enters into forward foreign currency exchange contracts as hedges to reduce its risk from exchange rate fluctuations on inventory purchases, intercompany royalty payments made by certain of its international operations, intercompany contributions made to fund certain marketing efforts of its international operations, interest payments made in connection with outstanding debt, other foreign currency-denominated operational obligations including payroll, rent, insurance and benefit payments, and foreign currency-denominated revenues. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the Swiss Franc, and the British Pound Sterling, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year periods. In doing so, the Company uses foreign currency exchange forward contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

The Company records its foreign currency exchange contracts at fair value in its consolidated balance sheets. To the extent foreign currency exchange contracts designated as cash flow hedges at hedge inception are highly effective in offsetting the change in the value of the hedged item, the related gains (losses) are deferred in equity as a component of accumulated other comprehensive income. These deferred gains (losses) are then recognized in our consolidated statements of operations as follows:

- *Forecasted Inventory Purchases* — Recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold.
- *Intercompany Royalty Payments and Marketing Contributions* — Recognized within foreign currency gains (losses) in the period in which the related royalties or marketing contributions being hedged are received or paid.
- *Operational Obligations* — Recognized primarily within SG&A expenses in the period in which the hedged forecasted transaction affects earnings.
- *Interest Payments on Euro Debt* — Recognized within foreign currency gains (losses) in the period in which the recorded liability impacts earnings due to foreign currency exchange remeasurement.

To the extent that a derivative contract designated as a hedge is not considered to be effective, any changes in fair value relating to the ineffective portion is immediately recognized in earnings within foreign currency gains (losses). If it is determined that a derivative has not been highly effective, and will continue not to be highly effective at hedging the designated exposure, hedge accounting is discontinued. If a hedge relationship is terminated, the change in fair value of the derivative previously recorded in accumulated other comprehensive income is realized when the hedged item affects earnings consistent with the original hedging strategy, unless the forecasted transaction is no longer probable of occurring in which case the accumulated amount is immediately recognized in earnings. In addition, changes in fair value relating to undesignated foreign currency exchange contracts are immediately recognized in earnings.

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

*Hedge of a Net Investment in Certain European Subsidiaries*

The Company designated the entire principal amount of its outstanding Euro Debt as a hedge of its net investment in certain of its European subsidiaries. The changes in fair value of a derivative instrument or a non-derivative financial instrument (such as debt) that is designated as a hedge of a net investment in a foreign operation are reported in the same manner as a translation adjustment, to the extent it is effective as a hedge. As such, changes in the fair value of the Euro Debt resulting from changes in the Euro exchange rate have been, and continue to be, reported in equity as a component of accumulated other comprehensive income.

**Interest Rate Risk Management**

*Interest Rate Swaps Contracts*

On July 2, 2010, the Company entered into a fixed-to-floating interest rate swap designated as a fair value hedge to mitigate its exposure to changes in the fair value of the Company's Euro Debt due to changes in the benchmark interest rate. The interest rate swap, which matures on October 4, 2013, has an aggregate notional value of €209.2 million and swaps the 4.5% fixed interest rate on the Company's Euro Debt for a variable interest rate equal to the 3-month Euro Interbank Offered Rate plus 299 basis points. The Company's interest rate swap meets the requirements for shortcut method accounting. Accordingly, changes in the fair value of the interest rate swap are exactly offset by changes in the fair value of the Euro Debt. No ineffectiveness has been recorded during the first quarter of Fiscal 2011.

**Investments**

The Company classifies its investments in securities at the time of purchase as either held-to-maturity, available-for-sale or trading, and re-evaluates such classifications on a quarterly basis.

Held-to-maturity investments consist of debt securities that the Company has the intent and ability to retain until maturity. These securities are recorded at cost, adjusted for the amortization of premiums and discounts, which approximates fair value.

Available-for-sale investments primarily consist of VRMS and auction rate securities. VRMS represent long-term municipal bonds with interest rates that reset at pre-determined short-term intervals, and can typically be put to the issuer and redeemed for cash upon demand, or shortly thereafter. Auction rate securities also have characteristics similar to short-term investments. However, the Company has classified these securities as non-current investments in its consolidated balance sheet as current market conditions call into question its ability to redeem these investments for cash within the next twelve months. Available-for-sale investments are recorded at fair value with unrealized gains or losses classified as a component of accumulated other comprehensive income (loss) in the consolidated balance sheets, and related realized gains or losses classified as a component of interest and other income, net, in the consolidated statements of operations. No material unrealized or realized gains or losses on available-for-sale investments were recognized during any of the fiscal periods presented.

Cash inflows and outflows related to the sale and purchase of investments are classified as investing activities in the Company's consolidated statements of cash flows.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table summarizes the Company's short-term and non-current investments recorded in the consolidated balance sheets as of July 3, 2010 and April 3, 2010:

Type of Investment	July 3, 2010			April 3, 2010		
	Short-term < 1 year	Non-current 1 - 3 years	Total	Short-term < 1 year	Non-current 1 - 3 years	Total
(millions)						
<b>Held-to-Maturity:</b>						
Treasury bills	\$ 79.9	\$ —	\$ 79.9	\$ 126.6	\$ —	\$ 126.6
Municipal bonds	113.5	69.2	182.7	102.2	67.8	170.0
Commercial paper	7.0	—	7.0	2.0	—	2.0
Other securities	—	—	—	—	5.0	5.0
Total held-to-maturity investments	\$ 200.4	\$ 69.2	\$ 269.6	\$ 230.8	\$ 72.8	\$ 303.6
<b>Available-for-Sale:</b>						
VRMS	\$ 50.5	\$ —	\$ 50.5	\$ 66.5	\$ —	\$ 66.5
Auction rate securities	—	2.3	2.3	—	2.3	2.3
Other securities	—	0.4	0.4	—	0.4	0.4
Total available-for-sale investments	\$ 50.5	\$ 2.7	\$ 53.2	\$ 66.5	\$ 2.7	\$ 69.2
<b>Other:</b>						
Time deposits and other	\$ 394.0	\$ —	\$ 394.0	\$ 286.8	\$ —	\$ 286.8
<b>Total Investments</b>	<u>\$ 644.9</u>	<u>\$ 71.9</u>	<u>\$ 716.8</u>	<u>\$ 584.1</u>	<u>\$ 75.5</u>	<u>\$ 659.6</u>

**13. Equity**

*Summary of Changes in Equity*

	Three Months Ended	
	July 3, 2010	June 27, 2009
(millions)		
Balance at beginning of period	\$ 3,116.6	\$ 2,735.1
Comprehensive income:		
Net income attributable to PRLC	120.8	76.8
Foreign currency translation adjustments	(61.2)	33.3
Net realized and unrealized gains (losses) on derivative financial instruments	23.7	(15.7)
Net unrealized gains (losses) on defined benefit plans	—	0.4
Total comprehensive income	83.3	94.8
Cash dividends declared	(9.6)	(5.0)
Repurchases of common stock	(247.0)	(14.0)
Shares issued and equity grants made pursuant to stock-based compensation plans	22.5	20.1
Balance at end of period	<u>\$ 2,965.8</u>	<u>\$ 2,831.0</u>

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Secondary Stock Offering***

On June 14, 2010, the Company commenced a secondary public offering under which approximately 10 million shares of Class A common stock were sold on behalf of its principal stockholder, Mr. Ralph Lauren, Chairman of the Board and Chief Executive Officer (the "Offering"). The Offering was made pursuant to a shelf registration statement on Form S-3 filed on the same day, and closed on June 24, 2010. Concurrent with the Offering, the Company also purchased an additional 1 million shares of Class A common stock under its repurchase program from Mr. Lauren at a cost of \$81 million, representing the per share price of the public offering.

***Class B Common Stock Conversion***

In connection with the Offering and share repurchase discussed above, during the first quarter of Fiscal 2011, Mr. Lauren converted approximately 11 million shares of Class B common stock into an equal number of shares of Class A common stock pursuant to the terms of the security. Also, during the three months ended July 3, 2010, Mr. Ralph Lauren converted an additional 0.3 million shares of Class B common stock into an equal number of shares of Class A common stock pursuant to the terms of the security. These transactions resulted in a reclassification within equity, and had no effect on the Company's unaudited interim consolidated balance sheet for the three months ended July 3, 2010.

***Common Stock Repurchase Program***

On May 18, 2010, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$275 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

During the three months ended July 3, 2010, 2.7 million shares of Class A common stock were repurchased by the Company at a cost of \$231.0 million under its repurchase program, including a repurchase of 1.0 million shares of Class A common stock at a cost of \$81.0 million in connection with the secondary stock offering discussed above. The remaining availability under the Company's common stock repurchase program was approximately \$319 million as of July 3, 2010.

In addition, during the three months ended July 3, 2010, 0.2 million shares of Class A common stock at a cost of \$16.0 million were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan").

Subsequent to the end of the first quarter of Fiscal 2011, on August 5, 2010, the Company's Board of Directors approved a further expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$250 million of Class A common stock.

Repurchased and surrendered shares are accounted for as treasury stock at cost and will be held in treasury for future use.

***Dividends***

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. On November 4, 2009, the Company's Board of Directors approved an increase to the Company's quarterly cash dividend on its common stock from \$0.05 per share to \$0.10 per share. The first quarter Fiscal 2011 dividend of \$0.10 per share was declared on June 22, 2010, payable to shareholders of record at the close of business on July 2, 2010, and paid on July 16, 2010. Dividends paid amounted to \$9.8 million during the three months ended July 3, 2010 and \$5.0 million during the three months ended June 27, 2009.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**14. Stock-based Compensation**

***Long-term Stock Incentive Plans***

The Company's 1997 Incentive Plan authorizes the grant of awards to participants with respect to a maximum of 26.0 million shares of the Company's Class A common stock. Subsequent to the end of the first quarter, on August 5, 2010, the Company's shareholders approved the 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan"). The 2010 Incentive Plan provides for up to 3.0 million of new shares authorized for issuance to participants, in addition to the 1.4 million shares that remained available for issuance under the 1997 Incentive Plan. In addition, any outstanding awards under the 1997 Incentive Plan that expire or are forfeited will be transferred to the 2010 Incentive Plan and be available for issuance. The 2010 Incentive Plan becomes effective immediately and no further grants of awards will be made under the 1997 Incentive Plan. Outstanding awards as of August 5, 2010 will continue to remain subject to the terms of the 1997 Incentive Plan.

Under both the 2010 Incentive Plan and 1997 Incentive Plan (the "Plans"), there are limits as to the number of shares available for certain awards and to any one participant. Equity awards that may be made under the Plans include, but are not limited to (a) stock options, (b) restricted stock and (c) restricted stock units ("RSUs").

***Impact on Results***

A summary of the total compensation expense recorded within SG&A expense and associated income tax benefits recognized related to stock-based compensation arrangements is as follows:

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
Compensation expense	\$ (15.5)	\$ (12.6)
Income tax benefit	\$ 5.8	\$ 4.7

The Company issues its annual grant of stock-based compensation awards in the second quarter of its fiscal year. Due to the timing of the annual grant, stock-based compensation cost recognized during the three months ended July 3, 2010 is not indicative of the level of compensation cost expected to be incurred for the full Fiscal 2011.

***Stock Options***

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

A summary of the stock option activity under all plans during the three months ended July 3, 2010 is as follows:

	Number of Shares (thousands)
Options outstanding at April 3, 2010	5,055
Granted	7
Exercised	(157)
Cancelled/Forfeited	(26)
Options outstanding at July 3, 2010	4,879

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Restricted Stock and RSUs**

The Company grants restricted shares of Class A common stock and service-based RSUs to certain of its senior executives and non-employee directors. In addition, the Company grants performance-based RSUs to such senior executives and other key executives, and certain other employees of the Company. The fair values of restricted stock shares and RSUs are based on the fair value of unrestricted Class A common stock, as adjusted to reflect the absence of dividends for those restricted securities that are not entitled to dividend equivalents.

Generally, restricted stock grants vest over a five-year period of time, subject to the executive's continuing employment. Restricted stock shares granted to non-employee directors vest over a three-year period of time. Service-based RSUs generally vest over a five-year period of time, subject to the executive's continuing employment. Performance-based RSUs generally vest (a) upon the completion of a three-year period of time (cliff vesting), subject to the employee's continuing employment and the Company's achievement of certain performance goals over the three-year period or (b) ratably, over a three-year period of time (graded vesting), subject to the employee's continuing employment during the applicable vesting period and the achievement by the Company of certain performance goals either (i) in each year of the three-year vesting period for grants made prior to Fiscal 2008 or (ii) solely in the initial year of the three-year vesting period for grants made during and after Fiscal 2008.

A summary of the restricted stock and RSU activity during the three months ended July 3, 2010 is as follows:

	<u>Restricted Stock</u> <u>Number of</u> <u>Shares</u>	<u>Service-</u> <u>based RSUs</u> <u>Number of</u> <u>Shares</u> <small>(thousands)</small>	<u>Performance-</u> <u>based RSUs</u> <u>Number of</u> <u>Shares</u>
Nonvested at April 3, 2010	11	462	1,359
Granted	—	—	3
Vested	—	(100)	(496)
Cancelled	—	—	(17)
Nonvested at July 3, 2010	<u>11</u>	<u>362</u>	<u>849</u>

**15. Commitments and Contingencies**

***California Class Action Litigation***

On October 11, 2007 and November 2, 2007, two class action lawsuits were filed by two customers in state court in California asserting that while they were shopping at certain of the Company's factory stores in California, the Company allegedly required them to provide certain personal information at the point-of-sale in order to complete a credit card purchase. The plaintiffs purported to represent a class of customers in California who allegedly were injured by being forced to provide their address and telephone numbers in order to use their credit cards to purchase items from the Company's stores, which allegedly violated Section 1747.08 of California's Song-Beverly Act. The complaints sought an unspecified amount of statutory penalties, attorneys' fees and injunctive relief. The Company subsequently had the actions moved to the United States District Court for the Eastern and Central Districts of California. The Company commenced mediation proceedings with respect to these lawsuits and on October 17, 2008, the Company agreed in principle to settle these claims by agreeing to issue \$20 merchandise discount coupons with six month expiration dates to eligible parties and paying the plaintiffs' attorneys' fees. The court granted preliminary approval of the settlement terms on July 17, 2009. In connection with this settlement, the Company recorded a \$5 million reserve against its expected loss exposure during the second quarter of Fiscal 2009. As part of the required settlement process, the Company notified the relevant attorneys general regarding the potential settlement, and no objections were registered. At a hearing on December 7, 2009, the Court held that the terms of the settlement were fair, just and reasonable and provided fair compensation for class members. In addition, the Court overruled an objection that had been filed by a single customer. The Court then denied the objector's subsequent motion for the Court to



**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

reconsider its order on the fairness of the settlement. The period within which the objector had to appeal or otherwise seek relief from the Court's orders expired in February 2010 without an appeal and the settlement is effective. Accordingly, the coupons were issued in February with an expiration date of August 16, 2010. Based on coupon redemption experience to date, the Company has reversed \$3.2 million of its original \$5 million reserve into income as of July 3, 2010, including \$1.5 million during the first quarter of Fiscal 2011.

***Wathne Imports Litigation***

On August 19, 2005, Wathne Imports, Ltd. ("Wathne"), our then domestic licensee for luggage and handbags, filed a complaint in the U.S. District Court in the Southern District of New York against the Company and Ralph Lauren, our Chairman and Chief Executive Officer, asserting, among other things, federal trademark law violations, breach of contract, breach of obligations of good faith and fair dealing, fraud and negligent misrepresentation. The complaint sought, among other relief, injunctive relief, compensatory damages in excess of \$250 million and punitive damages of not less than \$750 million. On September 13, 2005, Wathne withdrew this complaint from the U.S. District Court and filed a complaint in the Supreme Court of the State of New York, New York County, making substantially the same allegations and claims (excluding the federal trademark claims), and seeking similar relief. On February 1, 2006, the court granted our motion to dismiss all of the causes of action, including the cause of action against Mr. Lauren, except for breach of contract related claims, and denied Wathne's motion for a preliminary injunction. Following some discovery, we moved for summary judgment on the remaining claims. Wathne cross-moved for partial summary judgment. In an April 11, 2008 Decision and Order, the court granted Polo's summary judgment motion to dismiss most of the claims against the Company, and denied Wathne's cross-motion for summary judgment. Wathne appealed the dismissal of its claims to the Appellate Division of the Supreme Court. Following a hearing on May 19, 2009, the Appellate Division issued a Decision and Order on June 9, 2009 which, in large part, affirmed the lower court's ruling. Discovery on those claims that were not dismissed is ongoing and a trial date has not yet been set. We intend to continue to contest the remaining claims in this lawsuit vigorously. Management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

***California Labor Litigation***

On May 30, 2006, four former employees of our Ralph Lauren stores in Palo Alto and San Francisco, California filed a lawsuit in the San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiffs purported to represent a class of employees who allegedly had been injured by not properly being paid commission earnings, not being paid overtime, not receiving rest breaks, being forced to work off of the clock while waiting to enter or leave stores and being falsely imprisoned while waiting to leave stores. The complaint sought an unspecified amount of compensatory damages, damages for emotional distress, disgorgement of profits, punitive damages, attorneys' fees and injunctive and declaratory relief. Subsequent to answering the complaint, we had the action moved to the United States District Court for the Northern District of California. On July 8, 2008, the United States District Court for the Northern District of California granted plaintiffs' motion for class certification and subsequently denied our motion to decertify the class. On November 5, 2008, the District Court stayed litigation of the rest break claims pending the resolution of a separate California Supreme Court case on the standards of class treatment for rest break claims. On January 25, 2010, the District Court granted plaintiffs' motion to sever the rest break claims from the rest of the case and denied our motion to decertify the waiting time claims. The District Court also ordered that a trial be held on the waiting time and overtime claims, which commenced on March 8, 2010. During trial, the parties reached an agreement to settle all of the claims in the litigation, including the rest break claims, for \$4 million. The District Court granted preliminary approval of the settlement on May 21, 2010. Class members had 60 days from the date of preliminary approval to submit claims or object to the settlement. Only a single objection to the settlement was received from one former employee. A hearing has been scheduled for August 20, 2010 for the District Court to determine if final approval of the settlement should be granted. In

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

connection with this settlement, the Company recorded a \$4 million reserve against its expected loss exposure during the fourth quarter of Fiscal 2010.

**Other Matters**

We are otherwise involved, from time to time, in litigation, other legal claims and proceedings involving matters associated with or incidental to our business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, and employee relations. We believe that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations. However, our assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to us or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

**16. Segment Information**

The Company has three reportable segments based on its business activities and organization: Wholesale, Retail and Licensing. Such segments offer a variety of products through different channels of distribution. The Wholesale segment consists of women's, men's and children's apparel, accessories and related products which are sold to major department stores, specialty stores, golf and pro shops and the Company's owned and licensed retail stores in the U.S. and overseas. The Retail segment consists of the Company's worldwide retail operations, which sell products through its full-price and factory stores, its concessions-based shop-within-shops, as well as RalphLauren.com and Rugby.com, its e-commerce websites. The stores, concessions-based shop-within-shops and websites sell products purchased from the Company's licensees, suppliers and Wholesale segment. The Licensing segment generates revenues from royalties earned on the sale of the Company's apparel, home and other products internationally and domestically through licensing alliances. The licensing agreements grant the licensees rights to use the Company's various trademarks in connection with the manufacture and sale of designated products in specified geographical areas for specified periods.

The accounting policies of the Company's segments are consistent with those described in Notes 2 and 3 to the Company's consolidated financial statements included in the Fiscal 2010 10-K. Sales and transfers between segments generally are recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon operating income before restructuring charges and certain other one-time items, such as legal charges, if any. Corporate overhead expenses (exclusive of certain expenses for senior management, overall branding-related expenses and certain other corporate-related expenses) are allocated to the segments based upon specific usage or other allocation methods.

Due to changes in the Company's segment presentation as discussed in Note 2, segment information for the three months ended June 27, 2009 has been recast to conform to the current period's presentation. These changes entirely related to reclassifications between the Company's Wholesale and Retail segments, and had no impact on total revenues, total operating income or total assets.

**POLO RALPH LAUREN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Net revenues and operating income for each segment under the Company's new (recasted) basis of reporting are as follows:

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
<b>Net revenues:</b>		
Wholesale	\$ 523.0	\$ 471.8
Retail	592.5	510.7
Licensing	37.8	41.2
Total net revenues	<u>\$ 1,153.3</u>	<u>\$ 1,023.7</u>
<b>Operating income:</b>		
Wholesale	\$ 107.6	\$ 76.5
Retail	103.7	69.1
Licensing	23.8	25.7
	<u>235.1</u>	<u>171.3</u>
Less:		
Unallocated corporate expenses	(62.3)	(54.2)
Unallocated legal and restructuring (charges) reversals, net <sup>(a)</sup>	1.4	(0.4)
Total operating income	<u>\$ 174.2</u>	<u>\$ 116.7</u>

(a) Fiscal periods presented included certain unallocated restructuring charges and legal-related activity. Restructuring charges, net for the three months ended July 3, 2010 consisted of \$0.1 million, of which \$0.7 million related to the Wholesale segment and \$0.6 million represented the reversal of reserves related to the Retail segment deemed no longer necessary. Restructuring charges of \$0.4 million for the three months ended June 27, 2009 primarily related to the Wholesale segment. Legal-related activity for the three months ended July 3, 2010 consisted of the reversal of a legal reserve of \$1.5 million related to California Class Action Litigation (see Note 15) deemed no longer necessary.

Depreciation and amortization expense for each segment under the Company's new (recasted) basis of reporting is as follows:

	Three Months Ended	
	July 3, 2010	June 27, 2009
	(millions)	
<b>Depreciation and amortization:</b>		
Wholesale	\$ 12.5	\$ 12.1
Retail	21.6	20.4
Licensing	0.3	0.5
Unallocated corporate expenses	11.6	11.3
Total depreciation and amortization	<u>\$ 46.0</u>	<u>\$ 44.3</u>

POLO RALPH LAUREN CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. **Additional Financial Information**

*Cash Interest and Taxes*

	<u>Three Months Ended</u>	
	<u>July 3, 2010</u>	<u>June 27, 2009</u>
	(millions)	
Cash paid for interest	\$ 0.9	\$ 0.9
Cash paid for income taxes	<u>\$ 34.9</u>	<u>\$ 18.4</u>

*Non-cash Transactions*

Significant non-cash investing activities included the capitalization of fixed assets and recognition of related obligations in the net amount of \$11.3 million for the three months ended July 3, 2010 and \$9.5 million for the three months ended June 27, 2009.

Significant non-cash financing activities during the three months ended July 3, 2010 and June 27, 2009 included the conversion of 11.3 million shares and 0.3 million shares, respectively, of Class B common stock into an equal number of shares of Class A common stock, as described further in Note 13.

There were no other significant non-cash investing or financing activities for the fiscal periods presented.

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

**Special Note Regarding Forward-Looking Statements**

Various statements in this Form 10-Q or incorporated by reference into this Form 10-Q, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "we believe," "is or remains optimistic," "currently envisions" and similar words or phrases and involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements include statements regarding, among other items:

- our anticipated growth strategies;
- our plans to continue to expand internationally;
- the impact of the economic recession on the ability of our customers, suppliers and vendors to access sources of liquidity;
- the impact of the significant downturn in the global economy on consumer purchases of premium lifestyle products that we offer for sale;
- our plans to open new retail stores;
- our ability to make certain strategic acquisitions of certain selected licenses held by our licensees;
- our intention to introduce new products or enter into new alliances;
- anticipated effective tax rates in future years;
- future expenditures for capital projects;
- our ability to continue to pay dividends and repurchase Class A common stock;
- our ability to continue to maintain our brand image and reputation;
- our ability to continue to initiate cost cutting efforts and improve profitability; and
- our efforts to improve the efficiency of our distribution system.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is included in our Annual Report on Form 10-K for the fiscal year ended April 3, 2010 (the "Fiscal 2010 10-K"). There are no material changes to such risk factors, nor are there any identifiable previously undisclosed risks as set forth in Part II, Item 1A — "Risk Factors" of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In this Form 10-Q, references to "Polo," "ourselves," "we," "our," "us" and the "Company" refer to Polo Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. Due to the collaborative and ongoing nature of our relationships with our licensees, such licensees are sometimes referred to in this Form 10-Q as "licensing alliances." We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2011 will end on April 2, 2011 and will be a 52-week period ("Fiscal 2011"). Fiscal year 2010 ended on April 3, 2010 and reflected a 53-week period ("Fiscal 2010"). In turn, the first quarter for Fiscal 2011 ended on July 3, 2010 and was a 13-week period. The first quarter for Fiscal 2010 ended on June 27, 2009 and also was a 13-week period.

## INTRODUCTION

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

- *Overview.* This section provides a general description of our business and a summary of financial performance for the three months ended July 3, 2010. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three-month periods ended July 3, 2010 and June 27, 2009.
- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the three-month periods ended July 3, 2010 and June 27, 2009, as well as a discussion of our financial condition and liquidity as of July 3, 2010 as compared to the end of Fiscal 2010. The discussion of our financial condition and liquidity includes (i) our available financial capacity under our credit facility, (ii) a summary of our key debt compliance measures and (iii) any material changes in our financial condition and contractual obligations since the end of Fiscal 2010.
- *Market risk management.* This section discusses any significant changes in our interest rate, foreign currency and investment risk exposures, the types of derivative instruments used to hedge those exposures, and/or underlying market conditions since the end of Fiscal 2010.
- *Critical accounting policies.* This section discusses any significant changes in our accounting policies since the end of Fiscal 2010. Significant changes include those considered to be important to our financial condition and results of operations, and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Notes 3 and 4 to our audited consolidated financial statements included in our Fiscal 2010 10-K.
- *Recently issued accounting standards.* This section discusses the potential impact to our reported financial condition and results of operations of accounting standards that have been recently issued.

## OVERVIEW

### *Our Business*

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

We classify our businesses into three segments: Wholesale, Retail and Licensing. Our wholesale business (representing approximately 51% of Fiscal 2010 net revenues) consists of wholesale-channel sales made principally to major department stores, specialty stores and golf and pro shops located throughout the U.S., Canada, Europe and Asia. Our retail business (representing approximately 45% of Fiscal 2010 net revenues) consists of retail-channel sales directly to consumers through full-price and factory retail stores located throughout the U.S., Canada, Europe, South America and Asia, through concessions-based shop-within-shops located primarily in Asia, and through our retail internet sites located at [www.RalphLauren.com](http://www.RalphLauren.com) and [www.Rugby.com](http://www.Rugby.com). In addition, our licensing business (representing approximately 4% of Fiscal 2010 net revenues) consists of royalty-based arrangements under which we license the right to third parties to use our various trademarks in connection with the manufacture and sale of designated products, such as apparel, eyewear and fragrances, in specified geographical areas for specified periods.

Approximately 30% of our Fiscal 2010 net revenues was earned in international regions outside of the U.S. and Canada.

In connection with the closing of the Asia-Pacific Licensed Operations Acquisition (as defined and discussed under “*Recent Developments*”) at the beginning of the fourth quarter of Fiscal 2010, we restated our segment presentation to reclassify concessions-based sales arrangements to our Retail segment from our Wholesale segment. Segment information for the three months ended June 27, 2009 has been recast to conform to the current period’s presentation. See Note 2 to the accompanying unaudited interim consolidated financial statements for further discussion of the restatement of our segment presentation.

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth quarters and higher retail sales in our second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school and holiday shopping periods in the Retail segment. Accordingly, our operating results and cash flows for the three months ended July 3, 2010 are not necessarily indicative of the results and cash flows that may be expected for the full Fiscal 2011.

### **Summary of Financial Performance**

#### *Global Economic Developments*

As discussed in our Fiscal 2010 10-K, the state of the global economy has continued to negatively impact the level of consumer spending for discretionary items. This has affected our business as it is highly dependent on consumer demand for our products. Particularly, through the first half of Fiscal 2010, our Retail segment experienced sharp declines in comparable store sales, as did many of our traditional wholesale customers. In October 2009, our Retail segment began to experience positive comparable store sales growth due largely to the anniversary of the lower benchmarks created in the prior year. In addition, improved inventory management coupled with less promotional activity resulted in the realization of higher margins across our businesses.

While the U.S. and certain other international economies have shown some signs of stabilization, there are still significant macroeconomic risks, including high rates of unemployment and continued global economic uncertainty precipitated by the European debt crisis. As such, notwithstanding the reported sales and margin growth experienced by the Company during the first quarter of Fiscal 2011, we believe the global macroeconomic environment and the ongoing constrained level of worldwide consumer spending will likely continue to impact our sales and margins across all segments throughout the remainder of Fiscal 2011. We also expect that current inflationary pressures on raw material and labor costs as well as labor shortages in certain regions where our products are manufactured will negatively affect the cost of our products and related gross profit percentages beginning in the second half of Fiscal 2011.

We continue to monitor these risks and continually evaluate our operating strategies to adjust to any changes in economic conditions.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A — “*Risk Factors*” in our Fiscal 2010 10-K.

#### *Operating Results*

During the first quarter of Fiscal 2011, we reported revenues of \$1.153 billion, net income attributable to Polo Ralph Lauren Corporation (“PRLC”) of \$120.8 million and net income per diluted share attributable to PRLC of \$1.21. This compares to revenues of \$1.024 billion, net income of \$76.8 million and net income per diluted share of \$0.76 during the first quarter of Fiscal 2010.

Our operating performance for the three months ended July 3, 2010 was driven by 12.7% revenue growth, primarily due to higher revenues from our domestic and European Wholesale businesses and a net increase in our comparable global Retail store sales, along with the inclusion of revenues from our newly acquired Asia-Pacific business (see “*Recent Developments*” for further discussion). These increases were partially offset by net unfavorable foreign currency effects. We also experienced an increase in gross profit percentage of 310 basis points to 61.8% during the first quarter of Fiscal 2011, primarily due to improved inventory management and

decreased promotional activity across most of our global Retail and Wholesale businesses, as well as growth from the largely concessions-based business assumed in the Asia-Pacific Licensed Operations Acquisition. These increases were partially offset by higher selling, general, and administrative (“SG&A”) expenses attributable largely to our new business initiatives and acquisitions.

Net income and net income per diluted share attributable to PRLC increased during the first quarter of Fiscal 2011 as compared to the first quarter of Fiscal 2010, primarily due to a \$57.5 million increase in operating income, offset in part by an \$11.4 million increase in the provision for income taxes. The increase in the provision for income taxes was driven by the overall increase in pretax income, partially offset by a 400 basis point decline in our effective tax rate.

*Financial Condition and Liquidity*

Our financial position reflects the overall relative strength of our business results. We ended the first quarter of Fiscal 2011 in a net cash and investments position (total cash and cash equivalents, plus short-term investments and non-current investments less total debt) of \$800.9 million, compared to \$940.6 million as of the end of Fiscal 2010. The decrease in our net cash and investments position was primarily due to our treasury stock repurchases and investing activities, partially offset by our operating cash flows. Our equity decreased to \$2.966 billion as of July 3, 2010 compared to \$3.117 billion as of April 3, 2010, primarily due to our share repurchase activity, offset in part by our net income during the first quarter of Fiscal 2011.

We generated \$171.4 million of cash from operations during the three months ended July 3, 2010, compared to \$292.3 million during the three months ended June 27, 2009. We used some of our cash availability to support our common stock repurchase program and to reinvest in our business through capital spending. In particular, we used \$247.0 million to repurchase 2.9 million shares of Class A common stock, including shares surrendered for tax withholdings. We also used \$38.5 million for capital expenditures primarily associated with our global retail store expansion, construction and renovation of department store shop-in-shops and investments in our facilities and technological infrastructure.

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

The comparability of the Company’s operating results for the three months ended July 3, 2010 and June 27, 2009 has been affected by the Asia-Pacific Licensed Operations Acquisition (as defined and discussed under “*Recent Developments*” below) that occurred on December 31, 2009.

In addition, as a result of the reclassification of concessions-based sales arrangements to our Retail segment from our Wholesale segment at the beginning of the fourth quarter of Fiscal 2010, segment information for the three months ended June 27, 2009 has been recast to conform to the current period’s presentation.

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

***Recent Developments***

*Agreement to Acquire South Korea Licensed Operations*

Subsequent to the end of the first quarter of Fiscal 2011, in July 2010, the Company entered into an agreement with Doosan Corporation (“Doosan”) to assume direct control of its Polo-branded licensed apparel and accessories businesses in South Korea effective January 1, 2011 in exchange for a payment of approximately \$25 million plus an additional estimated payment of approximately \$22 million for inventory and certain other net assets. Doosan is currently the Company’s licensee for Polo-branded apparel and accessories in South Korea. The transaction is subject to certain customary closing conditions. The Company expects to account for this transaction as a business combination during the third quarter of Fiscal 2011.



*Asia-Pacific Licensed Operations Acquisition*

On December 31, 2009, in connection with the transition of the Polo-branded apparel business in Asia-Pacific (excluding Japan) from a licensed to a wholly owned operation, the Company acquired certain net assets from Dickson Concepts International Limited and affiliates (“Dickson”) in exchange for an initial payment of approximately \$20 million and other consideration of approximately \$17 million (the “Asia-Pacific Licensed Operations Acquisition”). Dickson was the Company’s licensee for Polo-branded apparel in the Asia-Pacific region (excluding Japan), which is comprised of China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Thailand. The Company funded the Asia-Pacific Licensed Operations Acquisition with available cash on-hand.

The results of operations for the Polo-branded apparel business in Asia-Pacific have been consolidated in the Company’s results of operations commencing January 1, 2010.

**RESULTS OF OPERATIONS**

*Three Months Ended July 3, 2010 Compared to Three Months Ended June 27, 2009*

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions:

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>July 3, 2010</b>	<b>June 27, 2009</b>		
	(millions, except per share data)			
<b>Net revenues</b>	\$ 1,153.3	\$ 1,023.7	\$ 129.6	12.7%
Cost of goods sold <sup>(a)</sup>	(441.1)	(422.5)	(18.6)	4.4%
<b>Gross profit</b>	712.2	601.2	111.0	18.5%
<i>Gross profit as % of net revenues</i>	61.8%	58.7%		
Selling, general and administrative expenses <sup>(a)</sup>	(531.9)	(478.9)	(53.0)	11.1%
<i>SG&amp;A as % of net revenues</i>	46.1%	46.8%		
Amortization of intangible assets	(6.0)	(5.2)	(0.8)	15.4%
Restructuring charges	(0.1)	(0.4)	0.3	(75.0)%
<b>Operating income</b>	174.2	116.7	57.5	49.3%
<i>Operating income as % of net revenues</i>	15.1%	11.4%		
Foreign currency gains (losses)	(0.8)	0.9	(1.7)	(188.9)%
Interest expense	(4.5)	(6.6)	2.1	(31.8)%
Interest and other income, net	1.8	2.8	(1.0)	(35.7)%
Equity in income (loss) of equity-method investees	(1.2)	0.3	(1.5)	(500.0)%
<b>Income before provision for income taxes</b>	169.5	114.1	55.4	48.6%
Provision for income taxes	(48.7)	(37.3)	(11.4)	30.6%
<i>Effective tax rate<sup>(b)</sup></i>	28.7%	32.7%		
<b>Net income attributable to PRLC</b>	<u>\$ 120.8</u>	<u>\$ 76.8</u>	<u>\$ 44.0</u>	57.3%
<b>Net income per common share attributable to PRLC:</b>				
<b>Basic</b>	<u>\$ 1.24</u>	<u>\$ 0.77</u>	<u>\$ 0.47</u>	61.0%
<b>Diluted</b>	<u>\$ 1.21</u>	<u>\$ 0.76</u>	<u>\$ 0.45</u>	59.2%

(a) Includes total depreciation expense of \$40.0 million and \$39.1 million for the three-month periods ended July 3, 2010 and June 27, 2009, respectively.

(b) Effective tax rate is calculated by dividing the provision for income taxes by income before provision for income taxes.

*Net Revenues.* Net revenues increased by \$129.6 million, or 12.7%, to \$1.153 billion in the first quarter of Fiscal 2011 from \$1.024 billion in the first quarter of Fiscal 2010. The increase was primarily due to higher revenues from our global Wholesale businesses and an increase in our global Retail sales, partially offset by net unfavorable foreign currency effects. Excluding the effect of foreign currency, net revenues increased by 13.3%. On a reported basis, Wholesale revenues increased by \$51.2 million, primarily as a result of higher net sales across most of our domestic and European core product lines. Retail revenues increased by \$81.8 million, primarily as a result of a net increase in our comparable global store sales, continued store expansion and growth in RalphLauren.com sales. The increase in Retail revenues also reflected incremental sales from our newly acquired Polo-branded apparel business in Asia-Pacific. Licensing revenue decreased by \$3.4 million, primarily due to a decline in international licensing royalties due to the loss of licensing revenues from the Polo-branded apparel business in Asia-Pacific (now consolidated primarily as part of the Retail segment), as well as a decrease in home licensing royalties driven by lower paint-related royalties.

Net revenues for our three business segments under the Company's new (recasted) basis of reporting are provided below:

	Three Months Ended		\$ Change	% Change
	July 3, 2010	June 27, 2009 (millions)		
<b>Net Revenues:</b>				
Wholesale	\$ 523.0	\$ 471.8	\$ 51.2	10.9%
Retail	592.5	510.7	81.8	16.0%
Licensing	37.8	41.2	(3.4)	(8.3)%
<b>Total net revenues</b>	<u>\$ 1,153.3</u>	<u>\$ 1,023.7</u>	<u>\$ 129.6</u>	<u>12.7%</u>

*Wholesale net revenues* — The net increase primarily reflects:

- a \$38 million aggregate net increase in our domestic businesses primarily due to higher footwear sales driven by increased door penetration, as well as increased revenues from our menswear, womenswear and childrenswear product lines;
- a \$17 million net increase in our European businesses on a constant currency basis primarily driven by increased revenues from our menswear and childrenswear product lines, partially offset by a decrease in womenswear sales; and
- the inclusion of \$4 million of incremental revenues from the Asia-Pacific Licensed Operations Acquisition (see “Recent Developments” for further discussion).

The above net increase was partially offset by:

- a \$6 million net decrease in revenues due to an unfavorable foreign currency effect related to the weakening of the Euro, partially offset by a favorable foreign currency effect related to the strengthening of the Yen, both in comparison to the U.S. dollar during the first quarter of Fiscal 2011; and
- a \$2 million net decrease in our Japanese businesses on a constant currency basis primarily due to decreased revenues from our menswear product line, mostly offset by an increase in womenswear sales.

*Retail net revenues* — For purposes of the discussion of Retail operating performance below, we refer to the measure “comparable store sales.” Comparable store sales refer to the growth of sales in stores that are open for at least one full fiscal year. Sales for stores that are closing during a fiscal year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater) or generally closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until such stores have been in their new location or in a newly renovated state for at least one full fiscal year. Comparable store sales information includes both Ralph Lauren (including Rugby) and Club Monaco stores, as well as concessions-based shop-within-shops and RalphLauren.com (including Rugby.com).

The net increase in Retail net revenues primarily reflects:

- a \$49 million aggregate net increase in non-comparable store sales primarily driven by:
  - Ø the inclusion of \$28 million of sales from stores and concession-based shop-within-shops assumed in connection with the Asia-Pacific Licensed Operations Acquisition (see “Recent Developments” for further discussion); and
  - Ø a \$21 million increase primarily related to new store openings within the past twelve months. There was a net increase in average global store count of 12 stores, to a total of 355 stores, as compared to the first quarter of Fiscal 2010. The net increase in average store count was primarily due to a number of new international full-price and factory store openings, including our flagship store in Saint-Germain, Paris, as well as the inclusion of stores acquired in the Asia-Pacific region. This increase was offset in part by the closure of certain Club Monaco stores.
- a \$26 million aggregate net increase in comparable physical store sales primarily driven by our global factory stores, including a net aggregate unfavorable foreign currency effect of \$1 million primarily related to the weakening of the Euro, partially offset by the strengthening of the Yen, both in comparison to the U.S. dollar during the first quarter of Fiscal 2011. The increase in Retail net revenues also was due to a \$7 million increase in RalphLauren.com sales. Comparable store sales under the Company’s new (recasted) basis of reporting are provided below:

	<u>Three Months Ended</u> <u>July 3, 2010</u>
Increases/(decreases) in comparable store sales as reported:	
Full-price Ralph Lauren store sales(a)	(2)%
Full-price Club Monaco store sales	25%
Factory store sales	8%
RalphLauren.com sales	15%
<b>Total increase in comparable store sales as reported</b>	<b>7%</b>
Increases/(decreases) in comparable store sales excluding the effect of foreign currency:	
Full-price Ralph Lauren store sales(b)	(2)%
Full-price Club Monaco store sales	25%
Factory store sales	9%
RalphLauren.com sales	15%
<b>Total increase in comparable store sales excluding the effect of foreign currency</b>	<b>8%</b>

- (a) Includes a decrease of 12% in comparable sales for concessions-based shop-within-shops.  
 (b) Includes a decrease of 18% in comparable sales for concessions-based shop-within-shops.

Licensing revenue — The net decrease primarily reflects:

- a \$2 million decrease in international licensing royalties, primarily due to the Asia-Pacific Licensed Operations Acquisition (see “Recent Developments” for further discussion); and
- a \$1 million decrease in home licensing royalties primarily driven by lower paint-related royalties.

*Gross Profit.* Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight-in, and import costs, as well as changes in reserves for shrinkage and inventory realizability. The costs of selling merchandise, including those associated with preparing the merchandise for sale, such as picking, packing, warehousing and order charges, are included in SG&A expenses.

Gross profit increased by \$111.0 million, or 18.5%, to \$712.2 million in the first quarter of Fiscal 2011 from \$601.2 million in the first quarter of Fiscal 2010. Gross profit as a percentage of net revenues increased by 310 basis

points to 61.8% for the three months ended July 3, 2010 from 58.7% for the three months ended June 27, 2009. This increase was primarily due to improved inventory management and decreased promotional activity across most of our global Retail and Wholesale businesses, particularly in the United States and Europe, as well as growth from the retail businesses assumed in the Asia-Pacific Licensed Operations Acquisition (see “Recent Developments” for further discussion).

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net revenues to fluctuate from period to period.

We expect that current macroeconomic challenges, including inflationary pressures on raw materials and labor costs as well as labor shortages in certain regions where our products are manufactured, will negatively affect the cost of our products and related gross profit percentages beginning in the second half of Fiscal 2011 (see “Global Economic Developments” for further discussion).

*Selling, General and Administrative Expenses.* SG&A expenses primarily include compensation and benefits, marketing, distribution, bad debts, information technology, facilities, legal and other costs associated with finance and administration. SG&A expenses increased by \$53.0 million, or 11.1%, to \$531.9 million in the first quarter of Fiscal 2011 from \$478.9 million in the first quarter of Fiscal 2010. The increase included a net favorable foreign currency effect of \$0.3 million, primarily related to the weakening of the Euro, partially offset by the strengthening of the Yen, both in comparison to the U.S. dollar during the first quarter of Fiscal 2011. SG&A expenses as a percent of net revenues decreased to 46.1% for the three months ended July 3, 2010 from 46.8% for the three months ended June 27, 2009. The 70 basis point decrease was primarily driven by the increase in net revenues, partially offset by an increase in operating expenses attributable to our new business initiatives and acquisitions. The \$53.0 million increase in SG&A expenses was primarily driven by:

- the inclusion of SG&A costs of approximately \$26 million related to our newly acquired Polo-branded apparel business in Asia-Pacific (see “Recent Developments” for further discussion);
- higher selling salaries and compensation-related costs of approximately \$15 million primarily relating to the global increase in retail sales and worldwide store expansion, as well as higher stock-based compensation expense; and
- an approximate \$13 million increase in rent and utility costs primarily to support the ongoing global growth of our businesses.

The above increases were partially offset by:

- an approximate \$2 million net decrease in litigation-related charges, primarily related to the reversal of a legal reserve deemed no longer necessary in the first quarter of Fiscal 2011.

*Amortization of Intangible Assets.* Amortization of intangible assets increased by \$0.8 million, or 15.4%, to \$6.0 million in the first quarter of Fiscal 2011 from \$5.2 million in the first quarter of Fiscal 2010. This increase was primarily due to the amortization of the intangible assets acquired in connection with the Asia-Pacific Licensed Operations Acquisition (see “Recent Developments” for further discussion).

*Restructuring charges.* The Company recognized net restructuring charges of \$0.1 million in the first quarter of Fiscal 2011 related to employee termination costs of \$0.7 million associated with our Wholesale operations, mostly offset by the reversal of \$0.6 million of reserves associated with previously closed Retail stores deemed no longer necessary. Restructuring charges of \$0.4 million in the first quarter of Fiscal 2010 related to employee termination costs primarily associated with our Wholesale operations.

*Operating Income.* Operating income increased by \$57.5 million, or 49.3%, to \$174.2 million in the first quarter of Fiscal 2011 from \$116.7 million in the first quarter of Fiscal 2010. Operating income as a percentage of revenue increased 370 basis points, to 15.1% for the three months ended July 3, 2010 from 11.4% for the three months ended June 27, 2009. The increase in operating income as a percentage of net revenues primarily reflected

an increase in gross profit margin and a decrease in SG&A expenses as a percentage of net revenues, as previously discussed.

Operating income for our three business segments under the Company's new (recasted) basis of reporting is provided below:

	Three Months Ended		\$ Change	% Change
	July 3, 2010	June 27, 2009 (millions)		
<b>Operating Income:</b>				
Wholesale	\$ 107.6	\$ 76.5	\$ 31.1	40.7%
Retail	103.7	69.1	34.6	50.1%
Licensing	23.8	25.7	(1.9)	(7.4)%
	235.1	171.3	63.8	37.2%
Less:				
Unallocated corporate expenses	(62.3)	(54.2)	(8.1)	14.9%
Unallocated legal and restructuring (charges) reversals, net	1.4	(0.4)	1.8	(450.0)%
<b>Total operating income</b>	<b>\$ 174.2</b>	<b>\$ 116.7</b>	<b>\$ 57.5</b>	<b>49.3%</b>

*Wholesale operating income* increased by \$31.1 million primarily as a result of increased revenues, as well as higher gross margins largely driven by improved inventory management and decreased promotional activity across most of our domestic and European businesses. These increases were partially offset by higher SG&A expenses.

*Retail operating income* increased by \$34.6 million primarily as a result of increased revenues, as well as higher gross margins across most of our Retail businesses, particularly in the United States and Europe, largely driven by decreased promotional activity and lower reductions in the carrying cost of our retail inventory. These increases were partially offset by higher occupancy costs and increased selling-related salaries and associated costs.

*Licensing operating income* decreased by \$1.9 million primarily as a result of lower revenues driven by a decline in international licensing royalties and home licensing royalties, offset in part by lower net costs associated with the transition of our licensed businesses to wholly owned operations.

*Unallocated corporate expenses* increased by \$8.1 million, primarily as a result of higher compensation-related expenses, including stock-based compensation expense, as well as an increase in information technology costs.

*Unallocated legal and restructuring (charges) reversals, net* of \$1.4 million in the first quarter of Fiscal 2011 were comprised of net restructuring charges of \$0.1 million related to employee termination costs of \$0.7 million associated with our Wholesale operations, mostly offset by the reversal of \$0.6 million of reserves associated with previously closed Retail stores, as well as the reversal of a legal reserve of \$1.5 million (see Note 15 to the accompanying unaudited interim consolidated financial statements for further discussion). The first quarter of Fiscal 2010 included restructuring charges of \$0.4 million related to employee termination costs primarily associated with our Wholesale operations.

*Foreign Currency Gains (Losses)*. The effect of foreign currency exchange rate fluctuations resulted in a loss of \$0.8 million in the first quarter of Fiscal 2011, compared to a gain of \$0.9 million in the first quarter of Fiscal 2010. Excluding a net increase in foreign currency gains of \$0.7 million relating to undesignated foreign currency hedge contracts, the increase in foreign currency losses was primarily due to the timing of the settlement of intercompany receivables and payables (that were not of a long-term investment nature) between certain of our international and domestic subsidiaries. Foreign currency gains and losses are unrelated to the impact of changes in the value of the U.S. dollar when operating results of our foreign subsidiaries are translated to U.S. dollars.

*Interest Expense*. Interest expense includes the borrowing costs of our outstanding debt, including amortization of debt issuance costs, and interest related to our capital lease obligations. Interest expense decreased

by \$2.1 million, or 31.8%, to \$4.5 million in the first quarter of Fiscal 2011 from \$6.6 million in the first quarter of Fiscal 2010. This decrease was primarily due to a lower principal amount of our outstanding Euro-denominated 4.5% notes as a result of a partial debt extinguishment in July 2009.

*Interest and Other Income, net.* Interest and other income, net, decreased by \$1.0 million, or 35.7%, to \$1.8 million in the first quarter of Fiscal 2011 from \$2.8 million in the first quarter of Fiscal 2010. This decrease was primarily driven by lower yields relating to lower market rates of interest and a decrease in our average balance of cash and cash equivalents and investments during the first quarter of Fiscal 2011.

*Equity in Income (Loss) of Equity-Method Investees.* The equity in loss of equity-method investees of \$1.2 million in the first quarter of Fiscal 2011 related to the Company's share of loss from its joint venture, the Ralph Lauren Watch and Jewelry Company, S.A.R.L. (the "RL Watch Company"), which is accounted for under the equity method of accounting. The equity in income of equity-method investees of \$0.3 million in the first quarter of Fiscal 2010 related to the Company's share of income from the RL Watch Company.

*Provision for Income Taxes.* The provision for income taxes represents federal, foreign, state and local income taxes. The provision for income taxes increased by \$11.4 million, or 30.6%, to \$48.7 million in the first quarter of Fiscal 2011 from \$37.3 million in the first quarter of Fiscal 2010. The increase in provision for income taxes was primarily a result of higher pretax income in the first quarter of Fiscal 2011 compared to the first quarter of Fiscal 2010. This increase was partially offset by a net decline in our reported effective tax rate of 400 basis points, to 28.7% for the three months ended July 3, 2010 from 32.7% for the three months ended June 27, 2009. The lower effective tax rate was primarily due to the net effect of certain adjustments related to intercompany charges and a reduction in tax reserves associated with the conclusion of a tax examination, partially offset by a greater proportion of earnings generated in higher-taxed jurisdictions during the first quarter of Fiscal 2011. The effective tax rate differs from statutory rates due to the effect of state and local taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate will change from period to period based on non-recurring factors including, but not limited to, the geographic mix of earnings, the timing and amount of foreign dividends, enacted tax legislation, state and local taxes, tax audit findings and settlements, and the interaction of various global tax strategies.

*Net Income Attributable to PRLC.* Net income increased by \$44.0 million, or 57.3%, to \$120.8 million in the first quarter of Fiscal 2011 from \$76.8 million in the first quarter of Fiscal 2010. The increase in net income primarily related to a \$57.5 million increase in operating income, offset in part by an \$11.4 million increase in the provision for income taxes, as previously discussed.

*Net Income Per Diluted Share Attributable to PRLC.* Net income per diluted share increased by \$0.45, or 59.2%, to \$1.21 per share in the first quarter of Fiscal 2011 from \$0.76 per share in the first quarter of Fiscal 2010. The increase in diluted per share results was due to the higher level of net income, as previously discussed, and the lower weighted-average diluted shares outstanding for the three months ended July 3, 2010.

## FINANCIAL CONDITION AND LIQUIDITY

### Financial Condition

	July 3, 2010	April 3, 2010 (millions)	\$ Change
Cash and cash equivalents	\$ 345.8	\$ 563.1	\$ (217.3)
Short-term investments	644.9	584.1	60.8
Non-current investments	71.9	75.5	(3.6)
Long-term debt	(261.7)	(282.1)	20.4
Net cash and investments <sup>(a)</sup>	<u>\$ 800.9</u>	<u>\$ 940.6</u>	<u>\$ (139.7)</u>
Equity	<u>\$ 2,965.8</u>	<u>\$ 3,116.6</u>	<u>\$ (150.8)</u>

(a) "Net cash and investments" is defined as total cash and cash equivalents, plus short-term and non-current investments, less total debt.

The decrease in the Company's net cash and investments position as of July 3, 2010 as compared to April 3, 2010 was primarily due to the Company's use of cash to support its treasury stock repurchases and capital expenditures, partially offset by its operating cash flows. During the first quarter of Fiscal 2011, the Company used \$247.0 million to repurchase 2.9 million shares of Class A common stock, including shares surrendered for tax withholdings, and spent \$38.5 million for capital expenditures.

The decrease in equity was primarily due to an increase in treasury stock as a result of the Company's common stock repurchase program, offset in part by the Company's net income during the first quarter of Fiscal 2011.

#### Cash Flows

	Three Months Ended		\$ Change
	July 3, 2010	June 27, 2009 (millions)	
Net cash provided by operating activities	\$ 171.4	\$ 292.3	\$ (120.9)
Net cash used in investing activities	(134.9)	(140.8)	5.9
Net cash used in financing activities	(251.0)	(12.7)	(238.3)
Effect of exchange rate changes on cash and cash equivalents	(2.8)	0.8	(3.6)
Net increase (decrease) in cash and cash equivalents	<u>\$ (217.3)</u>	<u>\$ 139.6</u>	<u>\$ (356.9)</u>

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities decreased to \$171.4 million during the first quarter of Fiscal 2011, compared to \$292.3 million during the first quarter of Fiscal 2010. This net decrease in operating cash flow was primarily driven by:

- a decrease related to accounts receivable primarily due to lower collections as compared to the first quarter of Fiscal 2010 driven by our lower beginning accounts receivable balance;
- a decrease related to inventory primarily due to the timing of inventory receipts and the Asia-Pacific Licensed Operations Acquisition; and
- an increase in cash tax payments as compared to the first quarter of Fiscal 2010.

The above decreases in operating cash flow were partially offset by:

- an increase in net income before depreciation, amortization, stock-based compensation and other non-cash expenses; and
- an increase related to accounts payable and accrued liabilities primarily due to the timing of payments.

Other than the items described above, the changes in operating assets and liabilities were attributable to normal operating fluctuations.

*Net Cash Used in Investing Activities.* Net cash used in investing activities was \$134.9 million during the first quarter of Fiscal 2011, as compared to \$140.8 million during the first quarter of Fiscal 2010. The net decrease in cash used in investing activities was primarily driven by:

- an increase in proceeds from sales and maturities of investments, less cash used to purchase investments. During the first quarter of Fiscal 2011, the Company received \$268.3 million of proceeds from sales and maturities of investments and used \$359.5 million to purchase investments. On a comparative basis, during the first quarter of Fiscal 2010, the Company received \$223.2 million of proceeds from sales and maturities of investments and used \$350.2 million to purchase investments.

The above net decrease was mostly offset by:

- an increase in cash used in connection with capital expenditures. During the first quarter of Fiscal 2011, the Company spent \$38.5 million for capital expenditures, as compared to \$17.8 million during the first quarter of Fiscal 2010; and
- a change in restricted cash deposits. The first quarter of Fiscal 2011 included net restricted cash deposits of \$2.8 million, as compared to net restricted cash release of \$5.7 million during the first quarter of Fiscal 2010.

*Net Cash Used in Financing Activities.* Net cash used in financing activities was \$251.0 million during the first quarter of Fiscal 2011, as compared to \$12.7 million during the first quarter of Fiscal 2010. The increase in net cash used in financing activities was primarily driven by:

- an increase in cash used in connection with repurchases of the Company's Class A common stock. During the first quarter of Fiscal 2011, 2.7 million shares of Class A common stock at a cost of \$231.0 million were repurchased pursuant to the Company's common stock repurchase program and 0.2 million shares of Class A common stock at a cost of \$16.0 million were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan"). On a comparative basis, during the first quarter of Fiscal 2010, \$14.0 million of cash was used in connection with shares surrendered for tax withholdings.

#### **Liquidity**

The Company's primary sources of liquidity are the cash flow generated from its operations, \$450 million of availability under its credit facility, available cash and cash equivalents, investments and other available financing options. These sources of liquidity are used to fund the Company's ongoing cash requirements, including working capital requirements, global retail store expansion, construction and renovation of shop-in-shops, investment in technological infrastructure, acquisitions, joint ventures, dividends, debt repayment/repurchase, stock repurchases, contingent liabilities (including uncertain tax positions) and other corporate activities. Management believes that the Company's existing sources of cash will be sufficient to support its operating, capital and debt service requirements for the foreseeable future, including the finalization of potential acquisitions and plans for business expansion.

As discussed in the "Debt and Covenant Compliance" section below, the Company had no revolving credit borrowings outstanding under its credit facility as of July 3, 2010. As discussed further below, the Company may elect to draw on its credit facility or other potential sources of financing for, among other things, a material acquisition, settlement of a material contingency (including uncertain tax positions) or a material adverse business development, as well as for other general corporate business purposes. The Company believes its credit facility is adequately diversified with no undue concentrations in any one financial institution. In particular, as of July 3, 2010, there were 13 financial institutions participating in the credit facility, with no one participant maintaining a maximum commitment percentage in excess of approximately 20%. Management has no reason at this time to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Credit Facility (as defined below) in the event of the Company's election to draw funds in the foreseeable future.

#### **Common Stock Repurchase Program**

On May 18, 2010, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$275 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

During the three months ended July 3, 2010, 2.7 million shares of Class A common stock were repurchased by the Company at a cost of \$231.0 million under its repurchase program, including a repurchase of 1.0 million shares of Class A common stock at a cost of \$81.0 million in connection with the secondary stock offering (as discussed in Note 13 to the accompanying unaudited interim consolidated financial statements). The remaining availability under the Company's common stock repurchase program was approximately \$319 million as of July 3, 2010.



In addition, during the three months ended July 3, 2010, 0.2 million shares of Class A common stock at a cost of \$16.0 million were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Incentive Plan.

Subsequent to the end of the first quarter of Fiscal 2011, on August 5, 2010, the Company's Board of Directors approved a further expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$250 million of Class A common stock.

#### **Dividends**

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. On November 4, 2009, the Company's Board of Directors approved an increase to the Company's quarterly cash dividend on its common stock from \$0.05 per share to \$0.10 per share. The first quarter Fiscal 2011 dividend of \$0.10 per share was declared on June 22, 2010, payable to shareholders of record at the close of business on July 2, 2010, and paid on July 16, 2010. Dividends paid amounted to \$9.8 million during the three months ended July 3, 2010 and \$5.0 million during the three months ended June 27, 2009.

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

#### **Debt and Covenant Compliance**

##### *Euro Debt*

As of July 3, 2010, the Company had outstanding €209.2 million principal amount of 4.5% notes due October 4, 2013 (the "Euro Debt"). The Company has the option to redeem all of the outstanding Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the outstanding Euro Debt at any time at par plus accrued interest in the event of certain developments involving U.S. tax law. Partial redemption of the Euro Debt is not permitted in either instance. In the event of a change of control of the Company, each holder of the Euro Debt has the option to require the Company to redeem the Euro Debt at its principal amount plus accrued interest. The indenture governing the Euro Debt (the "Indenture") contains certain limited covenants that restrict the Company's ability, subject to specified exceptions, to incur liens or enter into a sale and leaseback transaction for any principal property. The Indenture does not contain any financial covenants.

As of July 3, 2010, the carrying value of the Euro Debt was \$261.7 million, compared to \$282.1 million as of April 3, 2010.

##### *Revolving Credit Facility and Term Loan*

The Company has a credit facility that provides for a \$450 million unsecured revolving line of credit through November 2011 (the "Credit Facility"). The Credit Facility also is used to support the issuance of letters of credit. As of July 3, 2010, there were no borrowings outstanding under the Credit Facility and the Company was contingently liable for \$13.1 million of outstanding letters of credit (primarily relating to inventory purchase commitments). The Company has the ability to expand its borrowing availability to \$600 million subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Credit Facility.

The Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. The Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio") of no greater than 3.75 as of the date of measurement for four consecutive quarters. Adjusted Debt is defined generally as consolidated debt outstanding

plus 8 times consolidated rent expense for the last twelve months. EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense and (iv) consolidated rent expense. As of July 3, 2010, no Event of Default (as such term is defined pursuant to the Credit Facility) has occurred under the Company's Credit Facility.

Refer to Note 14 of the Fiscal 2010 10-K for detailed disclosure of the terms and conditions of the Company's debt.

## **MARKET RISK MANAGEMENT**

As discussed in Note 16 to the Company's audited consolidated financial statements included in its Fiscal 2010 10-K and Note 12 to the accompanying unaudited interim consolidated financial statements, the Company is exposed to a variety of risks, including changes in foreign currency exchange rates relating to certain anticipated cash flows from its international operations and possible declines in the fair value of reported net assets of certain of its foreign operations, as well as changes in the fair value of its fixed-rate debt relating to changes in interest rates. Consequently, in the normal course of business the Company employs established policies and procedures, including the use of derivative financial instruments, to manage such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon their credit ratings and other financial factors. The Company's established policies and procedures for mitigating credit risk on derivative transactions include reviewing and assessing the creditworthiness of counterparties. As a result of the above considerations, the Company does not believe it is exposed to any undue concentration of counterparty risk with respect to its derivative contracts as of July 3, 2010. However, the Company does have approximately \$11 million of its derivative instruments in net asset positions placed with one creditworthy financial institution.

### ***Foreign Currency Risk Management***

The Company manages its exposure to changes in foreign currency exchange rates through the use of foreign currency exchange contracts. Refer to Note 12 to the accompanying unaudited interim consolidated financial statements for a summarization of the notional amounts and fair values of the Company's foreign currency exchange contracts outstanding as of July 3, 2010.

From time to time, the Company may enter into forward foreign currency exchange contracts as hedges to reduce its risk from exchange rate fluctuations on inventory purchases, intercompany royalty payments made by certain of its international operations, intercompany contributions made to fund certain marketing efforts of its international operations, interest payments made in connection with outstanding debt, other foreign currency-denominated operational obligations including payroll, rent, insurance and benefit payments, and foreign currency-denominated revenues. As part of our overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the Swiss Franc, and the British Pound Sterling, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year periods. In doing so, the Company uses foreign currency exchange contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

The Company's foreign exchange risk management activities are governed by policies and procedures approved by its Audit Committee. Our policies and procedures provide a framework that allows for the management of currency exposures while ensuring the activities are conducted within established Company guidelines. Our policies include guidelines for the organizational structure of our risk management function and for internal controls over foreign exchange risk management activities, including but not limited to authorization levels, transactional limits, and credit quality controls, as well as various measurements for monitoring compliance. We monitor foreign exchange risk using different techniques including a periodic review of market value and sensitivity analyses.

**Interest Rate Risk Management**

During the first quarter of Fiscal 2011, the Company entered into a fixed-to-floating interest rate swap designated as a fair value hedge to mitigate its exposure to changes in the fair value of the Company's Euro Debt due to changes in the benchmark interest rate. The interest rate swap, which matures on October 4, 2013, has an aggregate notional value of €209.2 million and swaps the 4.5% fixed interest rate on the Company's Euro Debt for a variable interest rate equal to the 3-month Euro Interbank Offered Rate plus 299 basis points. The Company's interest rate swap meets the requirements for shortcut method accounting. Accordingly, changes in the fair value of the interest rate swap are exactly offset by changes in the fair value of the Euro Debt. No ineffectiveness has been recorded during the first quarter of Fiscal 2011.

As of July 3, 2010, other than the aforementioned fixed-to-floating interest rate swap contract related to the Company's Euro Debt, there have been no significant changes in the Company's interest rate and foreign currency exposures or in the types of derivative instruments used to hedge those exposures.

**Investment Risk Management**

As of July 3, 2010, the Company had cash and cash equivalents on-hand of \$345.8 million, primarily invested in money market funds, time deposits and treasury bills with original maturities of 90 days or less. The Company's other significant investments included \$644.9 million of short-term investments, primarily in treasury bills, municipal bonds, time deposits and variable rate municipal securities with original maturities greater than 90 days; \$74.0 million of restricted cash placed in escrow with certain banks as collateral primarily to secure guarantees in connection with certain international tax matters; \$69.2 million of deposits with maturities greater than one year; \$2.3 million of auction rate securities issued through a municipality and \$0.4 million of other securities.

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) future economic conditions and market forecasts, (v) the Company's intent and ability to retain its investment for a period of time sufficient to allow for recovery of market value, and (vi) an assessment of whether it is more-likely-than-not that the Company will be required to sell its investment before recovery of market value.

**CRITICAL ACCOUNTING POLICIES**

The Company's significant accounting policies are described in Notes 3 and 4 to the audited consolidated financial statements included in the Company's Fiscal 2010 10-K. The SEC's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to the Company's financial condition and results of operations and requires significant judgment and estimates on the part of management in its application. The Company's estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of the Company's critical accounting policies, see the "Critical Accounting Policies" section of the MD&A in the Company's Fiscal 2010 10-K. The following discussion only is intended to update the Company's critical accounting policies for any significant changes in policy implemented during the three months ended July 3, 2010.

There have been no significant changes in the application of the Company's critical accounting policies since April 3, 2010.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

See Note 4 to the accompanying unaudited interim consolidated financial statements for a description of certain recently issued accounting standards which may impact the Company's results of operations and/or financial condition in future reporting periods.

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

For a discussion of the Company's exposure to market risk, see "Market Risk Management" presented in Part I, Item 2 — "MD&A" of this Form 10-Q and incorporated herein by reference.

**Item 4. Controls and Procedures.**

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

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13(a)-15(e) and 15(d)-15(e) of the Securities and Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level as of July 3, 2010. Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended July 3, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

*Asia-Pacific Licensed Operations Acquisition*

During the fourth quarter of Fiscal 2010, the Company acquired control of the Polo-branded apparel business in Asia-Pacific (excluding Japan) from Dickson that was formerly conducted under a licensed arrangement (the "Asia-Pacific Licensed Operations Acquisition," as discussed in Note 5 to the accompanying unaudited interim consolidated financial statements). In connection with the Asia-Pacific Licensed Operations Acquisition, the Company has continued to develop the supporting infrastructure covering all critical operations, including but not limited to, merchandising, sales, inventory management, customer service, distribution, store operations, real estate management, finance and other administrative areas. As part of the continued development of this infrastructure, the Company has implemented and enhanced various processes, systems, and internal controls to support the business.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

Reference is made to the information disclosed under Item 3 — “LEGAL PROCEEDINGS” in our Annual Report on Form 10-K for the fiscal year ended April 3, 2010. The following is a summary of recent litigation developments.

*California Class Action Litigation*

On October 11, 2007 and November 2, 2007, two class action lawsuits were filed by two customers in state court in California asserting that while they were shopping at certain of the Company’s factory stores in California, the Company allegedly required them to provide certain personal information at the point-of-sale in order to complete a credit card purchase. The plaintiffs purported to represent a class of customers in California who allegedly were injured by being forced to provide their address and telephone numbers in order to use their credit cards to purchase items from the Company’s stores, which allegedly violated Section 1747.08 of California’s Song-Beverly Act. The complaints sought an unspecified amount of statutory penalties, attorneys’ fees and injunctive relief. The Company subsequently had the actions moved to the United States District Court for the Eastern and Central Districts of California. The Company commenced mediation proceedings with respect to these lawsuits and on October 17, 2008, the Company agreed in principle to settle these claims by agreeing to issue \$20 merchandise discount coupons with six month expiration dates to eligible parties and paying the plaintiffs’ attorneys’ fees. The Court granted preliminary approval of the settlement terms on July 17, 2009. In connection with this settlement, the Company recorded a \$5 million reserve against its expected loss exposure during the second quarter of Fiscal 2009. As part of the required settlement process, the Company notified the relevant attorneys general regarding the potential settlement, and no objections were registered. At a hearing on December 7, 2009, the Court held that the terms of the settlement were fair, just and reasonable and provided fair compensation for class members. In addition, the Court overruled an objection that had been filed by a single customer. The Court then denied the objector’s subsequent motion for the Court to reconsider its order on the fairness of the settlement. The period within which the objector had to appeal or otherwise seek relief from the Court’s orders expired in February 2010 without an appeal and the settlement is effective. Accordingly, the coupons were issued in February with an expiration date of August 16, 2010. Based on coupon redemption experience to date, the Company has reversed \$3.2 million of its original \$5 million reserve into income as of July 3, 2010, including \$1.5 million during the first quarter of Fiscal 2011.

*Wathne Imports Litigation*

On August 19, 2005, Wathne Imports, Ltd. (“Wathne”), our then domestic licensee for luggage and handbags, filed a complaint in the U.S. District Court in the Southern District of New York against the Company and Ralph Lauren, our Chairman and Chief Executive Officer, asserting, among other things, federal trademark law violations, breach of contract, breach of obligations of good faith and fair dealing, fraud and negligent misrepresentation. The complaint sought, among other relief, injunctive relief, compensatory damages in excess of \$250 million and punitive damages of not less than \$750 million. On September 13, 2005, Wathne withdrew this complaint from the U.S. District Court and filed a complaint in the Supreme Court of the State of New York, New York County, making substantially the same allegations and claims (excluding the federal trademark claims), and seeking similar relief. On February 1, 2006, the Court granted our motion to dismiss all of the causes of action, including the cause of action against Mr. Lauren, except for breach of contract related claims, and denied Wathne’s motion for a preliminary injunction. Following some discovery, we moved for summary judgment on the remaining claims. Wathne cross-moved for partial summary judgment. In an April 11, 2008 Decision and Order, the Court granted Polo’s summary judgment motion to dismiss most of the claims against the Company, and denied Wathne’s cross-motion for summary judgment. Wathne appealed the dismissal of its claims to the Appellate Division of the Supreme Court. Following a hearing on May 19, 2009, the Appellate Division issued a Decision and Order on June 9, 2009 which, in large part, affirmed the lower court’s ruling. Discovery on those claims that were not dismissed is ongoing and a trial date has not yet been set. We intend to continue to contest the remaining claims in

this lawsuit vigorously. Management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

*California Labor Litigation*

On May 30, 2006, four former employees of our Ralph Lauren stores in Palo Alto and San Francisco, California filed a lawsuit in the San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiffs purported to represent a class of employees who allegedly had been injured by not properly being paid commission earnings, not being paid overtime, not receiving rest breaks, being forced to work off of the clock while waiting to enter or leave stores and being falsely imprisoned while waiting to leave stores. The complaint sought an unspecified amount of compensatory damages, damages for emotional distress, disgorgement of profits, punitive damages, attorneys' fees and injunctive and declaratory relief. Subsequent to answering the complaint, we had the action moved to the United States District Court for the Northern District of California. On July 8, 2008, the United States District Court for the Northern District of California granted plaintiffs' motion for class certification and subsequently denied our motion to decertify the class. On November 5, 2008, the District Court stayed litigation of the rest break claims pending the resolution of a separate California Supreme Court case on the standards of class treatment for rest break claims. On January 25, 2010, the District Court granted plaintiffs' motion to sever the rest break claims from the rest of the case and denied our motion to decertify the waiting time claims. The District Court also ordered that a trial be held on the waiting time and overtime claims, which commenced on March 8, 2010. During trial, the parties reached an agreement to settle all of the claims in the litigation, including the rest break claims, for \$4 million. The District Court granted preliminary approval of the settlement on May 21, 2010. Class members had 60 days from the date of preliminary approval to submit claims or object to the settlement. Only a single objection to the settlement was received from one former employee. A hearing has been scheduled for August 20, 2010 for the District Court to determine if final approval of the settlement should be granted. In connection with this settlement, the Company recorded a \$4 million reserve against its expected loss exposure during the fourth quarter of Fiscal 2010.

*Other Matters*

We are otherwise involved, from time to time, in litigation, other legal claims and proceedings involving matters associated with or incidental to our business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, and employee relations. We believe that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations. However, our assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to us or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

**Item 1A. Risk Factors.**

Our Annual Report on Form 10-K for the fiscal year ended April 3, 2010 contains a detailed discussion of certain risk factors that could materially adversely affect our business, our operating results, and/or our financial condition. There are no material changes to the risk factors previously disclosed nor have we identified any previously undisclosed risks that could materially adversely affect our business, our operating results and/or our financial condition.

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

**(a) Stock Issuance**

*Secondary Stock Offering*

On June 14, 2010, the Company commenced a secondary public offering under which approximately 10 million shares of Class A common stock were sold on behalf of its principal stockholder, Mr. Ralph Lauren, Chairman of the Board and Chief Executive Officer (the "Offering"). The Offering was made pursuant to a shelf registration statement on Form S-3 filed on the same day, and closed on June 24, 2010. Concurrent with the

Offering, the Company also purchased an additional 1 million shares of Class A common stock under its repurchase program from Mr. Lauren at a cost of \$81 million, representing the per share price of the public offering.

**Class B Common Stock Conversion**

In connection with the Offering and share repurchase discussed above, during the first quarter of Fiscal 2011, Mr. Lauren converted approximately 11 million shares of Class B common stock into an equal number of shares of Class A common stock pursuant to the terms of the security. Also, during the three months ended July 3, 2010, Mr. Ralph Lauren converted an additional 0.3 million shares of Class B common stock into an equal number of shares of Class A common stock pursuant to the terms of the security.

Item 2(b) is not applicable.

**(c) Stock Repurchases**

The following table sets forth the repurchases of shares of our Class A common stock during the fiscal quarter ended July 3, 2010:

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs (millions)
April 4, 2010 to May 1, 2010	—	\$ —	—	\$ 275
May 2, 2010 to May 29, 2010	1,742,907	86.06	1,742,907	400
May 30, 2010 to July 3, 2010	1,203,620 <sup>(2)</sup>	80.59	1,000,000	319
	2,946,527		2,742,907	

(1) Except as noted below, these purchases were made on the open market under the Company's Class A common stock repurchase program. On May 18, 2010, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$275 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions. This program does not have a fixed termination date.

Subsequent to the end of the first quarter of Fiscal 2011, on August 5, 2010, the Company's Board of Directors approved a further expansion of the Company's existing common stock repurchase program that allows the Company to repurchase up to an additional \$250 million of Class A common stock.

(2) Includes (a) a repurchase of 1 million shares of Class A common stock at a cost of \$81 million in connection with the secondary stock offering discussed above, and (b) approximately 0.2 million shares surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of an award under the Company's 1997 Long-Term Stock Incentive Plan.

**Item 6. Exhibits.**

- 10.1 Cliff Restricted Performance Share Unit Award Overview under Polo Ralph Lauren Corporation's Long-Term Stock Incentive Plans.
- 10.2 Pro-Rata Restricted Performance Share Unit Award Overview under Polo Ralph Lauren Corporation's Long-Term Stock Incentive Plans.
- 10.3 Stock Option Award Overview under Polo Ralph Lauren Corporation's Long-Term Stock Incentive Plans.
- 10.4 Polo Ralph Lauren Corporation 2010 Long-Term Stock Incentive Plan adopted on August 5, 2010.
- 10.5 Second Amendment dated as of June 17, 2010 to the Credit Agreement dated as of November 28, 2006, as amended and restated as of May 22, 2007, among Polo Ralph Lauren Corporation, Polo JP Acqui B.V., the lenders parties thereto and JPMorgan Chase Bank, N.A., as administrative agent.
- 31.1 Certification of Ralph Lauren, Chairman and Chief Executive Officer, pursuant to 17 CFR 240.13a-14(a).
- 31.2 Certification of Tracey T. Travis, Senior Vice President and Chief Financial Officer, pursuant to 17 CFR 240.13a-14(a).
- 32.1 Certification of Ralph Lauren, Chairman and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Tracey T. Travis, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at July 3, 2010 and April 3, 2010, (ii) the Consolidated Statements of Operations for the three months ended July 3, 2010 and June 27, 2009, (iii) the Consolidated Statements of Cash Flows for the three months ended July 3, 2010 and June 27, 2009 and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

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





THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS  
COVERING SECURITIES THAT HAVE BEEN REGISTERED  
UNDER THE SECURITIES ACT OF 1933, AS AMENDED

POLO  RALPH LAUREN

## **Cliff Restricted Performance Share Unit Award**

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### ***Fiscal 2011 — Overview***

*July 16, 2010*

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*THIS OVERVIEW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MEMORANDUM TO PARTICIPANTS IN THE POLO RALPH LAUREN CORPORATION 1997 LONG-TERM STOCK INCENTIVE PLAN AND TO THE PLAN ITSELF. COPIES OF THE MEMORANDUM AND THE PLAN ARE AVAILABLE FROM YOUR HUMAN RESOURCES DEPARTMENT.*

## **OVERVIEW**

The Polo Ralph Lauren Corporation (the "Company") 1997 Long-Term Stock Incentive Plan (the "Plan") authorizes the Compensation Committee & Organizational Development Committee of the Board of Directors (the "Compensation Committee") to grant equity awards to officers and other employees of the Company and its Subsidiaries, and Affiliates.

As determined by the Compensation Committee, the Company may grant one or more types of Restricted Performance Share Unit awards (RPSUs). This Overview describes one type of RPSU that has three-year cliff vesting ("Cliff RPSU"). This is referred to as "cliff" vesting since all units in a given Cliff RPSU award are eligible to vest at the same time.

A Cliff RPSU award provides a participant the opportunity to receive shares of the Company's Class A Common Stock (traded on the New York Stock Exchange under the symbol RL) at a later date contingent upon achievement of performance goals over a specified period, generally three fiscal years, and contingent upon continued service with the Company.

## **AWARD OBJECTIVES**

Objectives of RPSUs are to:

1. Motivate achievement of performance goals by linking equity-based compensation to Company results
2. Attract and retain individuals of superior talent
3. Enable individuals to participate in the long-term growth and financial success of the Company

## **PLAN ADMINISTRATION**

The Company's Human Resources Department administers the program and Merrill Lynch is the recordkeeper. **Participants must have an open brokerage account at Merrill Lynch in order to facilitate distribution of shares of the Company's Class A Common Stock upon the vesting of Cliff RPSUs.** To open a brokerage account, or for questions regarding your account and account transactions, please contact Merrill Lynch at (609) 818-8908 or (877) 765-POLO (7656).

The Company's Board of Directors reserves the right to amend, modify or terminate the Plan at any time. No such amendment to the Plan would adversely affect any Cliff RPSU awards then outstanding.

Nothing contained herein may be construed as creating a promise of future benefits or a binding contract with the Company. Further, an individual's employment continues to be at will.

For questions regarding the Plan and its provisions, please contact Human Resources.

## **ELIGIBILITY FOR GRANT**

Equity awards, including Cliff RPSU awards, may be granted annually to designated, key executives who have a significant impact on the strategic direction and business results of the Company, and who are actively employed on April 1 of the year when the grant is made.

Guidelines have been established for the number and type of equity awards that eligible participants may receive. The guidelines reflect a position's scope, accountability and impact on the organization, and may also reflect changes in the value of the Company's Class A Common Stock.

Please note that the guidelines do not constitute a guarantee that any specific individual will receive an equity award in any given year, or guarantee the type or the size of any grant, if a grant is made.

**An eligible employee who receives a Below Expectations (B) or Unsatisfactory (U) rating on his or her annual performance appraisal is not eligible for an equity award in the fiscal year following that performance appraisal period.**

#### STRUCTURE OF GRANTS AND PAYOUT SCHEDULE

The target number of units in a Cliff RPSU award is set at the grant date. Applicable Threshold, Target and Maximum levels of Company financial performance are established at the beginning of the performance period.

#### PERFORMANCE AND PAYOUT SCHEDULE

<u>Performance Level</u>	<u>% of Goal Achieved</u>	<u>% of Target Cliff RPSUs Vested</u>
<b>Threshold</b>	70%	75%
<b>Target</b>	100%	100%
<b>Maximum</b>	110%	150%

**No payout will be earned for performance below Threshold**

*Note: Cliff RPSU vesting is interpolated for performance between 70% — 110% of target*

Once a Cliff RPSU award is granted, the performance measure(s), performance goals, vesting and payout schedule will not be modified during the term for that particular award. However, in determining performance against the goal, the Company's results may be adjusted to exclude the effects of certain events and transactions as specified by the Compensation Committee at the time of grant. For any future awards, the Compensation Committee may change the performance measure(s), goals, vesting and payout schedule(s).

#### PERFORMANCE MEASURES FOR CLIFF VESTING

The Company's performance measure(s) are set by the Compensation Committee at the time of grant from a list of performance criteria set forth in the Plan. Such measure(s) may include, for example, one or more of the following:

- Net Earnings or Net Income (before or after taxes)
- Basic or Diluted Earnings Per Share
- Net Operating Profit
- Net Revenue or Net Revenue Growth
- Gross Profit or Gross Profit Growth
- Return on Assets
- Other measures of economic value added or other "value creation" metrics

#### *Fiscal 2011 Grant Performance Measure, Performance Levels and Vesting*

The performance measure for fiscal 2011 Cliff RPSU awards is Cumulative Net Earnings for fiscal years 2011-2013. Vesting of Cliff RPSUs, and the distribution of the Company's Class A Common Stock, will occur as soon as administratively practical following certification of achievement of the performance goals by the Compensation Committee. The vesting date typically occurs in June of each year, but may be earlier or later.

If Threshold or better performance is achieved, and the participant has had continuous service with the Company through the vesting date, shares of the Company's Class A Common Stock will be distributed to participants upon the vesting of Cliff RPSUs. Upon vesting, the participant will own the shares and as a shareholder of the Company's Class A Common Stock, will have voting rights and will receive dividends on such shares. Prior to the vesting date, dividends are not earned on Cliff RPSUs and the participant does not have voting rights. If performance is below Threshold at the end of the performance period, all Cliff RPSUs granted for that award will be forfeited.

Cliff RPSUs granted in fiscal 2011 are scheduled to vest after fiscal 2013, subject to the Company's achievement of the cumulative performance goals specified, and the participant's continuous service with the Company.

**EXAMPLE OF PERFORMANCE LEVEL, VESTING AND PAYOUT**

<u>Year Granted</u>	<u># Cliff RPSUs Granted</u>	<u>Performance Period</u>	<u>Performance Level<sup>(1)</sup></u>	<u>Vested Percentage<sup>(1)</sup></u>	<u>Year Vested</u>	<u># Shares Vested</u>
<b>FY09 (Aug '08)</b>	1,000	Q2, Q3, Q4 FY09 FY10-FY11	110%	150%	FY12 (June '11)	1,500
<b>FY10 (July '09)</b>	1,000	FY10 - FY12	100%	100%	FY13 (June '12)	1,000
<b>FY11 (July '10)</b>	1,000	FY11 - FY13	70%	75%	FY14 (June '13)	750

(1) Example is hypothetical and is not a forecast of future performance and payout percentages

In the U.S. and in many other jurisdictions, vesting of RPSUs and the delivery of shares of Class A Common Stock is a taxable event. When shares are distributed, a portion of the shares is withheld to satisfy withholding requirements, and the net shares are delivered to participants in their Merrill Lynch account.

**VALUE OF RESTRICTED PERFORMANCE SHARE UNITS**

If Threshold or better performance against the applicable goal is achieved, Cliff RPSUs can provide participants with ownership of the Company's Class A Common Stock and offer the opportunity to recognize value in several ways:

- Receive shares of RL Class A Common Stock without paying any exercise price
- The number of Cliff RPSUs vesting can range from 75% (Threshold) to 150% (Maximum) of the target shares granted
- Any increases in the Company's Class A Common Stock price above the price on the grant date increases the value of the award

The example below illustrates the opportunity for gains in the value of the award at various Company Class A Common Stock prices.

**EXAMPLE: POTENTIAL VALUE**  
Award of 1,000 Cliff RPSUs

<u>Value At:</u>	<u># of Shares</u>	<u>If Stock Price Reaches:</u>			
		<u>\$85</u>	<u>\$95</u>	<u>\$100</u>	<u>\$110</u>
<b>Threshold Performance</b>	750	\$ 63,750	\$ 71,250	\$ 75,000	\$ 82,500
<b>Target Performance</b>	1,000	\$ 85,000	\$ 95,000	\$ 100,000	\$ 110,000
<b>Maximum Performance</b>	1,500	\$ 127,500	\$ 142,500	\$ 150,000	\$ 165,000

Note: Value is before tax and a portion of the shares will be withheld in satisfaction of withholding taxes Example is hypothetical and is not a forecast of growth in the Company's Class A Common Stock price

### SALE OF SHARES SUBSEQUENT TO DISTRIBUTION

Shares received from the vesting of a Cliff RPSU award may be sold subject to the Company's trading restrictions as set forth in the Company's Securities Trading policy beginning on page 8. In certain circumstances, certain Executive Officers may sell shares pursuant to Rule 144 or another applicable exemption under the U.S. Securities Act of 1933, as amended.

In the U.S. and in many other jurisdictions, sale of such shares after vesting has tax implications. Contact your financial advisor for important information about how a subsequent sale of shares impacts you.

Once Cliff RPSUs have vested and you receive shares of the Company's Class A Common Stock from the vesting of a particular Cliff RPSU award, you retain all rights to those shares, regardless of employment status with the Company.

### IF YOU LEAVE THE COMPANY

This chart explains what happens to your Cliff RPSUs if you leave Polo Ralph Lauren.

Event	Status of Awards
Retirement (at Age 65)	<ul style="list-style-type: none"><li>• In the case of retirement, disability or death, a pro-rated<sup>(1)</sup> target number of Cliff RPSUs will be determined</li><li>• These pro-rated Cliff RPSUs will vest at the end of the applicable performance period based on the actual degree of achievement. <b>If performance against the cumulative performance goal does not reach the Threshold level, then the pro-rated Cliff RPSUs will be forfeited.</b></li></ul>
Early Retirement (Age 55 through age 64 with 7 or more years of service)	
Disability	<ul style="list-style-type: none"><li>• All remaining Cliff RPSUs are forfeited</li><li>• <b>All unvested Cliff RPSUs are forfeited</b></li><li>• <b>All unvested Cliff RPSUs are forfeited</b></li><li>• <b>All vested Cliff RPSUs not yet distributed into shares of the Company's Class A Common Stock are forfeited</b></li></ul>
Death	
Voluntary Resignation	<ul style="list-style-type: none"><li>• <b>All unvested Cliff RPSUs are forfeited</b></li></ul>
Involuntary Termination (without cause)	
Dismissal for Cause (as defined by the Company and if applicable, the participant's employment agreement)	

(1) The pro-rata portion will be determined by taking the number of months worked during the corresponding performance period, dividing it by the number of months in the performance period, and then multiplying the resulting decimal by the number of Cliff RPSUs granted for that performance period

### SECURITIES TRADING POLICY

#### INSIDER TRADING

As provided in the Polo Ralph Lauren (The Company) Employee Handbook, employees are prohibited by law from buying or selling securities if an employee has or is aware of any material, non-public information about the Company and its subsidiaries. This is commonly referred to as "insider information." Material, non-public information is any information that has not been disclosed to the public that could affect the price of Company Common Stock — either positively or negatively - or affect a person's decision to buy, hold or sell securities. The

prohibition on insider trading applies to all transactions in the Company's securities, including cash exercises, cashless exercises of Stock Options and sales and purchases of the Company's stock.

Examples of what might be considered "insider information" include but are not limited to the following:

- Earnings or other financial information
- Changes in dividend policy
- Stock splits
- Mergers and acquisitions
- Major new contracts or product-line introductions
- Litigation involving substantial amounts of money
- Changes in management

These insider-trading rules are applicable to employees of Polo Ralph Lauren and its Subsidiaries and Affiliates, worldwide.

#### COMPANY BLACKOUT PERIODS

To avoid even the appearance of "insider trading," our Company's Securities Trading policy prohibits members of the Board of Directors, all employees and their "Related Parties" (as such term is defined in the Company's Securities Trading Policy) from making trades involving stock of the Company during certain "blackout periods." This prohibition covers buying or selling shares, including shares of Class A Common Stock received upon the vesting of Cliff RPSUs. These blackout periods generally begin two weeks before the end of each of our fiscal quarters and continue through one trading day after the Company issues its earnings release for the fiscal quarter or year just ended. If the earnings release is issued before the opening of the market on a trading day, trading may begin the next day. The blackout periods are announced at the start of each year. The Company may prohibit trading of the Company's stock at any time it deems such trading to be inappropriate, even outside the regular blackout periods. Individuals who receive a specific notification prohibiting them from trading the Company's stock should note that such notification takes precedence over pre-announced blackout periods. In addition, members of the Board of Directors, Officers (any employee who is a Vice President or above), and all employees in the Finance, Legal and Human Resources departments must clear all trades with the Corporate Counsel, whether they occur within a blackout period or not.

#### ADDITIONAL PROHIBITED TRANSACTIONS

Because we believe it is inappropriate for any Company personnel to engage in short-term or speculative transactions involving the Company's Common Stock, it is Company policy that employees do not engage in any of the following activities with respect to the securities of the Company:

- **"In and out" trading in securities of the Company.** Any Company stock purchased in the market must be held for a minimum of six months, and ideally longer. Note that the Securities and Exchange Commission (SEC) has a "short-swing profit recapture" rule that effectively prohibits Executive Officers and members of the Board of Directors from selling any Company stock within six months of a purchase. The Company has extended this prohibition to all employees. The receipt of shares pursuant to the vesting of Cliff RPSU awards is not considered a purchase under the SEC's rule.
- **Short sales** (i.e., selling stock one does not own and then borrowing the shares to make delivery)
- **Buying or selling "puts" or "calls"** (i.e., making commitments to buy or sell securities at a specified price for a fixed period of time)

**CLEARANCE OF ALL TRADES BY DIRECTORS, OFFICERS AND OTHER KEY PERSONNEL**

All transactions in Company stock (purchases, sales, transfers, etc.) by members of the Board of Directors, Officers (any employee who is a Vice President or above), and personnel in the Finance, Legal and Human Resources departments must be pre-cleared by the Corporate Counsel. If you contemplate a transaction, please provide a written request via e-mail to the Corporate Counsel, specifying the number of shares that you wish to purchase or sell, before contacting Merrill Lynch or taking any other step to initiate a transaction.

**COMPLIANCE WITH SECTION 409A**

*To the extent applicable, the Plan shall be interpreted in accordance with Section 409A of the Internal Revenue Code of 1986 and the Department of Treasury Regulations and other interpretive guidance issued hereunder ("Section 409A"). Notwithstanding any provision of the Plan to the contrary, it is intended that this Plan comply with Section 409A and all provision of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties.*

*In the event of any discrepancy between this Cliff RPSU Overview and either the Plan or the provision under which the Plan is administered by the Compensation Committee, the Plan and the determination of the Compensation Committee will govern, as applicable. This Overview is qualified in its entirety based on the determinations, interpretations and other decisions made within the sole discretion of the Compensation Committee.*



THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS  
COVERING SECURITIES THAT HAVE BEEN REGISTERED  
UNDER THE SECURITIES ACT OF 1933, AS AMENDED

POLO  RALPH LAUREN

## **Pro-Rata Restricted Performance Share Unit Award**

### ***Fiscal 2011 — Overview***

*July 16, 2010*

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*THIS OVERVIEW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MEMORANDUM TO PARTICIPANTS IN THE POLO RALPH LAUREN CORPORATION 1997 LONG-TERM STOCK INCENTIVE PLAN AND TO THE PLAN ITSELF. COPIES OF THE MEMORANDUM AND THE PLAN ARE AVAILABLE FROM YOUR HUMAN RESOURCES DEPARTMENT.*

## **OVERVIEW**

The Polo Ralph Lauren Corporation (the "Company") 1997 Long-Term Stock Incentive Plan (the "Plan") authorizes the Compensation & Organizational Development Committee of the Board of Directors (the "Compensation Committee") to grant equity awards to officers and other employees of the Company and its Subsidiaries and Affiliates.

As determined by the Compensation Committee, the Company may grant one or more types of Restricted Performance Share Unit awards (RPSUs). This Overview describes one type of RPSU that has three-year, pro-rata vesting ("Pro-Rata RPSU").

A Pro-Rata RPSU award provides the participant with the opportunity to receive shares of the Company's Class A Common Stock (traded on the New York Stock Exchange under the symbol RL) at a later date based on achievement of performance goals and continued service.

## **AWARD OBJECTIVES**

Objectives of RPSUs are to:

1. Motivate achievement of performance goals by linking equity-based compensation to Company results
2. Attract and retain individuals of superior talent
3. Enable individuals to participate in the long-term growth and financial success of the Company

## **PLAN ADMINISTRATION**

The Company's Human Resources Department administers the program and Merrill Lynch is the recordkeeper. **Participants must have an open brokerage account at Merrill Lynch in order to facilitate distribution of shares of the Company's Class A Common Stock upon the vesting of Pro-Rata RPSUs.** To open a brokerage account, or for questions regarding your account and account transactions, please contact Merrill Lynch at (609) 818-8908 or (877) 765-POLO (7656).

The Company's Board of Directors reserves the right to amend, modify or terminate the Plan at any time. No such amendment to the Plan would adversely affect any Pro-Rata RPSU awards then outstanding.

Nothing contained herein may be construed as creating a promise of future benefits or a binding contract with the Company. Further, an individual's employment continues to be at will.

For questions regarding the Plan and its provisions, please contact Human Resources.

## **ELIGIBILITY FOR GRANT**

Equity awards, including Pro-Rata RPSU awards, may be granted annually to designated, key executives who have a significant impact on the strategic direction and business results of the Company, and who are actively employed on April 1 of the year when the grant is made.

Guidelines have been established for the number and type of equity awards that eligible participants may receive. The guidelines reflect a position's scope, accountability and impact on the organization, and may also reflect changes in the value of the Company's Class A Common Stock.

Please note that the guidelines do not constitute a guarantee that any specific individual will receive an equity award in any given year, or guarantee the type or the size of any grant, if a grant is made.

**An eligible employee who receives a Below Expectations (B) or Unsatisfactory (U) rating on his or her annual performance appraisal is not eligible for an equity award in the fiscal year following that performance appraisal period.**

**VALUE OF RESTRICTED PERFORMANCE SHARE UNITS**

If Threshold or better performance against the fiscal year goal is achieved, Pro-Rata RPSUs can provide participants with ownership of the Company’s Class A Common Stock and offer the opportunity to recognize value in the following ways:

- Receive shares of the Company’s Class A Common Stock without paying any exercise price
- Any increases in the Company’s Class A Common Stock price above the price on the grant date increases the value of the award

The example on the following page illustrates the opportunity for gains in the Company’s Class A Common Stock price at different share prices.

**EXAMPLE: POTENTIAL VALUE  
Award of 300 Pro-Rata RPSUs**

	# of Shares	Grant Price \$75	\$85	If Stock Price Reaches:		\$100
Value (assumes shares vest)	300	\$22,500	\$25,500	\$90	\$95	\$30,000
				\$27,000	\$28,500	

*Note: Value is before tax and a portion of the shares would be withheld in satisfaction of withholding taxes  
Example is hypothetical and is not a forecast of growth in the Company’s Class A Common Stock price*

**GRANT AMOUNT AND AWARD VESTING**

The number of units in a Pro-Rata RPSU award is set as of the grant date. The award will vest in equal, annual installments (tranches) over a three-year period. One third of the Pro-Rata RPSUs granted in fiscal 2011 will vest each year after the end of fiscal 2011, fiscal 2012 and fiscal 2013, subject to achievement of the applicable Company performance goal in the first year and the participant having continuous service through each vesting date (see examples on page 6).

**PERFORMANCE MEASURES FOR RPSU VESTING**

The Company’s performance measure(s) are established by the Compensation Committee at the time of the grant from a list of performance criteria set forth in the Plan. Such measure(s) may include, for example, one or more of the following:

- Net Earnings or Net Income (before or after taxes)
- Basic or Diluted Earnings Per Share
- Net Operating Profit
- Net Revenue or Net Revenue Growth
- Gross Profit or Gross Profit Growth
- Return on Assets
- Other measures of economic value added or other “value creation” metrics

Once a Pro-Rata RPSU award is granted, the performance measure(s), vesting and payout schedule will not be modified during the term for that particular award. The Compensation Committee may only change the performance measure(s) and associated goals, and the vesting and payout schedule for any future Pro-Rata RPSU awards

not yet granted. In calculating performance against the goal for any fiscal year, the Company's results may be adjusted to exclude effects of certain events and transactions as specified by the Compensation Committee at the time of grant.

**Fiscal 2011 Grant Performance Measure and Performance Level for Vesting**

The performance measure for fiscal 2011 Pro-Rata RPSU awards is Corporate Net Income Before Tax (NIBT). This performance measure is also used for bonus awards under the Executive Incentive Plan (EIP).

The performance level that must be achieved for Pro-Rata RPSU vesting is **NIBT at Threshold** (80% of Target) or better and is communicated in your on-line Total Rewards Statement.

**FISCAL 2011 VESTING SCHEDULE**

All three tranches of the fiscal 2011 Pro-Rata RPSUs are deemed earned and available for vesting based on achievement of the fiscal 2011 performance goal as follows:

- One-third would vest and be paid out after the end of fiscal 2011 based on achievement of the fiscal 2011 Company performance goal and on the participant's continuous service with the Company from the grant date to the vesting date
- One-third would vest and be paid out after the end of fiscal 2012 (participant must have continuous service with the Company from the grant date to the vesting date)
- One-third would vest and be paid out after the end of fiscal 2013 (participant must have continuous service with the Company from the grant date to the vesting date)

**All three tranches of the fiscal 2011 Pro-Rata RPSU award will be forfeited if the fiscal 2011 performance goal (Corporate NIBT at Threshold or better) is not achieved.**

Vesting of the Pro-Rata RPSUs and the distribution of the Company's Class A Common Stock will occur as soon as administratively practical following certification of achievement of the Company's performance goals by the Compensation Committee. The vesting date typically occurs in June of each year, but may be earlier or later. Once the Pro-Rata RPSUs are vested and distributed as Company Class A Common Stock, the participant owns the shares and as a shareholder, will have voting rights and will receive dividends on such shares. Prior to the vesting date, dividends are not earned on Pro-Rata RPSUs and the participant does not have voting rights.

**VESTING EXAMPLES**

The examples on the following page illustrate how a Pro-Rata RPSU award granted in fiscal 2011 would vest, in equal installments, over three fiscal years. Vesting is subject to achievement of FY11 performance goal (Corporate NIBT at Threshold or better) and the participant's continuous service with the Company from the grant date to each vesting date.

**EXAMPLE 1: 300 FY11 Pro-Rata RPSUs (Granted July 2010)**

Performance Period	# Pro-Rata RPSUs Eligible to Vest	Performance Level(1)	# Pro-Rata RPSUs Vested and Distributed if Vesting Criteria Met(2)	Vesting Date(3)
FY11	100	Threshold	100	June 2011
FY12	100	N/A	100	June 2012
FY13	100	N/A	100	June 2013
<b>Total</b>	<b>300</b>		<b>300</b>	

- (1) *Threshold refers to attaining at least 80% of the fiscal 2011 Corporate NIBT goal. If Threshold or better performance is not achieved in the first year, all three tranches will be forfeited*
- (2) *Vesting criteria includes a minimum of Threshold performance and the participant's continuous service with the Company from grant date*
- (3) *The vesting date typically occurs in June of each year, but may be earlier or later*

Additionally, depending on any previous grants received, more than one Pro-Rata RPSU award may be eligible to vest each year, as shown below:

**EXAMPLE 2: MULTIPLE PRIOR GRANTS WITH SHARES ELIGIBLE TO VEST**

Year Granted	# of Pro-Rata RPSUs Granted	1/3 of Pro-Rata RPSUs Eligible to Vest <sup>(1)</sup>		
		June 2011	June 2012	June 2013
FY11 (July 2010)	300	100	100	100
FY10 (July 2009)	270	90	90	
FY09 (July 2008)	300	100	—	
<b>Total Pro-Rata RPSUs</b>	<b>870</b>	<b>290</b>	<b>190</b>	<b>100</b>

- (1) *Assumes that goal measures, performance and service with the Company, applicable to each tranche of each grant are met. The vesting date typically occurs in June of each year, but may be earlier or later.*

In the U.S. and in many other jurisdictions, vesting of RPSUs and delivery of shares of the Company's Class A Common Stock is a taxable event. When shares are distributed, a portion of the shares is withheld to satisfy withholding requirements, and the net shares are delivered to participants in their Merrill Lynch account.

Shares received from the vesting of a Pro-Rata RPSU award may be sold subject to the Company's trading restrictions as set forth in the Company's Securities Trading policy beginning on page 8. In certain circumstances, certain Executive Officers may sell shares pursuant to Rule 144 or another applicable exemption under the U.S. Securities Act of 1933, as amended.

In the U.S. and in many other jurisdictions, sale of such shares after vesting has tax implications. Contact your financial advisor for important information about how a subsequent sale of shares impacts you.

Once Pro-Rata RPSUs have vested and you receive shares of the Company's Class A Common Stock from the vesting of a particular Pro-Rata RPSU award, you retain all rights to those shares, regardless of employment status with the Company.

## IF YOU LEAVE THE COMPANY

This chart explains what happens to RPSUs if you leave Polo Ralph Lauren.

Event	Status of Awards
Retirement at (Age 65) <sup>(1)</sup>	<ul style="list-style-type: none"><li>• In the fiscal year of retirement, disability or death, a pro-rated<sup>(2)</sup> number of the Pro-Rata RPSUs scheduled to vest that fiscal year will be determined and will be eligible to vest at their normal vesting date. Vesting is contingent upon achievement of the performance goal established for the performance period. <b>Any pro-rated RPSUs that do not meet the vesting requirements will be forfeited.</b></li></ul>
Early Retirement (Age 55 through age 64 with 7 or more years of service <sup>(1)</sup> )	
Disability	
Death	
Voluntary Resignation	<ul style="list-style-type: none"><li>• <b>All remaining Pro-Rata RPSUs (for that fiscal year and any other fiscal years remaining) are forfeited</b></li><li>• <b>All unvested Pro-Rata RPSUs are forfeited</b></li></ul>
Involuntary Termination (without cause)	
Dismissal for Cause (as defined by the Company and if applicable, the participant's employment agreement)	<ul style="list-style-type: none"><li>• <b>All vested Pro-Rata RPSUs not yet distributed into shares of the Company's Class A Common Stock are forfeited</b></li><li>• <b>All unvested Pro-Rata RPSUs are forfeited</b></li></ul>

<sup>(1)</sup> Pro-rated RPSUs vest only if retirement date is on or after the last day of the first quarter of the fiscal year

<sup>(2)</sup> The pro-rated portion is determined by taking the number of months worked in the fiscal year, dividing by 12 then multiplying by the number of Pro-Rata RPSUs scheduled to vest for that fiscal year

## SECURITIES TRADING POLICY

### INSIDER TRADING

As provided in the Polo Ralph Lauren (the "Company") Employee Handbook, employees are prohibited by law from buying or selling securities if an employee has or is aware of any *material, non-public information* about the Company and its subsidiaries. This is commonly referred to as "insider information." Material, non-public information is any information that has not been disclosed to the public that could affect the price of Company Common Stock — either positively or negatively — or affect a person's decision to buy, hold or sell stock.

Examples of what might be considered "insider information" include, but are not limited to, the following:

- Earnings or other financial information
- Changes in dividend policy
- Stock splits
- Mergers and acquisitions
- Major new contracts or product-line introductions
- Litigation involving substantial amounts of money
- Changes in management

These insider-trading rules are applicable to employees of Polo Ralph Lauren and its Subsidiaries and Affiliates, worldwide.

### COMPANY BLACKOUT PERIODS

To avoid even the appearance of "insider trading," our Company's Securities Trading policy prohibits members of the Board of Directors, all employees and their "Related Parties" (as such term is defined in the

Company's Securities Trading Policy) from making trades involving stock of the Company during certain "blackout periods." This prohibition covers all transactions in the Company's securities, including buying or selling shares, including shares of Class A Common Stock received upon the vesting of Pro-Rata RPSUs. These blackout periods generally begin two weeks before the end of each of our fiscal quarters and continue through one trading day after the Company issues its earnings release for the fiscal quarter or year just ended. If the earnings release is issued before the opening of the market on a trading day, trading may begin the next day. The blackout periods are announced at the start of each year. The Company may prohibit trading of the Company's stock at any time it deems such trading to be inappropriate, even outside the regular blackout periods. Individuals who receive a specific notification prohibiting them from trading the Company's stock should note that such notification takes precedence over pre-announced blackout periods. In addition, members of the Board of Directors, Officers (any employee who is a Vice President or above), and all employees in the Finance, Legal and Human Resources departments must clear all trades with the Corporate Counsel, whether they occur within a blackout period or not.

#### **ADDITIONAL PROHIBITED TRANSACTIONS**

Because we believe it is inappropriate for any Company personnel to engage in short-term or speculative transactions involving the Company's Common Stock, it is Company policy that employees do not engage in any of the following activities with respect to the securities of the Company:

- **"In and out" trading in securities of the Company.** Any Company stock purchased in the market must be held for a minimum of six months and ideally longer. Note that the Securities and Exchange Commission (SEC) has a "short-swing profit recapture" rule that effectively prohibits Executive Officers and members of the Board of Directors from selling any Company stock within six months of a purchase. The Company has extended this prohibition to all employees. The receipt of shares pursuant to the vesting of Pro-Rata RPSU awards is not considered a purchase under the SEC's rule.
- **Short sales** (i.e., selling stock one does not own and then borrowing the shares to make delivery)
- **Buying or selling "puts" or "calls"** (i.e., making commitments to buy or sell securities at a specified price for a fixed period of time)

#### **CLEARANCE OF ALL TRADES BY DIRECTORS, OFFICERS AND OTHER KEY PERSONNEL**

**All transactions in Company stock (purchases, sales, transfers, etc.) by members of the Board of Directors, Officers (any employee who is a Vice President or above), and personnel in the Finance, Legal and Human Resources departments must be cleared by the Corporate Counsel. If you contemplate a transaction, please provide a written request via e-mail to the Corporate Counsel specifying the number of shares that you wish to purchase or sell before contacting Merrill Lynch or taking any other step to initiate a transaction.**

#### **COMPLIANCE WITH SECTION 409A**

*To the extent applicable, the Plan shall be interpreted in accordance with Section 409A of the Internal Revenue Code of 1986 and the Department of Treasury Regulations and other interpretive guidance issued hereunder ("Section 409A"). Notwithstanding any provision of the Plan to the contrary, it is intended that this Plan comply with Section 409A, and all provision of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties.*

*In the event of any discrepancy between this Pro-Rata RPSU Overview and either the Plan or the provision under which the Plan is administered and governed by the Compensation Committee, the Plan and the determination of the Compensation Committee will govern, as applicable. This Overview is qualified in its entirety based on the determinations, interpretations and other decisions made within the sole discretion of the Compensation Committee.*

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS  
COVERING SECURITIES THAT HAVE BEEN REGISTERED  
UNDER THE SECURITIES ACT OF 1933, AS AMENDED

POLO  RALPH LAUREN

## **Stock Option**

### ***Fiscal 2011 — Overview***

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*July 16, 2010*

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*THIS OVERVIEW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MEMORANDUM TO PARTICIPANTS IN THE POLO RALPH LAUREN CORPORATION 1997 LONG-TERM STOCK INCENTIVE PLAN AND TO THE PLAN ITSELF. COPIES OF THE MEMORANDUM AND THE PLAN ARE AVAILABLE FROM YOUR HUMAN RESOURCES DEPARTMENT.*

## **OVERVIEW**

The Polo Ralph Lauren Corporation (the "Company") 1997 Long-Term Stock Incentive Plan (the "Plan") authorizes the Compensation & Organizational Development Committee of the Board of Directors (the "Compensation Committee") to grant equity awards to officers and other employees of the Company and its Subsidiaries and Affiliates.

This Overview explains the Company's current Stock Option program under the Plan, describes its benefits to you as a participant, and outlines the various steps needed to be taken in regard to your Stock Option grant.

- A Stock Option granted under the Plan provides a participant the opportunity to purchase, within a specified period of time, a stated number of shares of the Company's Class A Common Stock (traded on the New York Stock Exchange under the symbol RL) at a fixed price (the option grant price)
- The option grant price equals the Fair Market Value (the average of the high and the low trading prices) of a share of the Company's Class A Common Stock on the grant date
- Stock Options increase in value when the price of the Company's Class A Common stock moves above the option grant price
- Unlike actual share ownership, Stock Options do not provide voting rights or earn dividends

## **AWARD OBJECTIVES**

Objectives of the Stock Option program are to:

1. Motivate key contributors to continuously improve the Company's performance, which should ultimately result in increased stock value
2. Attract and retain individuals of superior talent
3. Enable individuals to participate in the long-term growth and financial success of the Company

## **PLAN ADMINISTRATION**

The Company's Human Resources Department administers the program and Merrill Lynch is the recordkeeper. **Participants must have an open brokerage account at Merrill Lynch in order to exercise vested stock options.** To open a brokerage account, or for questions regarding your account and account transactions, please contact Merrill Lynch at (609) 818-8908 or (877) 765-POLO (7656).

The Company's Board of Directors reserves the right to amend, modify or terminate the Plan at any time. No such amendment to the Plan would adversely affect any stock options then outstanding.

Nothing contained herein may be construed as creating a promise of future benefits or a binding contract with the Company. Further, an individual's employment continues to be at will.

For questions regarding the Plan and its provisions, please contact Human Resources.

## **ELIGIBILITY FOR STOCK OPTION GRANT**

Equity awards, including Stock Option grants, may be made annually to designated, key executives who have a significant impact on the strategic direction and business results of the Company, and who are actively employed on April 1 of the fiscal year for which the grant is being made.

Guidelines have been established for the number and types of equity awards eligible participants may receive. The guidelines reflect a position's scope, accountability and impact on the organization, and may also reflect changes in the value of the Company's Class A Common Stock.

Please note that these guidelines do not constitute a guarantee that any specific individual will receive an equity award in any given year, or guarantee the type or size of any grant, if a grant is made.

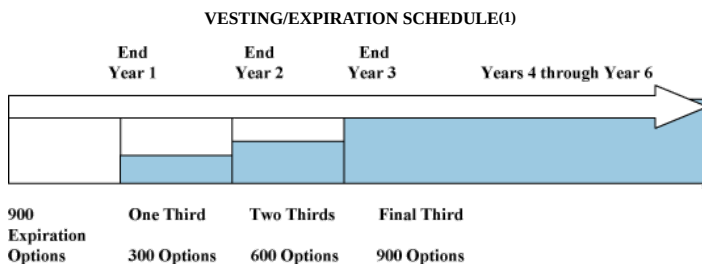
**An eligible employee who receives a Below Expectations (B) or Unsatisfactory (U) rating on his or her annual performance appraisal is not eligible for an equity award in the fiscal year following that performance appraisal period.**

**OPTION PRICE**

The option grant price, which is equal to the Fair Market Value on the date of grant, is provided in your on-line Total Rewards statement and on your Merrill Lynch statement. Though the stock price may fluctuate over the term of the option, the option grant price does not change, except in the event of a stock split or other similar event.

**VESTING PERIOD AND EXPIRATION OF OPTIONS**

Stock Options vest in three equal, annual installments beginning on the first anniversary of the grant, and are 100% vested after three years. Vested Stock Options must be exercised by the end of their "contractual term." Currently, Stock Options have a seven-year contractual term. Stock Options granted prior to June 2006 have a ten-year contractual term.



Although participants have the right to exercise Stock Options once they have vested, they may choose to hold vested options in anticipation of future gains from an increase in the stock price.

**VALUE OF STOCK OPTIONS**

Stock Options increase in value when the market price of the Company's Class A Common Stock rises above the Stock Option grant price. Upon exercise, the difference between the market price and the option grant price is considered the gain received from the exercise.

This example demonstrates how the value of the award increases as stock price increases.

<sup>(1)</sup> Vesting contingent upon continuous service to the respective vesting dates. In addition, option expiration dates may be accelerated based on certain employment events such as Retirement. Refer to the If You Leave The Company chart on page 7.

**EXAMPLE: POTENTIAL VALUE  
AWARD OF 1,000 STOCK OPTIONS**

	Grant Price	If Future Stock Price Reaches:		
	\$75	\$85	\$90	\$100
Gain per Share (assumes all shares granted have vested)	\$ 0	\$ 10	\$ 15	\$ 25
Gain per Share x 1000 Shares	\$ 0	\$10,000	\$15,000	\$25,000

*Example is hypothetical and is not a forecast of growth in the Company's Class A Common Stock price*

**STOCK OPTION EXERCISE**

All Stock Option exercise transactions and recordkeeping are performed for the Company by Merrill Lynch. Participants must have an open brokerage account at Merrill Lynch in order to exercise Stock Options.

The exercise of vested Stock Options has tax consequences in most jurisdictions. Contact your financial advisor for important information about how Stock Option exercise impacts you.

**For employees at the Vice President level or above (“Officers”) and all employees in the Finance, Legal and Human Resources departments, all transactions in the Company’s securities (including, but not limited to purchases, sales, transfers, etc.) must be pre-cleared with the Corporate Counsel. If contemplating a transaction, please provide a written request via e-mail to the Corporate Counsel, specifying the number of Stock Options you wish to exercise and/or the number of shares you wish to purchase or sell before contacting Merrill Lynch or taking any other step to initiate a transaction.**

- Once you receive pre-clearance from the Corporate Counsel, Officers and all employees in the Finance Legal and Human Resources departments must indicate your intent to exercise by contacting the Executive Advisory Team at Merrill Lynch at (800) 937-0526 between 8:30 a.m. and 6:00 p.m. (ET) on any day the New York Stock Exchange is open. Outside the U.S., Puerto Rico or Canada, call (212) 236-5574.
- All transactions in the Company’s securities, including cash or cashless exercise of Stock Options and sales and purchases of the Company’s Class A Common Stock as described below, are prohibited during a Company trading blackout period as defined in the Company’s Securities Trading policy which is included in this Overview beginning on page 8.

**METHODS OF EXERCISING STOCK OPTION**

When exercising Stock Options, participants purchase shares of the Company’s Class A Common Stock at the grant price set at the time the option was granted. Stock Options may be exercised in three ways:

1. **Cash Exercise:** Paying cash for the shares exercised
2. **Cashless Exercise:** Exercising a number of Stock Options and paying for the exercise by simultaneously selling the stock and retaining the net gain
3. **Stock-for-Stock Exchange:** Delivering shares of the Company’s Class A Common Stock owned for at least six months and that are not subject to any pledge or other security interest, to pay for the shares exercised

**SALE OF SHARES SUBSEQUENT TO EXERCISE**

When shares acquired from the exercise of Stock Options are sold at a later date, participants benefit from any price appreciation that may have occurred since the date the shares were acquired. As noted above, shares realized from a Stock Option exercise may be sold at any time, except when such sale would be considered insider trading or during blackout periods as described in more detail by the Company’s Securities Trading policy beginning on page 8.

## IF YOU LEAVE THE COMPANY

This chart explains what happens to your Stock Options if you leave Polo Ralph Lauren.

Event	Vested Options	Unvested Options
Normal Retirement (Age 65)	<ul style="list-style-type: none"><li>Up to three years to exercise any vested stock options after retirement, provided they do not expire sooner. <b>If not exercised within the three years following retirement, the options expire.</b></li></ul>	<ul style="list-style-type: none"><li><b>All unvested stock options are forfeited</b></li></ul>
Early Retirement (Age 55 through Age 64, with seven or more years of service)	<ul style="list-style-type: none"><li>Up to one year to exercise any vested stock options after early retirement, provided they do not expire sooner. If not exercised within one year following retirement, the options expire. <b>However, any vested options are forfeited if a participant goes to work for a competitor<sup>(1)</sup>.</b></li></ul>	<ul style="list-style-type: none"><li><b>All unvested stock options are forfeited</b></li></ul>
Disability	<ul style="list-style-type: none"><li>Up to three years to exercise any vested stock options after long-term disability begins, provided they do not expire sooner. <b>The options expire if not exercised within the three years following onset of LTD.</b></li></ul>	<ul style="list-style-type: none"><li>Options continue to vest according to the original vesting schedule (1/3 each year for 3 years). <b>If vested options are not exercised within three years of the date of disability, the options expire.</b></li></ul>
Death	<ul style="list-style-type: none"><li>The optionee's estate has up to three years to exercise any vested stock options, provided they do not expire sooner. <b>Options expire if not exercised within the three years.</b></li></ul>	<ul style="list-style-type: none"><li>Options continue to vest according to the original vesting schedule (1/3 each year for 3 years). <b>If vested options are not exercised within three years of the date of death, the options expire.</b></li></ul>
Dismissal for Cause (as defined by the Company and if applicable, the participant's employment agreement), or Voluntary Resignation	<ul style="list-style-type: none"><li><b>All vested stock options are forfeited as of the date of termination</b></li></ul>	<ul style="list-style-type: none"><li><b>All unvested stock options are forfeited</b></li></ul>
Involuntary Termination <sup>(2)</sup>	<ul style="list-style-type: none"><li><b>Up to three months to exercise any vested stock options, provided they do not expire sooner</b></li></ul>	<ul style="list-style-type: none"><li><b>All unvested stock options are forfeited</b></li></ul>

<sup>(1)</sup> For purposes hereof, a "competitor" shall mean any business engaged in the designing, marketing or distribution of premium lifestyle products, including but not limited to apparel, home, accessories and fragrance products, which competes in any material respect with the Company or any of its Subsidiaries, Affiliates or Licensees

<sup>(2)</sup> Refers to termination by Polo without cause, and when the employee has executed a general release with terms satisfactory to the Company

## SECURITIES TRADING POLICY

### INSIDER TRADING

As provided in the Polo Ralph Lauren (the Company) Employee Handbook, employees are prohibited by law from buying or selling securities if an employee has or is aware of any *material, non-public information* about the Company and its subsidiaries. This is commonly referred to as “insider information.” Material, non-public information is any information that has not been disclosed to the public that could affect the price of the Company’s Common Stock — either positively or negatively — or affect a person’s decision to buy, hold or sell securities. The prohibition on insider trading applies to all transactions in the Company’s securities, including cash exercises, cashless exercises of Stock Options and sales and purchases of the Company’s stock.

Examples of what might be considered “insider information” include but are not limited to the following:

- Earnings or other financial information
- Changes in dividend policy
- Stock splits
- Mergers and acquisitions
- Major new contracts or product-line introductions
- Litigation involving substantial amounts of money
- Changes in management

These insider-trading rules are applicable to employees of Polo Ralph Lauren and its Subsidiaries and Affiliates worldwide.

### COMPANY BLACKOUT PERIODS

To avoid even the appearance of “insider trading,” our Company’s Securities Trading policy prohibits members of the Board of Directors, all employees and their “Related Parties” (as such term is defined in the Company’s policy) from making trades involving stock of the Company during certain “blackout periods.” This prohibition covers all transactions in the Company’s securities, including buying or selling shares, cashless exercise of Stock Options and cash exercises of Stock Options. These blackout periods generally begin two weeks before the end of each of our fiscal quarters and continue through one trading day after the Company issues its earnings release for the fiscal quarter or year just ended. If the earnings release is issued before the opening of the market on a trading day, trading may begin the next day. The blackout periods are announced at the start of each year. The Company may prohibit trading of the Company’s stock at any time it deems such trading to be inappropriate, even outside the regular blackout periods. Individuals who receive a specific notification prohibiting them from trading the Company’s stock should note that such notification takes precedence over pre-announced blackout periods. In addition, members of the Board of Directors, Officers (any employee who is a Vice President or above), and all employees in the Finance, Legal and Human Resources departments must clear all trades with the Corporate Counsel, whether they occur within a blackout period or not.

### ADDITIONAL PROHIBITED TRANSACTIONS

Because we believe it is inappropriate for any Company personnel to engage in short-term or speculative transactions involving the Company’s Common Stock, it is Company policy that employees do not engage in any of the following activities with respect to the securities of the Company:

- **“In and out” trading in securities of the Company.** Any Company stock purchased in the market must be held for a minimum of six months, and ideally longer. (Note that the Securities and Exchange Commission (SEC) has a “short-swing profit recapture” rule that effectively prohibits Executive Officers and members of the Board of Directors from selling any Company stock within six months of a purchase. The Company has

extended this prohibition to all employees. The receipt of shares pursuant to the exercise of Stock Options is not considered a purchase under the SEC's rule.)

- **Short sales** (i.e., selling stock one does not own and then borrowing the shares to make delivery)
- **Buying or selling "puts" or "calls"** (i.e., making commitments to buy or sell securities at a specified price for a fixed period of time)

#### **CLEARANCE OF ALL TRADES BY DIRECTORS, OFFICERS AND OTHER KEY PERSONNEL**

**All transactions in Company stock (purchases, sales, transfers, etc.) by members of the Board of Directors, Officers (any employee who is a Vice President or above), and all personnel in the Finance, Legal and Human Resources departments must be pre-cleared by the Corporate Counsel. If you contemplate a transaction, please provide a written request via e-mail to the Corporate Counsel, specifying the number of shares that you wish to purchase or sell before contacting Merrill Lynch or taking any other step to initiate a transaction.**

#### **COMPLIANCE WITH SECTION 409A**

*To the extent applicable, the Plan shall be interpreted in accordance with Section 409A of the Internal Revenue Code of 1986 and the Department of Treasury Regulations and other interpretive guidance issued hereunder ("Section 409A"). Notwithstanding any provision of the Plan to the contrary, it is intended that this Plan comply with Section 409A, and all provision of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties.*

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*In the event of any discrepancy between this Stock Option Overview, and either the terms of the Plan or the provisions under which the Plan is administered and governed by the Compensation Committee, the Plan and the determination of the Compensation Committee will govern, as applicable. This Overview is qualified in its entirety based on the determinations, interpretations and other decisions made within the sole discretion of the Compensation Committee.*

**POLO RALPH LAUREN CORPORATION**  
**2010 LONG-TERM STOCK INCENTIVE PLAN**

**As adopted on August 5, 2010**

SECTION 1. *PURPOSE AND HISTORY.* The purposes of this Polo Ralph Lauren Corporation 2010 Long-Term Stock Incentive Plan are to promote the interests of Polo Ralph Lauren Corporation and its stockholders by (i) attracting and retaining exceptional directors, officers and other employees and third party service providers of the Company and its Subsidiaries, as defined below; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company. The Plan was originally adopted by the Company's Board of Directors on June 17, 2010, subject to the approval of the Company's stockholders at the Company's 2010 annual meeting of stockholders.

SECTION 2. *DEFINITIONS.* As used in the Plan, the following terms shall have the meanings set forth below:

"*Affiliate*" shall mean (i) any Person that, directly or indirectly, is controlled by, or controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

"*Award*" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Performance Award, Other Stock-Based Award or Performance Compensation Award.

"*Award Agreement*" shall mean any agreement, contract, or other instrument or document, in any form (written or electronic) as determined by the Committee (including, without limitation, a Board or Committee resolution, an employment agreement, a notice, a certificate or a letter), evidencing any Award or the terms and conditions thereof, which may, but need not, be executed or acknowledged by a Participant.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Company or an Affiliate having "cause" to terminate a Participant's employment or service, as defined in any employment or consulting agreement between the Participant and the Company or an Affiliate in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of "Cause" contained therein): (A) failure by the Participant to perform the duties of the Participant to the Company or an Affiliate (other than due to his or her Disability), provided that such conduct shall not constitute Cause unless and until such failure by Participant to perform his or her duties has not been cured to the satisfaction of the Company, in its sole discretion, within fifteen (15) days after notice of such failure has been given by the Company to Participant; (B) an act of fraud, embezzlement, theft, breach of fiduciary duty, dishonesty, or any other misconduct or any violation of law (other than a traffic violation) committed by the Participant; (C) any action by the Participant causing damage to or misappropriation of the Company's assets; (D) the Participant's wrongful disclosure of confidential information of the Company or any of its Affiliates; (E) the Participant's breach of (x) any non-competition, non-solicitation, non-disparagement or other restrictive covenants to which he or she is subject under any employment or consulting agreement or otherwise, and/or (y) the Participant's duty of loyalty; (F) the Participant's breach of any employment policy of the Company, including, but not limited to, conduct relating to falsification of business records, violation of the Company's code of business conduct & ethics, harassment, creation of a hostile work environment, excessive absenteeism, insubordination, violation of the Company's policy on drug & alcohol use, or violent acts or threats of violence; (G) performance by the Participant of his or her employment duties in a manner deemed by the Committee, in its sole discretion, to be grossly negligent; or (H) the commission of any act by the Participant, whether or not performed in the workplace, which subjects or, if publicly known, would be likely to subject the Company to public ridicule or embarrassment, or would likely be detrimental or damaging to the Company's reputation, goodwill, or relationships with its customers,

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suppliers, vendors, licensees or employees. Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

“*Change of Control*” shall mean the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act other than Permitted Holders; (ii) any person or group is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have “beneficial ownership” of all Shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50 percent of the total voting power of the voting stock of the Company, including by way of merger, consolidation or otherwise; provided, however, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by the Company or any Affiliate, (II) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliate, (III) any acquisition by one or more of the Permitted Holders, or (IV) any acquisition which complies with clauses (A), (B) and (C) of subsection (v) below; (iii) during any period of twelve (12) consecutive months, Present and/or New Directors cease for any reason to constitute a majority of the Board; (iv) the Permitted Holders’ beneficial ownership of the total voting power of the voting stock of the Company falls below 30 percent and either Ralph Lauren is not nominated for a position on the Board, or he stands for election to the Board and is not elected; (v) the consummation of a reorganization, recapitalization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company’s stockholders, whether for such transaction or the issuance of securities in the transaction (a “Business Combination”), if immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the “Surviving Company”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the “Parent Company”), is represented by the Shares that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the shares of voting stock of the Company were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power was among the holders of the Shares that were outstanding immediately prior to the Business Combination, (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company, or one or more Permitted Holders), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company) and (C) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination; or (vi) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“*Committee*” shall mean either (i) the Board or (ii) a committee of the Board designated by the Board to administer the Plan and composed of not less two directors, each of whom is required to be a “Non-Employee Director” (within the meaning of Rule 16b-3) and an “outside director” (within the meaning of Section 162(m) of the Code) to the extent Rule 16b-3 and Section 162(m) of the Code, respectively, are applicable to the Company and the Plan. If at any time such a committee has not been so designated, the Board shall constitute the Committee.

“*Company*” shall mean Polo Ralph Lauren Corporation, together with any successor thereto.

“*Disability*” shall mean that as a result of a Participant’s incapacity due to physical or mental illness, the Participant shall have been (or the Committee reasonably determines that the Participant is reasonably likely to



be) absent and unable to perform the duties of the Participant's position on a full-time basis for an entire period of six consecutive months.

"*Effective Date*" shall mean the date on which this Plan is approved by the Stockholders of the Company at the Company's 2010 annual meeting of Stockholders.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" shall mean, (A) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (B) with respect to the Shares, as of any date, (i) the mean between the high and low sales prices of the Shares (provided that the Committee may in its discretion use the closing sales price) as reported on the New York Stock Exchange for such date (or if not then trading on the New York Stock Exchange, the mean between the high and low sales price of the Shares (provided that the Committee may in its discretion use the closing sales price) on the stock exchange or over-the-counter market on which the Shares are principally trading on such date), or if, there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"*Full Value Award*" shall mean an Award which is other than in the form of an Option or Stock Appreciation Right, and that is settled by the issuance of Shares.

"*Good Reason*" shall mean in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Participant having "good reason" to terminate his or her employment or service, as defined in any employment or consulting agreement between the Participant and the Company or an Affiliate in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of "good reason" contained therein), Good Reason shall not apply to such Participant.

"*Incentive Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

"*Negative Discretion*" shall mean the discretion authorized by the Plan to be applied by the Committee to eliminate or reduce the size of a Performance Compensation Award; PROVIDED that the exercise of such discretion would not cause the Performance Compensation Award to fail to qualify as "performance-based compensation" under Section 162(m) of the Code. By way of example and not by way of limitation, in no event shall any discretionary authority granted to the Committee by the Plan including, but not limited to, Negative Discretion, be used to (a) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained; or (b) increase a Performance Compensation Award above the maximum amount payable under Sections 4(a) or 11(d)(vi) of the Plan. Notwithstanding anything herein to the contrary, in no event shall Negative Discretion be exercised by the Committee with respect to any Option or Stock Appreciation Right (other than an Option or Stock Appreciation Right that is intended to be a Performance Compensation Award under Section 11 of the Plan).

"*New Directors*" shall mean any directors whose election by the Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company who, at the time of such vote, were either Present Directors or New Directors but excluding any such individual whose initial assumption of office occurs solely as a result of an actual or threatened proxy contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

"*Non-Qualified Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

"*Option*" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

“Other Stock-Based Award” shall mean any right granted under Section 10 of the Plan.

“Participant” shall mean any Person eligible to receive an Award under Section 5 of the Plan and selected by the Committee to receive an Award under the Plan.

“Performance Award” shall mean any right granted under Section 9 of the Plan.

“Performance Compensation Award” shall mean any Award designated by the Committee as a Performance Compensation Award pursuant to Section 11 of the Plan.

“Performance Criteria” shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under the Plan. The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance of the Company (and/or one or more Subsidiaries, Affiliates, divisions or operational and/or business units, product lines, brands, business segments, administrative departments or any combination of the foregoing) and shall be limited to the following: (a) net earnings or net income (before or after taxes); (b) basic or diluted earnings per share (before or after taxes); (c) net revenue or net revenue growth; (d) gross revenue or gross revenue growth, or gross profit or gross profit growth; (e) net operating profit (before or after taxes); (f) return measures (including, but not limited to, return on investment, assets, capital, employed capital, invested capital, equity, or sales); (g) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), which may but are not required to be measured on a per share basis; (h) earnings before or after taxes, interest, depreciation and/or amortization; (i) gross or net operating margins; (j) productivity ratios; (k) share price (including, but not limited to, growth measures and total stockholder return); (l) expense targets or cost reduction goals; (m) general and administrative expense savings; (n) operating efficiency; (o) objective measures of customer satisfaction; (p) working capital targets; (q) measures of economic value added or other “value creation” metrics; (r) inventory control; (s) enterprise value; (t) customer retention; (u) competitive market metrics; (v) employee retention; (w) timely completion of new product rollouts; (x) timely launch of new facilities; (y) objective measures of personal targets, goals or completion of projects (including but not limited to succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions or capital-raising transactions, expansions of specific business operations and meeting divisional or project budgets); (z) royalty income; (aa) same store sales (comparable sales), comparisons of continuing operations to other operations; (bb) market share; (cc) new store openings (gross or net), store remodelings; (dd) cost of capital, debt leverage year-end cash position or book value; (ee) strategic objectives, development of new product lines and related revenue, sales and margin targets, franchisee growth and retention, menu design and growth, co-branding or international operations; or (ii) any combination of the foregoing. Any one or more of the Performance Criteria may be stated as a percentage of another Performance Criterion, or used on an absolute or relative basis to measure the performance of the Company, Subsidiary and/or Affiliate as a whole or any divisions or operational and/or business units, product lines, brands, business segments, or administrative departments of the Company, Subsidiary and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Criteria may be compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of Performance Goals pursuant to the Performance Criteria specified in this paragraph. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Criteria without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

“Performance Formula” shall mean, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation

Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

“*Performance Goals*” shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter (but only to the extent the exercise of such authority after the first 90 days of a Performance Period would not cause the Performance Compensation Awards granted to any Participant for the Performance Period to fail to qualify as “performance-based compensation” under Section 162(m) of the Code), in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code in order to prevent the dilution or enlargement of the rights of Participants based on the following events: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in the Financial Accounting Standards Board Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year, (f) acquisitions or divestitures, (g) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, (h) foreign exchange gains and losses, and (i) a change in the Company’s fiscal year. To the extent such inclusions or exclusions affect Awards to Participants, they shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

“*Performance Period*” shall mean the one or more periods of time of at least one year in duration, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Performance Compensation Award.

“*Permitted Holders*” shall mean, as of the date of determination, (i) any and all of Ralph Lauren, his spouse, his siblings and their spouses, and descendants of any of them (whether natural or adopted) (collectively, the “Lauren Group”) and (ii) any trust established and maintained primarily for the benefit of any member of the Lauren Group and any entity controlled by any member of the Lauren Group.

“*Person*” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

“*Plan*” shall mean this Polo Ralph Lauren Corporation 2010 Long-Term Stock Incentive Plan.

“*Present Directors*” shall mean individuals who at the beginning of any one year period were members of the Board.

“*Prior Plan*” shall mean the Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan, as amended.

“*Restricted Stock*” shall mean any Share granted under Section 8 of the Plan.

“*Restricted Stock Unit*” shall mean any unit granted under Section 8 of the Plan.

“*Rule 16b-3*” shall mean Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

“*SEC*” shall mean the Securities and Exchange Commission or any successor thereto and shall include the Staff thereof.

“*Shares*” shall mean the shares of Class A Common Stock of the Company, \$.01 par value, or such other securities of the Company (i) into which such common shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (ii) as may be determined by the Committee pursuant to Section 4(b).

“*Stock Appreciation Right*” shall mean any right granted under Section 7 of the Plan.

“*Subsidiary*” shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

“*Substitute Awards*” shall have the meaning specified in Section 4(c).

“*Third Party Service Provider*” means any consultant, agent, advisor, or independent contractor who is a natural person and who renders services to the Company, a Subsidiary, or an Affiliate, that (a) are not in connection with the offer and sale of the Company’s securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company’s securities.

SECTION 3. *EFFECTIVE DATE AND ADMINISTRATION.*

(a) The Plan shall be effective as of the Effective Date. The expiration date of the Plan, on and after which date no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of the Plan shall continue to apply to such Awards.

(b) The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant and designate those Awards which shall constitute Performance Compensation Awards; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award (subject to Section 162(m) of the Code with respect to Performance Compensation Awards) shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret, administer reconcile any inconsistency, correct any default and/or supply any omission in the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) establish and administer Performance Goals and certify whether, and to what extent, they have been attained; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any stockholder.

(d) The mere fact that a Committee member shall fail to qualify as a “Non-Employee Director” or “outside director” within the meaning of Rule 16b-3 and Code Section 162(m), respectively, shall not invalidate any award made by the Committee which award is otherwise validly made under the Plan.

(e) No member of the Board, the Committee or any employee or agent of the Company (each such person, an “Indemnifiable Person”) shall be liable for any action taken or omitted to be taken or any determination made with respect to the Plan or any Award hereunder (unless constituting fraud or a willful criminal act or omission). Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company’s approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, and the Company shall advance to such Indemnifiable Person any such expenses promptly upon written request (which

request shall include an undertaking by the Indemnifiable Person to repay the amount of such advance if it shall ultimately be determined as provided below that the Indemnifiable Person is not entitled to be indemnified); provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person's fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Certificate of Incorporation or By Laws. The foregoing right of indemnification shall not be exclusive of or otherwise supersede any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company's Amended and Restated Certificate of Incorporation or By Laws, as a matter of law, individual indemnification agreement or contract or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

(f) With respect to any Performance Compensation Award granted under the Plan, the Plan shall be interpreted and construed in accordance with Section 162(m) of the Code.

(g) Notwithstanding the foregoing, the Committee may delegate, in a manner consistent with Section 157(c) of the Delaware General Corporation Law (or other applicable law), to one or more officers of the Company (i) the authority to grant awards to Participants who are not officers or directors of the Company subject to Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Code or (ii) the authority to make certain determinations permitted or required to be made by the Committee under the Plan (including, without limitation, determinations relating to the existence of Cause or Disability).

(h) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. Any such actions by the Board shall be subject to the applicable rules of the New York Stock Exchange or any other securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted. In any such case, the Board shall have all the authority granted to the Committee under the Plan.

#### SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) *SHARES AVAILABLE.* Subject to adjustment as provided in Section 4(b), the aggregate number of Shares with respect to which Awards may be granted under the Plan shall be the sum (such sum, the "Absolute Share Limit") of (i) the number of Shares remaining available for issuance as of the Effective Date under the Prior Plan that are not subject to outstanding awards under the Prior Plan plus (ii) 3,000,000; the maximum number of Shares with respect to which Awards may be granted to any Participant who is a director of the Company but not an employee of the Company in any fiscal year may not exceed 25,000; the maximum number of Shares with respect to which Options and Stock Appreciation Rights may be granted to any Participant in any fiscal year shall be 1,000,000 and the maximum number of Shares which may be paid to a Participant in the Plan in connection with the settlement of any Award(s) designated as "Performance Compensation Awards" in respect of a single Performance Period shall be 1,000,000 or, in the event such Performance Compensation Award is paid in cash, the equivalent cash value thereof. In addition, of the Shares reserved for issuance under the Plan pursuant to this Section 4(a), no more than the Absolute Share Limit may be issued pursuant to Incentive Stock Options. If, after the Effective Date of the Plan, any Shares covered by an Award granted under the Plan or an award granted under the Prior Plan, or to which such an Award relates, are forfeited, or if an Award granted under the Plan (or an award granted under the Prior Plan) has expired, terminated or been canceled for any reason whatsoever (other than by reason of exercise or vesting), then the Shares covered by such Award (or award granted under the Prior Plan) shall again be, or shall become, Shares with respect to which Awards may be granted hereunder. In addition, Shares delivered (either directly or by means of attestation or withholding) in full or partial payment of the exercise price of any Award (or an award granted under the Prior Plan) or of any tax withholding obligation, shall be deducted from the number of Shares delivered to the Participant pursuant to such Award (or award granted under the Prior Plan) for purposes of determining the number of Shares acquired pursuant to the Plan.

(b) *ADJUSTMENTS*. Notwithstanding any provisions of the Plan to the contrary, in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee in its discretion to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) which may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including without limitation adjusting any or all of the limitations in Section 4(a) of the Plan), (iii) the terms of any outstanding Award, including, without limitation, (1) the number of Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate (2) the grant or exercise price with respect to any Award or (3) any applicable performance measures (including, without limitation, Performance Criteria and Performance Goals), (iv) if deemed appropriate, make provision for a payment in cash, Shares, other securities or other property, or any combination thereof, to the holder of an outstanding Award in consideration for the cancellation of such Award which, in the case of Options and Stock Appreciation Rights shall equal the excess if any, of the Fair Market Value of the Shares (which if applicable may be based upon the price per Share received or to be received by other stockholders of the Company in such event) subject to such Options or Stock Appreciation Rights over the aggregate exercise price or strike price of such Options or Stock Appreciation Rights (it being understood that, in such event, any Option or SAR having a per Share exercise price or strike price equal to, or in excess of, the Fair Market Value of a Share subject thereto may be canceled and terminated without any payment or consideration therefor), and (v) accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time (which shall not be required to be more than ten (10) days) for Participants to exercise outstanding Awards prior to the occurrence of such event (and any such Award not so exercised shall terminate upon the occurrence of such event);

PROVIDED, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto)), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. Any adjustment in Incentive Stock Options under this Section 4(b) (other than any cancellation of Incentive Stock Options) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 4(b) shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Any such adjustment shall be conclusive and binding for all purposes.

(c) *SUBSTITUTE AWARDS*. Subject to Section 12(b), Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its Affiliates or a company acquired by the Company or with which the Company combines ("Substitute Awards"). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan.

(d) *SOURCES OF SHARES DELIVERABLE UNDER AWARDS*. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares, Shares purchased on the open market, or by private purchase, or a combination of the foregoing. Following the Effective Date, no further awards shall be granted under any Prior Plan.

(e) *FULL VALUE AWARDS*. Except with respect to a maximum of five percent (5%) of the Shares authorized under the Plan, any Full Value Awards that vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any Full Value Awards that vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months. The vesting of Full Value Awards may only be accelerated upon (i) death, Disability, retirement or other termination of employment or service of the Participant or (ii) a Change of Control.

SECTION 5. *ELIGIBILITY.* Any director, officer or employee of, or Third Party Service Provider to, the Company or any of its Subsidiaries (including any prospective director, officer, employee or Third Party Service Provider) shall be eligible to be designated a Participant.

SECTION 6. *STOCK OPTIONS.*

(a) *GRANT.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, the exercise price therefor and the conditions and limitations applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, or to grant Non-Qualified Stock Options, or to grant both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. All Options when granted under the Plan are intended to be Non-Qualified Stock Options, unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Non-Qualified Stock Option appropriately granted under the Plan; provided that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Non-Qualified Stock Options.

(b) *EXERCISE PRICE.* The Committee shall establish the exercise price at the time each Option is granted, which exercise price shall be set forth in the applicable Award Agreement, but shall be no less than the Fair Market Value of a Share at the date of grant.

(c) *EXERCISE.* Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable after the tenth anniversary of the grant date. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable. Options with an exercise price equal to or greater than the Fair Market Value per Share as of the date of grant are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(d) *PAYMENT.*

(i) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate exercise price therefor is received by the Company. Such payment may be made (x) in cash, or its equivalent or (y) by tendering to the Company Shares valued at Fair Market Value at the time the Option is exercised, which are not the subject of any pledge or other security interest or which have such other characteristics, if any, as may be determined by the Committee, or (z) subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the aggregate exercise price, or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender is at least equal to such aggregate exercise price.

(ii) Wherever in this Plan or any Award Agreement a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(e) *NOTIFICATION UPON DISQUALIFYING DISPOSITION OF AN INCENTIVE STOCK OPTION.* Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he or she makes a disqualifying disposition of any Shares acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of any Shares acquired pursuant to any Incentive Stock Option before the later of (A) two years after the Date of Grant of the Incentive Stock Option or (B) one year after the date of exercise of the Incentive Stock Option. The Company

may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession, as agent for the applicable Participant, of any Shares acquired pursuant to the exercise of an Incentive Stock Option until the end of the period described in the preceding sentence, subject to complying with any instructions from such Participant as to the sale of such Shares.

**SECTION 7. STOCK APPRECIATION RIGHTS.**

(a) **GRANT.** Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right Award, the strike price thereof (which shall be no less than the Fair Market Value of a Share at the date of grant) and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights with a strike price equal to or greater than the Fair Market Value per Share as of the date of grant are intended to qualify as "performance-based compensation" under Section 162(m) of the Code. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or at a later time.

(b) **EXERCISE AND PAYMENT.** A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the strike price thereof. The Committee shall determine whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

(c) **OTHER TERMS AND CONDITIONS.** Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right; PROVIDED, HOWEVER, that no Stock Appreciation rights shall be exercisable after the tenth anniversary of the date of its grant. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of Stock Appreciation Rights granted or exercised prior to such determination as well as Stock Appreciation Rights granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

**SECTION 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS.**

(a) **GRANT.** Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Shares of Restricted Stock and Restricted Stock Units shall be granted, the number of Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) **TRANSFER RESTRICTIONS.** Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except, in the case of Restricted Stock, as provided in the Plan or the applicable Award Agreements. Upon the grant of Restricted Stock, the Committee shall cause a stock certificate registered in the name of the Participant to be issued or shall cause Shares to be registered in the name of the Participant and held in book-entry form subject to the Company's directions. The Committee may also require that certificates issued in respect of Shares of Restricted Stock be registered in the name of the Participant and deposited by such Participant, together with a stock power endorsed in blank, with the Company. Upon the lapse of the restrictions applicable to such Shares of Restricted Stock, the Company shall deliver such certificates to the Participant or the Participant's legal representative. Subject to the restrictions set forth in this Section 8 and the applicable Award Agreement, the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including without limitation the right to vote such Restricted Stock. To the extent Shares of Restricted Stock are forfeited, any stock certificates issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such Shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company.

(c) **PAYMENT.** Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a Share. Restricted Stock Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with



the applicable Award Agreement. Dividends paid on any Shares of Restricted Stock may be paid directly to the Participant, withheld by the Company subject to vesting of the Restricted Shares pursuant to the terms of the applicable Award Agreement, or may be reinvested in additional Shares of Restricted Stock or in additional Restricted Stock Units, as determined by the Committee in its sole discretion.

(d) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards and vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards and vest upon the attainment of performance goals (whether or not combined with other conditions) shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change of Control.

SECTION 9. *PERFORMANCE AWARDS.*

(a) *GRANT.* The Committee shall have sole and complete authority to determine the Participants who shall receive a "Performance Award", which shall consist of a right which is (i) denominated in cash or Shares, (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

(b) *TERMS AND CONDITIONS.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award.

(c) *PAYMENT OF PERFORMANCE AWARDS.* Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with procedures established by the Committee, on a deferred basis.

(d) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Performance Awards that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Performance Awards that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change of Control.

SECTION 10. *OTHER STOCK-BASED AWARDS.*

(a) *GENERAL.* The Committee shall have authority to grant to Participants an "Other Stock-Based Award", which shall consist of any right which is (i) not an Award described in Sections 6 through 9 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan; provided that any such rights must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award, including the price, if any, at which securities may be purchased pursuant to any Other Stock-Based Award granted under this Plan.

(b) *DIVIDEND EQUIVALENTS.* In the sole and complete discretion of the Committee, an Award, whether made as an Other Stock-Based Award under this Section 10 or as an Award granted pursuant to Sections 6 through 9 hereof, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis; provided, that no dividend equivalents shall be payable in respect of outstanding (i) Options or Stock Appreciation Rights or (ii) unearned Performance Compensation Awards or other unearned Awards subject to performance conditions (other than or in addition to the passage of time) (although

dividend equivalents may be accumulated in respect of unearned Awards and paid after such Awards are earned and become payable or distributable).

(c) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any "Other Stock-Based Awards" that are Full Value Awards and vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any "Other Stock-Based Awards" that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of "Other Stock-Based Awards" that are Full Value Awards may only be accelerated for (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change of Control.

**SECTION 11. PERFORMANCE COMPENSATION AWARDS.**

(a) *GENERAL.* The Committee shall have the authority, at the time of grant of any Award described in Sections 6 through 10 (other than Options and Stock Appreciation Rights granted with an exercise price or strike price, as the case may be, equal to or greater than the Fair Market Value per Share on the date of grant), to designate such Award as a Performance Compensation Award in order to qualify such Award as "performance-based compensation" under Section 162(m) of the Code.

(b) *ELIGIBILITY.* The Committee will, in its sole discretion, designate within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code) which Participants will be eligible to receive Performance Compensation Awards in respect of such Performance Period. However, designation of a Participant eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle the Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this Section 11. Moreover, designation of a Participant eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant eligible to receive an Award hereunder in any subsequent Performance Period and designation of one Person as a Participant eligible to receive an Award hereunder shall not require designation of any other Person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(c) *DISCRETION OF COMMITTEE WITH RESPECT TO PERFORMANCE COMPENSATION AWARDS.* With regard to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) is(are) to apply to the Company and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence of this Section 11(c) and record the same in writing.

**(d) PAYMENT OF PERFORMANCE COMPENSATION AWARDS**

(i) *CONDITION TO RECEIPT OF PAYMENT.* Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period.

(ii) *LIMITATION.* A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (1) the Performance Goals for such period are achieved; and (2) the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant's Performance Award has been earned for the Performance Period.

(iii) *CERTIFICATION.* Following the completion of a Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards

earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply Negative Discretion, if and when it deems appropriate.

(iv) *NEGATIVE DISCRETION*. In determining the actual size of an individual Performance Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion if, in its sole judgment, such reduction or elimination is appropriate.

(v) *TIMING OF AWARD PAYMENTS*. The Awards granted for a Performance Period shall be paid to Participants as soon as administratively possible following completion of the certifications required by this Section 11.

(vi) *MAXIMUM AWARD PAYABLE*. Notwithstanding any provision contained in this Plan to the contrary, the maximum Performance Compensation Award payable to any one Participant under the Plan for a Performance Period is 1,000,000 Shares or, in the event the Performance Compensation Award is paid in cash, the equivalent cash value thereof on the last day of the Performance Period to which such Award relates. Furthermore, any Performance Compensation Award that has been deferred shall not (between the date as of which the Award is deferred and the payment date) increase (A) with respect to Performance Compensation Award that is payable in cash, by a measuring factor for each fiscal year greater than a reasonable rate of interest set by the Committee or (B) with respect to a Performance Compensation Award that is payable in Shares, by an amount greater than the appreciation of a Share from the date such Award is deferred to the payment date.

(e) *MINIMUM VESTING REQUIREMENTS*. Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Performance Compensation Awards that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Performance Compensation Awards that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change of Control.

#### SECTION 12. AMENDMENT AND TERMINATION.

(a) *AMENDMENTS TO THE PLAN*. The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided that (a) no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan; and provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary, and (b) no material revision to the Plan shall be made without stockholder approval. A "material revision" shall include, without limitation: (i) a material increase in the number of Shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction); (ii) an expansion of the types of Awards available under the Plan; (iii) a material expansion of the class of employees, directors or other service providers eligible to participate in the Plan; (iv) a material extension of the term of the Plan; (v) a material change to the method of determining the exercise price of Options or strike price of Stock Appreciation Rights granted under the Plan; and (vi) the deletion or limitation of any provision prohibiting repricing of Options or Stock Appreciation Rights.

(b) *AMENDMENTS TO AWARDS*. The Committee may, to the extent consistent with the terms of any applicable Award Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award Agreement, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary; and provided, further, that, without stockholder approval, except as otherwise permitted under Section 4(b), (i) no amendment or modification may reduce the exercise price of any Option or the strike price of any Stock Appreciation Right, (ii) the Committee may not cancel any outstanding Option or Stock Appreciation Right and replace it with a new Option or Stock Appreciation Right (with a lower exercise price or strike price, as the case

may be) or other Award or cash in a manner which would either (A) be reportable on the Company's proxy statement as Options or Stock Appreciation Rights which have been "repriced" (as such term is used in Item 402 of Regulation S-K promulgated under the Exchange Act), or (B) cause any Option or Stock Appreciation Right to fail to qualify for equity accounting treatment and (iii) the Committee may not take any other action which is considered a "repricing" for purposes of the stockholder approval rules of any applicable stock exchange on which the securities of the Company are listed.

(c) *ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS.* The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including, without limitation, the actions described in Section 4(b) hereof) in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, rules, rulings, regulations, or other requirements of any governmental body or securities exchange or inter-deal quotation system, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) *FORFEITURE EVENTS.* For purposes of this Section 12(d), a "named executive officer" means a Participant who is a named executive officer of the Company (as defined for purposes of the executive compensation disclosure rules of the Exchange Act). The Committee may specify in an Award that a named executive officer's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment, in the reasonable discretion of the Committee, upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of the named executive officer's employment for cause, material violation of material written policies of the Company, or breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the named executive officer, as determined by the Committee in its reasonable discretion. In addition, with respect to an Award, if, as a result of a named executive officer's intentional misconduct or gross negligence, as determined by the Committee in its reasonable discretion, the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Committee may, in its reasonable discretion, require the named executive officer to promptly reimburse the Company for the amount of any payment (whether in cash, Shares, other securities or other property) previously received by the named executive officer pursuant to any Award (or otherwise forfeit to the Company any outstanding Award) that was earned or accrued (or exercised or settled) during the twelve (12) month period following the earlier of the first public issuance or filing with the United States Securities and Exchange Commission of any financial document embodying such financial reporting requirement that required such accounting restatement.

*SECTION 13. CHANGE OF CONTROL.* In the event that a Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason, in each case on or within 12 months following the date of a Change of Control, any outstanding Awards then held by such affected Participant which are unexercisable or otherwise unvested shall automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such termination of employment; provided, that in the event the vesting or exercisability of any Award would otherwise be subject to the achievement of performance conditions, a portion of any such Award that shall become fully vested and immediately exercisable shall be based on (a) actual performance through the date of termination as determined by the Committee or (b) if the Committee determines that measurements of actual performance cannot be reasonably assessed, the assumed achievement of target performance as determined by the Committee.

*SECTION 14. GENERAL PROVISIONS.*

(a) *NONTRANSFERABILITY.*

(i) Each Award, and each right under any Award, shall be exercisable only by the Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative.

(ii) No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(iii) Notwithstanding the foregoing, the Committee may in the applicable Award Agreement evidencing an Option granted under the Plan or at any time thereafter in an amendment to an Award Agreement provide that Options granted hereunder which are not intended to qualify as Incentive Stock Options may be transferred by the Participant to whom such Option was granted (the "Grantee") without consideration, subject to such rules as the Committee may adopt to preserve the purposes of the Plan, to:

(A) the Grantee's spouse, children or grandchildren (including adopted and stepchildren and grandchildren) (collectively, the "Immediate Family");

(B) a trust solely for the benefit of the Grantee and his or her Immediate Family; or

(C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family members;

(each transferee described in clauses (A), (B) and (C) above is hereinafter referred to as a "Permitted Transferee"); PROVIDED that the Grantee gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Grantee in writing that such a transfer would comply with the requirements of the Plan and any applicable Award Agreement evidencing the option.

The terms of any option transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in the Plan or in an Award Agreement to an optionee, Grantee or Participant shall be deemed to refer to the Permitted Transferee, except that (a) Permitted Transferees shall not be entitled to transfer any Options, other than by will or the laws of descent and distribution; (b) Permitted Transferees shall not be entitled to exercise any transferred Options unless there shall be in effect a registration statement on an appropriate form covering the shares to be acquired pursuant to the exercise of such Option if the Committee determines that such a registration statement is necessary or appropriate, (c) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Grantee under the Plan or otherwise and (d) the consequences of termination of the Grantee's employment by, or services to, the Company under the terms of the Plan and applicable Award Agreement shall continue to be applied with respect to the Grantee, following which the Options shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

(b) **NO RIGHTS TO AWARDS.** No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

(c) **SHARE CERTIFICATES.** All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan (or, if applicable, a notice evidencing a book entry notation) pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates, as applicable, make appropriate reference to such restrictions.

(d) **WITHHOLDING.**

(i) A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an

Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Awards to defray or offset any tax arising from the grant, vesting, exercise or payments of any Award.

(ii) Without limiting the generality of clause (i) above, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares owned by the Participant (which are not subject to any pledge or other security interest) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the option a number of Shares with a Fair Market Value equal to such withholding liability.

(iii) Notwithstanding any provision of this Plan to the contrary, in connection with the transfer of an Option to a Permitted Transferee pursuant to Section 14(a) of the Plan, the Grantee shall remain liable for any withholding taxes required to be withheld upon the exercise of such Option by the Permitted Transferee.

(e) *409A OF THE CODE.* Notwithstanding any provision of the Plan to the contrary, it is intended that the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties. Notwithstanding any provision of the Plan to the contrary and only to the extent required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code, if any Participant is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments in respect of any Award that are "deferred compensation" subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of Participant's "separation from service" (as defined in Section 409A of the Code) or, if earlier, Participant's date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. With respect to any Award that is considered "deferred compensation" subject to Section 409A of the Code, references in the Plan to "termination of employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A of the Code. Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered "deferred compensation" subject to Section 409A of the Code) would be accelerated upon the occurrence of (i) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code or (ii) a Disability, no such acceleration shall be permitted unless the Disability also satisfies the definition of "Disability" pursuant to Section 409A of the Code. For purposes of Section 409A of the Code, each of the payments that may be made in respect of any Award granted under the Plan is designated as separate payments.

(f) *AWARD AGREEMENTS.* Each Award hereunder shall be evidenced by an Award Agreement which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including but not limited to the effect on such Award of the death, Disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.

(g) *NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Stock, Shares and other types of Awards provided for hereunder (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *NO RIGHT TO EMPLOYMENT.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any consulting

relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *NO RIGHTS AS STOCKHOLDER.* Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(j) *GOVERNING LAW.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of New York.

(k) *SEVERABILITY.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) *OTHER LAWS.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws.

(m) *NO TRUST OR FUND CREATED.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(n) *NO FRACTIONAL SHARES.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(o) *PAYMENTS TO PERSONS OTHER THAN PARTICIPANTS.* If the Committee or the senior human resource officer of the Company shall find that any Person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such Person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee or the senior human resource officer of the Company so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such Person, or any other Person deemed by the Committee to be a proper recipient on behalf of such Person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(p) *RELATIONSHIP TO OTHER BENEFITS.* No payment or benefit under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company or any Subsidiary except as otherwise specifically provided in such other plan.

(q) *HEADINGS.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 15. *TERM OF THE PLAN.*

(a) *EXPIRATION DATE.* No Award shall be granted under the Plan on or after the tenth anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the tenth anniversary of the Effective Date.

(b) *SECTION 162(M) REAPPROVAL.* The provisions of the Plan regarding Performance Compensation Awards shall be disclosed and reapproved by stockholders of the Company no later than the first stockholder meeting that occurs in the fifth year following the year that stockholders previously approved such provisions, in order for Performance Compensation Awards granted after such time to be exempt from the deduction limitations of Section 162(m) of the Code. Nothing in this Section 15(b), however, shall affect the validity of Performance Compensation Awards granted after such time if such stockholder approval has not been obtained.



SECOND AMENDMENT, dated as of June 17, 2010 (this "Amendment"), to the Credit Agreement, dated as of November 28, 2006 (as amended and restated as of May 22, 2007, the "Credit Agreement"), among POLO RALPH LAUREN CORPORATION, a Delaware corporation (the "Borrower"), POLO JP ACQU1 B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands with its corporate seat in Amsterdam, the Netherlands (the "Term Borrower"), the several lenders from time to time parties thereto (collectively, the "Lenders") and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

## WITNESSETH:

WHEREAS, the Borrower, the Term Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement;

WHEREAS, the Borrower and the Term Borrower have requested that the Credit Agreement be amended as set forth herein; and

WHEREAS, the Lenders are willing to agree to such amendment on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein (and in the recitals hereto) as defined terms are so used as so defined

2. Amendments to Section 1.01. (a) Section 1.01 of the Credit Agreement is hereby amended by adding the following definition in proper alphabetical order:

"Fitch" means Fitch Ratings Inc.

(b) Section 1.01 of the Credit Agreement is hereby amended by deleting therefrom the definition of "Permitted Investments" and substituting therefor the following:

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are directly and fully guaranteed or insured by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America);

(b) investments in commercial paper having, at such date of acquisition, a credit rating of at least A-2 from S&P or P-2 from Moody's;

(c) investments in certificates of deposit, Eurocurrency time deposits, banker's acceptances and time deposits maturing within three years from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any Lender or any commercial bank which has a combined capital and surplus and undivided profits of not less than \$100,000,000;

(d) repurchase agreements with a term of not more than 180 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) securities with maturities of three years or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States or by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth or territory, political subdivision, taxing authority or foreign government (as the case may be) are rated, at such date of acquisition, at least A by S&P or A2 by Moody's;

(f) securities with maturities of three years or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (c) of this definition;

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(g) shares of money market funds that (i) comply with the criteria set forth in (a) Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940 or (b) Securities and Exchange Commission Rule 3c-7 under the Investment Company Act of 1940 and (ii) have portfolio assets of at least (x) in the case of funds that invest exclusively in assets satisfying the requirements of clause (a) of this definition, \$250,000,000 and (y) in all other cases, \$500,000,000;

(h) in the case of investments by any Foreign Subsidiary, obligations of a credit quality and maturity comparable to that of the items referred to in clauses (a) through (g) above that are available in local markets; and

(i) corporate debt obligations with a Moody's, S&P, or Fitch rating of Aa3/AA-/AA- or better, or their equivalent, as follows:

(i) corporate notes and bonds; and

(ii) medium term notes.

3. Effectiveness of Amendment. This Amendment shall become effective as of the date the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower, the Term Borrower and Lenders having Revolving Credit Exposures, unused Commitments and outstanding Term Loans representing more than 50% of the sum of the total Revolving Credit Exposures, unused Commitments and outstanding Term Loans.

4. Representations and Warranties. On and as of the date hereof, the Borrower and the Term Borrower hereby confirm, reaffirm and restate the representations and warranties set forth in Article III of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower and the Term Borrower hereby confirm, reaffirm and restate such representations and warranties as of such earlier date.

5. Continuing Effect; No Other Amendments. Except as expressly provided herein, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect.

6. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto (including by facsimile or electronic transmission), each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in New York, New York by their proper and duly authorized officers as of the day and year first above written.

POLO RALPH LAUREN CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

POLO JP ACQUI B.V.

By: \_\_\_\_\_  
Name:  
Title:

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Lender

By: \_\_\_\_\_  
Name:  
Title:

[LENDER]

By: \_\_\_\_\_  
Name:  
Title:

SECOND AMENDMENT TO POLO RALPH LAUREN CORPORATION CREDIT AGREEMENT DATED AS OF NOVEMBER 28, 2006

## CERTIFICATION

I, Ralph Lauren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Polo Ralph Lauren Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RALPH LAUREN

Ralph Lauren

*Chairman of the Board and Chief Executive Officer*  
*(Principal Executive Officer)*

Date: August 10, 2010

## CERTIFICATION

I, Tracey T. Travis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Polo Ralph Lauren Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TRACEY T. TRAVIS

Tracey T. Travis

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: August 10, 2010

**Certification of Ralph Lauren Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Polo Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 3, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph Lauren, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

\_\_\_\_\_  
/s/ RALPH LAUREN

Ralph Lauren

August 10, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Polo Ralph Lauren Corporation and will be retained by Polo Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Tracey T. Travis Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Polo Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 3, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tracey T. Travis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

\_\_\_\_\_  
/s/ TRACEY T. TRAVIS

Tracey T. Travis

August 10, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Polo Ralph Lauren Corporation and will be retained by Polo Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.