

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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED MARCH 31, 2001

OR

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

COMMISSION FILE NUMBER: 001-13057

POLO RALPH LAUREN CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

13-2622036
(IRS EMPLOYER
IDENTIFICATION NO.)

650 MADISON AVENUE, NEW YORK, NEW YORK
(212) 318-7000
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

10022
(ZIP CODE)

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
CLASS A COMMON STOCK, \$.01 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities Registered pursuant to Section 12(g) OF THE ACT: NONE

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

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

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately \$895,040,546 at June 7, 2001.

At June 7, 2001, 31,540,998 shares of the registrant's Class A Common Stock, \$.01 par value, 43,280,021 shares of the registrant's Class B Common Stock, \$.01 par value and 22,720,979 shares of the registrant's Class C Common Stock, \$.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT -----	WHERE INCORPORATED -----
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PART I

ITEM 1. BUSINESS.

In this Annual Report, references to "Polo," "ourselves," "we," "our," and "us" refer to Polo Ralph Lauren Corporation and its subsidiaries, unless the context requires otherwise. Due to the collaborative and ongoing nature of our relationships with our licensees, such licensees are referred to in this Annual Report as "licensing partners" and the relationships between ourselves and these licensees are referred to as "licensing alliances." Notwithstanding these references, however, the legal relationship between ourselves and our licensees is not one of partnership, but of licensor and licensee.

We are a leader in the design, marketing and distribution of premium lifestyle products. For 34 years, Polo's reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. Our brand names which include "Polo," "Polo by Ralph Lauren," "Ralph Lauren Purple Label," "Polo Sport," "Ralph Lauren," "RALPH," "Lauren," "Polo Jeans Co.," "RL," "Chaps," and "Club Monaco," among others, constitute one of the world's most widely recognized families of consumer brands. We believe that, under the direction of Ralph Lauren, the internationally renowned designer, Polo has influenced the manner in which people dress and live in contemporary society, reflecting an American perspective and lifestyle uniquely associated with Polo and Ralph Lauren.

Polo combines its consumer insight and design, marketing and imaging skills to offer, along with our licensing partners, broad lifestyle product collections in four categories:

- Apparel: Products include extensive collections of men's, women's and children's clothing.
- Home: The Ralph Lauren Home Collection offers coordinated products for the home, including bedding and bath products, interior decor, furniture and tabletop and gift items.
- Accessories: Accessories encompass a broad range of products such as footwear, eyewear, jewelry and leather goods (including handbags and luggage).
- Fragrance: Fragrance and skin care products are sold under our Polo, Lauren, Romance, Safari and Polo Sport brands, among others.

RECENT DEVELOPMENTS

In January 2000, we completed the acquisition of stock and certain assets of Poloco S.A.S. and some of its affiliates that hold licenses in Europe to sell our men's and boys' apparel, our men's and women's Polo Jeans apparel and certain of our accessories. In acquiring Poloco's wholesale business, we also acquired from Poloco one flagship store located on Place de la Madeleine in Paris and six outlet stores located in France, the United Kingdom and Austria. In addition, Poloco sublicenses various of its rights to companies in the Middle East and Israel.

In February 2000, we announced the formation of Ralph Lauren Media, LLC, a joint venture between ourselves and the National Broadcasting Corporation, Inc. ("NBC") and some of its affiliated companies. RL Media was created to bring our American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Under the 30-year joint venture agreement, RL Media is owned 50% by us and 50% by NBC and some of its affiliated companies.

RL Media's premier initiative is Polo.com, an Internet Website dedicated to the American lifestyle that includes original content, commerce and a strong community component. Polo.com launched in the third quarter of fiscal 2001 and includes an assortment of men's, women's and children's products across the Ralph Lauren family of brands as well as unique gift items.

OPERATIONS

We operate in three integrated segments: wholesale, retail and licensing. Each is driven by our guiding philosophy of style, innovation and quality.

Details of our net revenues are shown in the table below.

	FISCAL YEAR		
	2001	2000	1999
	----	----	----
	(IN THOUSANDS)		
Wholesale sales.....	\$1,053,842	\$ 885,246	\$ 859,498
Retail sales.....	928,577	833,980	659,352
	-----	-----	-----
Net sales.....	1,982,419	1,719,226	1,518,850
Licensing revenue.....	243,355	236,302	208,009
	-----	-----	-----
Net revenues.....	\$2,225,774	\$1,955,528	\$1,726,859
	=====	=====	=====

WHOLESALE

Our wholesale business is divided into two groups: Polo Brands and Collection Brands. In both these wholesale groups, we offer several discrete brand offerings. Each collection is directed by teams consisting of design, merchandising, sales and production staff who work together to conceive, develop and merchandise product groupings organized to convey a variety of design concepts. In addition, our subsidiary, Club Monaco, operates a cosmetics business, Club Monaco Cosmetics, which in addition to distributing its products through Club Monaco stores, sells its products to domestic and international specialty stores.

POLO BRANDS

The Polo Brands group sources, markets and distributes products under the following brands:

POLO BY RALPH LAUREN. The Polo by Ralph Lauren menswear collection is a complete men's wardrobe consisting of products related by theme, style, color and fabric. Polo by Ralph Lauren menswear is generally priced at a range of price points within the men's premium ready-to-wear apparel market. We currently sell this collection through approximately 2,100 department store, specialty store and Polo store doors in the United States, including approximately 1,550 department store shop-within-shops.

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

LAUREN RALPH LAUREN. Lauren men's sportswear and dress furnishings, distributed through department stores, offers accessible classics in the tradition of Ralph Lauren. Lauren Ralph Lauren launched with dress furnishings in Winter 1999 and introduced sportswear in Spring 2000. Lauren Ralph Lauren is offered through approximately 600 doors.

RALPH LAUREN SPORT. Similar to its menswear counterpart, the Ralph Lauren Sport collection for women includes activewear, as well as weekend sportswear. The Ralph Lauren Sport collection is currently carried by approximately 390 doors in the United States, including approximately 165 shop-within-shops, and sells at a wide range of bridge prices.

POLO GOLF. The Polo Golf collection of men's and women's golf apparel is targeted at the golf and resort markets. Price points are similar to those charged for products in the Polo Sport

line. We sell the Polo Golf collection in the United States through approximately 1,950 leading golf clubs, pro shops and resorts, in addition to department, specialty and Polo stores.

RLX POLO SPORT. The RLX Polo Sport collection of menswear and womenswear consists of functional sport and outdoor apparel for running, cross-training, skiing, snowboarding and cycling. We sell RLX Polo Sport in the United States through approximately 480 athletic specialty stores, in addition to limited department and Polo stores, at price points competitive with those charged by other authentic sports apparel companies.

COLLECTION BRANDS

Our Collection Brands group sources, markets and distributes products under the Women's Ralph Lauren Collection and Ralph Lauren Black Label brands and the Men's Ralph Lauren/ Purple Label Collection brand.

RALPH LAUREN COLLECTION AND RALPH LAUREN BLACK LABEL. The Ralph Lauren Collection expresses our up-to-the-moment fashion vision for women. Ralph Lauren Black Label includes timeless versions of our most successful Collection styles, as well as newly designed classic signature styles. Collection and Black Label are offered for limited distribution to premier fashion retailers and through Polo stores. Price points are at the upper end or luxury ranges. The lines are currently sold by us through 120 doors in the United States and over 210 international doors by us and our licensing partners.

RALPH LAUREN/PURPLE LABEL COLLECTION. In Fall 1995, we introduced our Purple Label collection of men's tailored clothing and, in Fall 1997, to complement the tailored clothing line, we launched our Purple Label sportswear line. Purple Label collection tailored clothing is manufactured and distributed by a licensee, and dress shirts and ties and sportswear are sourced and distributed by us. We sell the Purple Label collection through a limited number of premier fashion retailers, currently through approximately 105 doors in the United States and 18 internationally.

CLUB MONACO COSMETICS

Capturing a modern spirit of beauty, Club Monaco Cosmetics' easy-to-apply and easy-to-wear line of neutral and fashion colors was launched in 1996. The line consists of makeup and makeup accessories and skin treatments. We sell Club Monaco Cosmetics through Club Monaco retail stores and currently through approximately 65 specialty store doors.

DOMESTIC CUSTOMERS AND SERVICE

General. Consistent with the appeal and distinctive image of our products and brands, we sell our menswear, womenswear and home furnishings products primarily to leading upscale department stores, specialty stores, golf and pro shops and non-company operated Polo stores located throughout the United States, which have the reputation and merchandising expertise required for the effective presentation of Polo products. See " -- Our Licensing Alliances -- Product Licensing Alliances."

Our wholesale and home furnishings products are distributed through the primary distribution channels in the United States listed in the table below. In addition, we also sell excess and out-of-season products through secondary distribution channels.

APPROXIMATE NUMBER OF DOORS AS OF MARCH 31, 2001

	POLO BRANDS	COLLECTION BRANDS	CLUB MONACO COSMETICS	RALPH LAUREN HOME
Department Stores.....	1,750	125	--	1,500
Specialty Stores.....	695	35	66	25
Polo Stores.....	35	34	--	20
Golf and Pro Shops.....	1,950	--	--	--

Department stores represent the largest customer group of our wholesale group. Major department store customers of ours (together with the percentage of wholesale net sales that they represented in fiscal 2001) are:

- Federated Department Stores, Inc. 20.4%,
- Dillard Department Stores, Inc. 19.4%, and
- The May Department Stores Company 18.5%.

Collection Brands, Polo Brands and our Ralph Lauren Home products are primarily sold through their respective sales forces, which employ approximately 150 salespersons. An independent sales representative promotes sales to U.S. military exchanges. Our Collection Brands group and Home division maintain their primary showrooms in New York City. Regional showrooms for the Polo brands and regional sales representatives for the Ralph Lauren Home are located in our showrooms in:

- - Atlanta
- - Chicago
- Dallas
- Los Angeles

We also operate a separate tabletop showroom in New York City. The Club Monaco cosmetics showroom is located in Toronto, Canada.

SHOP-WITHIN-SHOPS. As a critical element of our distribution to department stores, we and our licensing partners utilize shop-within-shops to enhance brand recognition, to permit more complete merchandising of our lines and to differentiate the presentation of products. In fiscal 2001 we added approximately 70 shop-within-shops and refurbished approximately 155 shop-within-shops. At March 31, 2001, in the U.S. we had approximately 2,400 shop-within-shops dedicated to our products and over 3,000 shop-within-shops dedicated to our licensed products. Excluding significantly larger shop-within-shops in key department store locations, the size of Polo shop-within-shops typically ranges from approximately 1,000 to 1,500 square feet for Polo Brands, from approximately 800 to 1,200 square feet for our Collection Brands, and from approximately 300 to 900 square feet for home furnishings. In total, we estimate that approximately 2.2 million square feet of department store space in the United States is dedicated to Polo shop-within-shops. In addition to shop-within-shops, we use exclusively fixtured areas in department stores.

BASIC STOCK REPLENISHMENT PROGRAM. Basic products such as knit shirts, chino pants and oxford cloth shirts can be ordered at any time through our basic stock replenishment programs. For customers who reorder basic products, we generally ship these products within one to five days of order receipt. These products accounted for approximately 9.1% of our wholesale net sales in fiscal 2001. We have also implemented a seasonal quick response program to allow replenishment of products which can be ordered for only a portion of each year. Some Ralph Lauren Home licensing partners also offer a basic stock replenishment program which includes towels, bedding and tabletop products. Basic stock products accounted for approximately 73% of our net sales of our Ralph Lauren Home licensing partners in fiscal 2001.

DIRECT RETAILING

We operate retail stores dedicated to the sale of our products. Located in prime retail areas, our 91 full-price stores operate under the following names:

- - Polo Ralph Lauren
- - Polo Sport
- Polo Ralph Lauren Children
- Club Monaco/Caban

Our 138 outlet stores are generally located in outlet malls and operate under the Polo Ralph Lauren Factory Store, Polo Jeans Co. Factory Store, Ralph Lauren Home Factory Store and Club Monaco Outlet names.

In addition to our own retail operations, as of March 31, 2001 we had granted licenses to independent parties to operate two stores in the United States and 108 stores internationally. We receive the proceeds from the sale of our products, which are included in wholesale net sales, to these stores and also receive royalties, which are included in licensing revenue, from our licensing partners who sell to these stores. We generally do not receive any other compensation from these licensed store operators. See " -- Our Licensing Alliances."

FULL-PRICE STORES

In addition to generating sales of our products, full-price stores set, reinforce and capitalize on the image of our brands. Polo's six flagship stores include:

- two stores located on Madison Avenue in New York City,
- one store located on Rodeo Drive in Beverly Hills,
- one store located on Michigan Avenue in Chicago,
- one store located on New Bond Street in London, and
- one store located on Place de la Madeleine in Paris.

These stores showcase our products and demonstrate our most refined merchandising techniques. We also operate 85 other full-price stores. Ranging in size from approximately 2,000 to over 30,000 square feet, the non-flagship stores are situated in upscale regional malls and major high street locations generally in large urban markets. In total, we operate 56 Club Monaco stores and 35 Polo Ralph Lauren stores consisting of:

- - six Polo Sport stores
- - six flagship stores
- one Polo Ralph Lauren Children's store
- 22 Polo brand stores

Our stores are generally leased for initial periods ranging from five to 15 years with renewal options.

In fiscal 2001, we acquired from our licensee a Polo Ralph Lauren store in Naples, Florida. In addition, we opened a Polo Concept store in Costa Mesa, California and converted our Polo Jeans Co. store in Burlingame, California to a Polo Ralph Lauren store. In addition, we closed 12 Polo Jeans Co. stores.

We opened eight new Club Monaco stores and closed 17 Club Monaco stores during fiscal 2001. We opened Club Monaco stores in South Beach, Miami, Florida; Las Vegas, Nevada; Sunset Boulevard in Los Angeles, California; on Fifth Avenue in New York City; and in Calgary, Alberta. In addition, we opened Club Monaco Caban stores in Montreal, Quebec; Toronto, Ontario; and Vancouver, British Columbia.

We are a party to a joint venture agreement with a nonaffiliated partner to acquire real property in New York City. Together with our partner, we are discussing possible development concepts for this location. When we signed the agreement, we made an initial contribution of \$5.0

million for our 50% interest in the joint venture. We have a second joint venture with this same partner, in which we entered into a long-term lease of a building located in the Soho District of New York City, where the Polo Sport store that opened in fiscal 2000 is located.

OUTLET STORES

We extend our reach to additional consumer groups through our 95 Polo Ralph Lauren Factory stores, 26 Polo Jeans Co. Factory stores, nine Club Monaco outlet stores and eight European outlet stores.

- Polo Ralph Lauren Factory stores offer selections of our menswear, womenswear, children's apparel, accessories, home furnishings and fragrances. Ranging in size from 3,000 to 20,000 square feet, with an average of approximately 8,900 square feet, the stores are principally located in major outlet centers in 33 states and Puerto Rico.
- Polo Jeans Co. Factory stores carry all classifications within the Polo Jeans Co. line, including denim, knit and woven tops, sweaters, outerwear, casual bottoms and accessories. Polo Jeans Co. Factory stores range in size from 3,000 to 5,000 square feet, with an average of 3,750 square feet, and are principally located in major outlet centers in 19 states.
- Club Monaco outlet stores range in size from 6,000 to 18,500 square feet, with an average of 9,500 square feet, and offer basic and fashion Club Monaco items.

Outlet stores purchase products from us directly, our licensing partners and our suppliers and from our stores in the United States. Outlet stores purchase products from us generally at cost, and from our domestic product licensing partners and our retail stores at negotiated prices. Outlet stores also source basic products and styles directly from our suppliers. During fiscal 2001, our domestic outlet stores purchased approximately 21% of their products from us, 44% from our licensing partners and 35% from other suppliers of products. In addition, during fiscal 2001, we added 16 new outlet stores (net of store closings).

OUR LICENSING ALLIANCES

Through licensing alliances, we combine our consumer insight and design, marketing and imaging skills with the specific product or geographic competencies of our licensing partners to create and build new businesses. We seek out licensing partners who typically:

- are leaders in their respective markets,
- contribute the majority of our product development costs,
- provide the operational infrastructure required to support the business, and
- own the inventory.

We grant product and international licensing partners the right to manufacture and sell at wholesale specified products under one or more of our trademarks. Our international licensing partners produce and source products independently, as well as in conjunction with us and our product licensing partners. As compensation for our contributions under these agreements, each licensing partner pays us royalties based upon its sales of our products, subject generally, to payment of a minimum royalty. Other than our Home Collection licenses, these payments generally range from five to eight percent of the licensing partners' sales of the licensed products. In addition, licensing partners are required to allocate between two and four percent of their sales to advertise our products. Larger allocations are required in connection with launches of new products or in new territories.

We work closely with our licensing partners to ensure that products are developed, marketed and distributed to address the intended market opportunity and present consistently to

consumers worldwide the distinctive perspective and lifestyle associated with our brands. Virtually all aspects of the design, production quality, packaging, merchandising, distribution, advertising and promotion of Polo products are subject to our prior approval and continuing oversight. The result is a consistent identity for Polo products across product categories and international markets.

As of March 31, 2001 we had 16 product and 10 international licensing partners. We derive a substantial portion of our net income from licensing revenue we receive from our licensing partners. Our largest licensing partners in fiscal 2001 by licensing revenue were:

- Jones Apparel Group, Inc. (accounting for 26.9% of licensing revenue),
- WestPoint Stevens, Inc. (accounting for 10.3% of licensing revenue), and
- Seibu Department Stores, Ltd. (accounting for 10.1% of licensing revenue).

PRODUCT LICENSING ALLIANCES

As of March 31, 2001 we had agreements with 16 product licensing partners relating to our men's and women's sportswear, men's tailored clothing, children's apparel, personalwear, accessories and fragrances. The products offered by our product licensing partners are listed below.

LICENSING PARTNER - - - - -	LICENSED PRODUCT CATEGORY - - - - -
Jones Apparel Group, Inc. L'Oreal S.A./Cosmar, Inc.	Women's Lauren and Ralph Sportswear Men's and Women's Fragrances and Skin Care Products
Sun Apparel, Inc. (a subsidiary of Jones Apparel Group, Inc.) Corneliani S.p.A. Peerless Inc. S. Schwab Company, Inc. Sara Lee Corporation	Men's and Women's Polo Jeans Co. Casual Apparel and Sportswear Men's Polo Tailored Clothing Men's Chaps and Lauren Tailored Clothing Children's Apparel Men's, Women's and Children's Personal Wear Apparel
Ralph Lauren Footwear, Inc. (a subsidiary of Reebok International Ltd.) Wathne, Inc. Hot Sox, Inc. New Campaign, Inc. Echo Scarves, Inc. Carolee, Inc. Safilo USA, Inc. Warnaco, Inc. Authentic Fitness Products, Inc. (a subsidiary of Warnaco, Inc.)	Men's and Women's Dress, Casual and Performance Athletic Footwear Handbags and Luggage Men's, Women's and Boys' Hosiery Belts and other Small Leather Goods Scarves and Gloves for Men and Women Jewelry Eyewear Men's Chaps Sportswear Women's and Girls' Swimwear

RALPH LAUREN HOME

Together with our licensing partners, we offer an extensive collection of home products which draw upon, and add to, the design themes of our other product lines, contributing to our complete lifestyle concept. Products are sold under the Ralph Lauren Home brands in three primary categories:

- bedding and bath,
- home decor, and
- home improvement.

In addition to designing and developing the creative concepts and products for Ralph Lauren Home, we manage the marketing and distribution of our brands, and, in some cases, the sales of our products for our licensees. Together with our eight domestic and three international home product licensing partners, representatives of our design, merchandising, product development and sales staffs collaborate to conceive, develop and merchandise the various products as a complete home furnishing collection. Our personnel market and sell the products to domestic customers and certain international accounts. In general, our licensing partners manufacture, own the inventory and ship the products. One exception to the licensing structure of the Ralph Lauren Home lines is that during fiscal 2001 we took direct control of all aspects of the design, manufacturing and sale of Ralph Lauren Home crystal, glass and ceramic tableware, dinnerware and giftware, as well as new lines of lighting, window and bath hardware and decorative accessories.

We perform a broader range of services for our Ralph Lauren Home licensing partners, as compared to our other licensing partners, including design, marketing and sales. As a result, we receive a higher royalty rate from our Ralph Lauren Home licensing partners, typically ranging from 15% to 20%. Our Ralph Lauren Home licensing alliances generally have three to five year terms and often grant the licensee conditional renewal options. The services we perform are:

- - sales
- - marketing
- operating showrooms
- incurring advertising expenses

Ralph Lauren Home products are positioned at the upper tiers of their respective markets and are offered at a range of price levels. These are generally distributed through several channels of distribution, including:

- - department stores
- - specialty home furnishings stores
- - interior design showrooms
- customer direct mail catalogs
- home centers
- the Internet

As with our other products, our use of shop-within-shops is central to our distribution strategy. Certain licensing partners, including those selling furniture, wall coverings, blankets, bed pillows, tabletop, flatware, home fragrance and paint, also sell their products directly through their own staffs to reach additional customer markets.

The Ralph Lauren Home products offered by us and our domestic licensing partners are:

CATEGORY	PRODUCT	LICENSING PARTNER
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Bedding and Bath....	Sheets, bedding accessories, towels and shower curtains	WestPoint Stevens, Inc.
	Blankets, down comforters and other decorative bedding accessories excluding those matched to sheets, and bath rugs	Pillowtex Corporation
Home Decor.....	Fabric and wallpaper	P. Kaufmann, Inc.
	Furniture	Henredon Furniture Industries, Inc.
	Table linens, placemats, tablecloths, napkins	Reed and Barton Corporation
Home Improvement....	Interior paints, and paint applications	Town & Country Linen Corp.
	Broadloom carpets and area rugs	The Glidden Company
		Mohawk Carpet Corporation

Based on aggregate licensing revenue paid to us during fiscal 2001, our three most significant Ralph Lauren Home licensing partners are:

- WestPoint Stevens, Inc.,
- Pillowtex Corporation, and
- Henredon Furniture Industries, Inc.

WestPoint Stevens, Inc. accounted for approximately 52.0% of Ralph Lauren Home licensing revenue in fiscal 2001.

INTERNATIONAL LICENSING ALLIANCES

We believe that international markets offer additional opportunities for our quintessential American designs and lifestyle image. We are committed to the global development of our businesses. International expansion opportunities may include:

- the roll out of new products and brands following their launch in the U.S.,
- the introduction of additional product lines,
- the entrance into new international markets, and
- the addition of Polo stores in these markets.

For example, following the launch of Polo Jeans Co. in the U.S. in the fall of 1996, we launched the line in Canada, the U.K., Germany, Spain, Japan, Israel, Hong Kong, Singapore and Taiwan. We work with our ten international licensing partners to facilitate this international expansion. International licensing partners also operate stores, including 65 Polo Ralph Lauren stores, five Polo Sport stores, 14 Polo Jeans Co. stores, one Polo Ralph Lauren Children's store, 13 Polo outlet stores and ten Club Monaco stores.

In fiscal 2000, we added five new Polo Ralph Lauren stores in international markets, including two in Australia, and one in each of Hong Kong, Mexico and Japan. In fiscal 2001, we added four Polo Jeans Co. stores in international markets, including one in Australia, two in the Philippines and one in Korea.

Our international licensing partners acquire the right to source, produce, market and/or sell some or all of our products in a given geographical area. Economic arrangements are similar to those of our domestic product licensing partners. We design licensed products, either alone or in collaboration with our domestic licensing partners. Domestic licensees generally provide international licensing partners with product or patterns, piece goods, manufacturing locations and other information and assistance necessary to achieve product uniformity, for which they are often compensated.

Our most significant international licensing partnerships by royalties in fiscal 2001 were:

- Seibu Department Stores, Ltd. (which oversees distribution of virtually all of our products in Japan), and
- L'Oreal S.A. (which distributes fragrances and toiletries outside of the United States).

Our ability to maintain and increase royalties under foreign licenses is dependent upon certain factors not within our control, including:

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

See "Risk Factors -- Our business is exposed to domestic and foreign currency fluctuations" and "Risk Factors -- Our business is subject to risks associated with importing products."

DESIGN

Our products reflect a timeless and innovative American style associated with and defined by Polo and Ralph Lauren. Our consistent emphasis on innovative and distinctive design has been an important contributor to the prominence, strength and reputation of the Polo Ralph Lauren brands.

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

All Polo Ralph Lauren products are designed by or under the direction of Ralph Lauren and our design staff, which is divided into five departments:

- - Menswear
- - Womenswear
- - Children's
- Accessories
- Home Collection

Club Monaco's design staff is located in Toronto and New York and is divided into three teams:

- Menswear,
- Womenswear, and
- Home.

We operate a research, development and testing facility in Greensboro, North Carolina, testing labs in New Jersey and Singapore and pattern rooms in New York, New Jersey and Singapore.

MARKETING

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

We create the distinctive image advertising for all our Polo Ralph Lauren products, conveying the particular message of each brand within the context of Polo's core themes. Advertisements generally portray a lifestyle rather than a specific item and often include a variety of Polo products offered by both ourselves and our licensing partners. Our primary advertising medium is print, with multiple page advertisements appearing regularly in a range of fashion, lifestyle and general interest magazines. Major print advertising campaigns are conducted during the fall and spring retail seasons with additions throughout the year to coincide with product deliveries. In addition to print, some product categories utilize television and outdoor media in their marketing programs. During the last year RL Media ran television commercials to promote Polo.com. We believe the commercials developed brand awareness and provided traffic to our many businesses.

Our licensing partners typically contribute between two and four percent of their sales of our products for advertising. We directly coordinate advertising placement for domestic product licensing partners. During fiscal 2001, we and our licensing partners collectively spent more than \$179 million worldwide to advertise and promote Polo products.

Polo conducts a variety of public relations activities. Each of our spring and fall womenswear collections are presented at major fashion shows in New York which typically generate extensive domestic and international media coverage. We introduce each of the spring and fall menswear collections at presentations organized for the fashion press. In addition, we organize in-store appearances by our models and sponsors, professional golfers, snowboarders, triathletes and sports teams.

SOURCING, PRODUCTION AND QUALITY

Over 330 different manufacturers worldwide produce our apparel products. We contract for the manufacture of our products and do not own or operate any production facilities of our own. During fiscal 2001, approximately 24% (by dollar volume) of our products were produced in the United States and its territories and approximately 76% (by dollar volume) were produced in Hong Kong, Canada and other foreign countries.

Two manufacturers engaged by us each accounted for approximately 12% and 11% of our total production during fiscal 2001. The primary production facilities of these two manufacturers are located in Hong Kong. Two other manufacturers each accounted for approximately six percent of our total production in fiscal 2001.

Production is divided broadly into two segments:

- purchases of finished products (FOB), where the supplier is responsible for the purchasing and carrying of raw materials, and
- cut, make and trim or "CMT" purchasing, where we are responsible for purchasing and moving raw materials to finished product assemblers located around the world.

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

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

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

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

COMPETITION

Competition is strong in the segments of the fashion and consumer product industries in which we operate. We compete with numerous designers and manufacturers of apparel and accessories, fragrances and home furnishing products, domestic and foreign, some of which may be significantly larger and have substantially greater resources than us. We compete primarily on the basis of fashion, quality, and service. Our business depends on our ability to shape, stimulate and respond to changing consumer tastes and demands by producing innovative, attractive, and exciting products, brands and marketing, as well as on our ability to remain competitive in the areas of quality and price. See "Risk Factors -- Risks Relating to the Industry in Which we Compete."

DISTRIBUTION

To facilitate distribution, men's products are shipped from manufacturers to our distribution center in Greensboro, North Carolina for inspection, sorting, packing and shipment to retail customers. Our distribution/customer service facility is designed to allow for high density cube storage and utilizes bar code technology to provide inventory management and carton controls. Product traffic management is coordinated from this facility. During fiscal 2001, distribution of our women's product was provided by a "pick and pack" facility under a warehousing distribution agreement with an unaffiliated third party. This agreement provides that the warehouse distributor will perform storage, quality control and shipping services for us. In return, we must pay the warehouse distributor a per unit rate and special processing charges for services such as ticketing, bagging and steaming. The initial term of this agreement is through December 1, 2001 and the agreement is thereafter renewable annually.

Outlet store distribution and warehousing is principally handled through the Greensboro distribution center. Our store distribution is provided by the facility in Greensboro, North Carolina and a facility in New Jersey which services our stores in New York City and East Hampton, New York. During fiscal 2001 we completed a significant expansion of our Greensboro facility to handle increased volume and reduce reliance upon satellite facilities.

Club Monaco utilizes third party distribution facilities in Mississauga, Ontario and Los Angeles, California. Our licensing partners are responsible for the distribution of licensed products.

We continually evaluate the adequacy of our warehousing and distribution facilities.

MANAGEMENT INFORMATION SYSTEM

We design our management information system to make the marketing, manufacturing, importing and distribution functions of our business operate more efficient by providing, among other things:

- comprehensive order processing,
- production information,
- accounting information, and
- management information, for the marketing, manufacturing, importing and distribution functions of our business.

We have installed sophisticated point-of-sale registers in our stores and outlet stores that enable us to track inventory from store receipt to final sale on a real-time basis. We believe our merchandising and financial system, coupled with our point-of-sale registers and software programs, allow for rapid stock replenishment, concise merchandise planning and real-time inventory accounting practices.

We also utilize an electronic data interchange, or EDI, system to facilitate the processing of replenishment and fashion orders from our wholesale customers, the movement of goods through distribution channels, and the collection of information for planning and forecasting. We have EDI relationships with customers who represent a significant majority of our wholesale business, and we are working to expand our EDI capabilities to include most of our suppliers.

CREDIT CONTROL

We manage our own credit and collection functions. We sell our merchandise primarily to major department stores across the United States and extend credit based on an evaluation of the customer's financial condition, usually without requiring collateral. We monitor credit levels and the financial condition of our customers on a continuing basis to minimize credit risk. We do not factor our accounts receivables or maintain credit insurance to manage the risks of bad debts. Our bad debt write-offs were less than one percent of net revenues for fiscal 2001. See "Risk Factors -- Our business could be negatively impacted by the financial stability of our customers."

BACKLOG

We generally receive wholesale orders for apparel products approximately three to five months prior to the time the products are delivered to stores. All such orders are subject to cancellation for late delivery. As of March 31, 2001, summer and fall backlog was \$427.6 million and \$19.6 million for Polo Brands and Collection Brands, as compared to \$426.9 million and \$16.8 million at April 1, 2000. Our backlog depends upon a number of factors, including the timing of the market weeks for our particular lines, during which a significant percentage of our orders are received, and the timing of shipments. As a consequence, a comparison of backlog from period to period is not necessarily meaningful and may not be indicative of eventual shipments.

TRADEMARKS

We own the "Polo," "Ralph Lauren" and the famous polo player astride a horse trademarks in the United States. Other trademarks we own include, among others:

- - "Chaps"
- - "Polo Sport"
- - "Lauren/Ralph Lauren"
- - "RALPH"
- "RRL"
- "Club Monaco"
- various trademarks pertaining to fragrances and cosmetics

In acquiring the "RRL" trademarks, we agreed to allow Mr. Lauren to retain the royalty-free right to use as trademarks "Ralph Lauren," "Double RL" and "RRL" in perpetuity in connection with, among other things, beef and living animals. The trademarks "Double RL" and "RRL" are currently used by the Double RL Company, an entity wholly owned by Mr. Lauren. In addition, Mr. Lauren has the right to engage in personal projects involving film or theatrical productions (not including or relating to our business) through RRL Productions, Inc., a company wholly owned by Mr. Lauren.

Our trademarks are the subjects of registrations and pending applications throughout the world for use on a variety of items of apparel, apparel-related products, home furnishings and beauty products, as well as in connection with retail services, and we continue to expand our worldwide usage and registration of related trademarks. We regard the license to use the trademarks and our other proprietary rights in and to the trademarks as valuable assets in marketing our products and, on a worldwide basis, vigorously seek to protect them against

infringement. As a result of the appeal of our trademarks, Polo's products have been the object of counterfeiting. We have a broad enforcement program which has been generally effective in controlling the sale of counterfeit products in the United States and in major markets abroad.

In markets outside of the United States, our rights to some or all of our trademarks may not be clearly established. In the course of our international expansion, we have experienced conflicts with various third parties which have acquired ownership rights in certain trademarks including "Polo" and/or a representation of a polo player astride a horse which would have impeded our use and registration of our principal trademarks. While such conflicts are common and may arise again from time to time as we continue our international expansion, we have successfully resolved such conflicts in the past through both legal action and negotiated settlements with third-party owners of the conflicting markets. See -- "Risk Factors -- Our trademarks and other intellectual property rights may not be adequately protected outside the U.S."

Two agreements by which we resolved conflicts with third-party owners of other trademarks impose current restrictions or monetary obligations on us. In one, we reached an agreement with a third party which owned competing registrations in numerous European and South American countries for the trademark "Polo" and a symbol of a polo player astride a horse. By virtue of the agreement, we have acquired that third party's portfolio of trademark registrations in exchange for the payment of our royalties in Central America and South America and parts of the Caribbean solely in respect of our use of trademarks which include "Polo" and the polo player symbol, and not, for example, "Ralph Lauren" alone, "Lauren/Ralph Lauren," "RRL," and others. This obligation to share royalties with respect to Central and South America and parts of the Caribbean expires in 2013, but we also have the right to terminate this obligation at any time by paying \$3.0 million.

The second agreement was reached with a third party which owned conflicting registrations of the trademarks "Polo" and a polo player astride a horse in the U.K., Hong Kong, and South Africa. Under the agreement, the third party retains the right to use the "Polo" and polo player symbol marks in South Africa and certain other African countries, and we agreed to restrict use of those Polo marks in those countries to fragrances and cosmetics, as to which our use is unlimited, and to the use of the polo player symbol mark on women's and girls' apparel and accessories. By agreeing to those restrictions, we secured the unlimited right to use our trademarks in the United Kingdom and Hong Kong without payment of any kind, and the third party is prohibited from distributing products under those trademarks in those countries.

GOVERNMENT REGULATION

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

Apparel products are subject to regulation by the Federal Trade Commission in the United States. Regulations relate principally to the labeling of our products. We believe that we are in substantial compliance with these regulations, as well as applicable federal, state, local, and foreign rules and regulations governing the discharge of materials hazardous to the environment. We do not estimate any significant capital expenditures for environmental control matters either

in the current year or expected in the near future. Our licensed products and licensing partners are also subject to additional regulation. Our agreements require our licensing partners to operate in compliance with all laws and regulations, and we are not aware of any violations which could reasonably be expected to have a material adverse effect on our business.

Although we have not in the past suffered any material inhibition from doing business in desirable markets in the past, we cannot assure you that significant impediments will not arise in the future as we expand product offerings and additional trademarks to new markets.

EMPLOYEES

As of March 31, 2001, we had approximately 10,400 employees, including approximately 8,100 in the United States and approximately 2,300 in foreign countries. Approximately 33 of our United States production and distribution employees in the womenswear business are members of the Union of Needletrades, Industrial & Textile Employees under an industry association collective bargaining agreement, which our womenswear subsidiary has adopted. We consider our relations with both our union and non-union employees to be good.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements in this Annual Report or incorporated by reference into this Annual Report and in future filings by us with the SEC, in our press releases and in oral statements made by or with the approval of authorized personnel constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the 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 any future results, performance or achievements expressed or implied by such forward-looking statements. Some of the factors that would affect our financial performance or cause actual results to differ from our estimates in, or underlying, such forward-looking statements are set forth under the heading of "Risk Factor." Forward-looking statements include statements regarding, among other items,

- our anticipated growth strategies,
- our intention to introduce new products and enter into new licensing alliances,
- our plans to open new retail stores,
- anticipated effective tax rates in future years,
- future expenditures for capital projects,
- our ability to continue to maintain our brand image and reputation,
- our ability to continue to initiate cost cutting efforts and improve profitability,
- our plans to expand internationally, and
- our efforts to improve the efficiency of our distribution system.

These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of the facts described in "Risk Factors" including, among others, changes in the competitive marketplace, including the introduction of new products, or pricing changes by our competitors, and changes in the economy. 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 light of these

risks and uncertainties, we cannot assure you that the forward-looking information contained in this prospectus will in fact transpire.

RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report. Any of the following risks could materially adversely affect our business, our operating results, our financial condition and the actual outcome of matters as to which forward-looking statements are made in this Report.

RISKS RELATED TO OUR BUSINESS

THE LOSS OF THE SERVICES OF MR. RALPH LAUREN OR OTHER KEY PERSONNEL COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Mr. Ralph Lauren's leadership in the design, marketing and operational areas has been a critical element of our success. The loss of his services, and any negative market or industry perception arising from his loss, could have a material adverse effect on our business. Our other executive officers have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We are currently not protected by a material amount of key-man or similar life insurance covering Mr. Lauren or any of our other executive officers. We have entered into employment agreements with Mr. Lauren and several other of our executive officers.

A SUBSTANTIAL PORTION OF OUR NET SALES AND GROSS PROFIT IS DERIVED FROM A SMALL NUMBER OF LARGE CUSTOMERS.

Certain of our department store customers, including some under common ownership, account for significant portions of our wholesale net sales. We believe that a substantial portion of sales of our licensed products by our domestic licensing partners, including sales made by our sales force of Ralph Lauren Home products, are also made to our largest department store customers. Our ten largest customers accounted for approximately 82.7% of our wholesale net sales during fiscal 2001, of which Federated Department Stores, Inc. accounted for 20.4%, Dillard Department Stores, Inc. accounted for 19.4% and The May Department Stores Company accounted for 18.5%. We do not enter into long-term agreements with any of our customers but instead we enter into a number of purchase order commitments with our customers for each of our lines every season. A decision by the controlling owner of a group of stores or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from us or our licensing partners, or to change their manner of doing business with us or our licensing partners could have a material adverse effect on our financial condition and results of operations. See "Business -- Operations -- Domestic Customers and Service."

OUR BUSINESS COULD BE NEGATIVELY IMPACTED BY THE FINANCIAL INSTABILITY OF OUR CUSTOMERS.

We sell our merchandise primarily to major department stores across the United States and extend credit based on an evaluation of each customer's financial condition, usually without requiring collateral. However, financial difficulties of a customer could cause us to curtail business with that customer. We may also assume more credit risk relating to that customer's receivables. We had three customers, Dillard Department Stores, Inc., Federated Department Stores, Inc. and The May Department Stores Company, which in aggregate constituted 52.0% of trade accounts receivable outstanding at March 31, 2001 and 54.0% at April 1, 2000. Our inability

to collect on our trade accounts receivable from any one of these customers could have a material adverse effect on our business or financial condition. See "Business -- Credit Control."

OUR BUSINESS COULD SUFFER AS A RESULT OF A MANUFACTURER'S INABILITY TO PRODUCE OUR GOODS ON TIME AND TO OUR SPECIFICATIONS.

We do not own or operate any manufacturing facilities and therefore depend upon independent third parties for the manufacture of all of our products. Our products are manufactured to our specifications by both domestic and international manufacturers. During fiscal 2001, approximately 24% (by dollar value) of our men's and women's products were manufactured in the United States and approximately 76% (by dollar value) of these products were manufactured in Hong Kong and other foreign countries. The inability of a manufacturer to ship orders of our products in a timely manner or to meet our quality standards could cause us to miss the delivery date requirements of our customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on our financial condition and results of operations.

OUR BUSINESS COULD SUFFER IF WE NEED TO REPLACE MANUFACTURERS.

We compete with other companies for the production capacity of our manufacturers and import quota capacity. Some of these competitors have greater financial and other resources than we have, and thus may have an advantage in the competition for production and import quota capacity. If we experience a significant increase in demand, or if an existing manufacturer of ours needs to be replaced, we may have to expand our manufacturing capacity. We cannot assure you that this additional capacity will be available when required on third-party terms acceptable to us. See "Business -- Sourcing, Production and Quality." Although we enter into a number of purchase order commitments each season specifying a time for delivery, method of payment, design and quality specifications and other standard industry provisions, we do not have long-term contracts with any manufacturer. None of the manufacturers we use produces our products exclusively.

IF A MANUFACTURER OF OURS FAILS TO USE ACCEPTABLE LABOR PRACTICES, OUR BUSINESS COULD SUFFER.

Two of the manufacturers engaged by us accounted for approximately 12% and 11% of our total production during fiscal 2001. The primary production facilities of these two manufacturers are located in Hong Kong. Two other manufacturers each accounted for six percent of our total production in fiscal 2001. We require our licensing partners and independent manufacturers to operate in compliance with applicable laws and regulations. While our internal and vendor operating guidelines promote ethical business practices and our staff periodically visits and monitors the operations of our independent manufacturers, we do not control these manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of ours, or by one of our licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor practices from those generally accepted as ethical in the United States, could interrupt, or otherwise disrupt the shipment of finished products to us or damage our reputation. Any of these, in turn, could have a material adverse effect on our financial condition and results of operations.

WE ARE DEPENDENT UPON THE REVENUE GENERATED BY OUR LICENSING ALLIANCES.

A substantial portion of our net income is derived from licensing revenue received from our licensing partners. Approximately 47.3% of our licensing revenue in fiscal 2001 was derived from three licensing partners:

- Jones Apparel Group, Inc., which accounted for 26.9% of licensing revenue;
- Westpoint Steven's, Inc., which accounted for 10.3% of licensing revenue; and
- Seibu Department Stores, Ltd., which accounted for 10.1% of licensing revenue.

We had no other licensing partner that accounted for more than 10% of our licensing revenue. The interruption of the business of any one of our licensing partners due to any of the factors discussed immediately below could adversely affect our licensing revenues and net income.

WE RELY ON OUR LICENSING PARTNERS TO PRESERVE THE VALUE OF OUR LICENSES.

The risks associated with our own products apply to our licensed products as well, in addition to any number of possible risks specific to a licensing partner's business, including, for example, risks associated with a particular licensing partner's ability to:

- obtain capital,
- manage its labor relations,
- maintain relationships with suppliers,
- manage its credit risk effectively, and
- maintain relationships with its customers.

Although some of our license agreements prohibit licensing partners from entering into licensing arrangements with our competitors, generally our licensing partners are not precluded from offering, under other brands, the types of products covered by their license agreements with us. A substantial portion of sales of our products by our domestic licensing partners are also made to our largest customers. While we have significant control over our licensing partners' products and advertising, we rely on our licensing partners for, among other things, operational and financial control over their businesses.

FAILURE TO MAINTAIN LICENSING PARTNERS COULD HARM OUR BUSINESS.

Although we believe in most circumstances we could replace existing licensing partners if necessary, our inability to do so for any period of time could adversely affect our revenues both directly from reduced licensing revenue received and indirectly from reduced sales of our other products. See "Business -- Operations -- Our Licensing Alliances."

OUR BUSINESS IS SUBJECT TO RISKS ASSOCIATED WITH IMPORTING PRODUCTS.

We currently source a significant portion of our products outside the United States through arrangements with over 215 foreign manufacturers in 26 different countries. During fiscal 2001, we purchased approximately 84% of our piece goods from sources outside the United States, including Italy, England, Hong Kong and other foreign countries. In that same period, approximately 24% (by dollar volume) of our products were produced in the United States and its territories and approximately 76% (by dollar volume) of these products were produced in Hong Kong and other foreign countries. Risks inherent in importing products include:

- quotas imposed by bilateral textile agreements,
- changes in social, political and economic conditions which could result in the disruption of trade from the countries in which our manufacturers or suppliers are located,

- the imposition of additional regulations relating to imports,
- the imposition of additional duties, taxes and other charges on imports,
- significant fluctuations of the value of the dollar against foreign currencies, and
- restrictions on the transfer of funds.

Any one of these factors could have a material adverse effect on our financial condition and results of operations. See "Business -- Sourcing, Production and Quality."

OUR TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS MAY NOT BE ADEQUATELY PROTECTED OUTSIDE THE U.S.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We devote substantial resources to the establishment and protection of our trademarks on a worldwide basis. In the course of our international expansion, we have, however, experienced conflict with various third parties that have acquired or claimed ownership rights in certain trademarks which include Polo and/or a representation of a polo player astride a horse, or have otherwise contested our rights to our trademarks. We have in the past successfully resolved these conflicts through both legal action and negotiated settlements, none of which we believe has had a material impact on our financial condition and results of operations. Nevertheless, we cannot assure you that the actions we have taken to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the U.S. See "Business -- Trademarks."

WE CANNOT ASSURE THE SUCCESSFUL IMPLEMENTATION OF OUR GROWTH STRATEGY.

As part of our growth strategy, we seek to extend Polo's brands, expand Polo's geographic coverage and enhance Polo operations. We cannot assure you that our growth strategies will be successful or that our revenues or profitability will increase as a result of the implementation of our expected strategies.

OUR BUSINESS IS EXPOSED TO DOMESTIC AND FOREIGN CURRENCY FLUCTUATIONS.

We generally purchase our products in U.S. dollars. However, we source a significant amount of our products overseas and, as such, the cost of these products may be affected by changes in the value of the relevant currencies. Furthermore, our international licensing revenue generally is derived from sales in foreign currencies including the Japanese yen and the Euro, and this revenue could be materially affected by currency fluctuations. In fiscal 2001, approximately 24.2% of our licensing revenue was received from international licensing partners. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors sell products in the same market. Although we hedge some exposures to changes in foreign currency exchange rates arising in the ordinary course of business, we cannot assure you that foreign currency fluctuations will not have a material adverse impact on our financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

OUR ABILITY TO CONDUCT BUSINESS IN INTERNATIONAL MARKETS MAY BE AFFECTED BY LEGAL, REGULATORY, POLITICAL AND ECONOMIC RISKS.

Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is subject to risks associated with international operations. These include:

- the burdens of complying with a variety of foreign laws and regulations,
- unexpected changes in regulatory requirements, and
- new tariffs or other barriers to some international markets.

We are also subject to general political and economic risks in connection with our international operations, including:

- political instability,
- changes in diplomatic and trade relationships, and
- general economic fluctuations in specific countries or markets.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States, the European Union, Japan, or other countries upon the import or export of our products in the future, or what effect any such actions would have on our business, financial condition or results of operations. Changes in regulatory, geopolitical policies and other factors may adversely affect our business in the future or may require us to modify our current business practices.

RISKS RELATING TO THE INDUSTRY IN WHICH WE COMPETE

WE FACE INTENSE COMPETITION IN THE WORLDWIDE APPAREL INDUSTRY.

We face a variety of competitive challenges from other domestic and foreign fashion-oriented apparel and casual apparel products, some of which may be significantly larger and more diversified and have greater financial and marketing resources than we have. We compete with these companies primarily on the basis of:

- anticipating and responding to changing consumer demands in a timely manner,
- maintaining favorable brand recognition,
- developing innovative, high-quality products in sizes, colors and styles that appeal to consumers,
- appropriately pricing products,
- providing strong and effective marketing support,
- creating an acceptable value proposition for retail customers,
- ensuring product availability and optimizing supply chain efficiencies with manufacturers and retailers, and
- obtaining sufficient retail floor space and effective presentation of our products at retail.

We also face increasing competition from companies selling apparel and home products through the Internet. Increased competition in the worldwide apparel, accessories and home product industries, including Internet-based competitors, could reduce our sales, prices and margins and adversely affect our results of operations.

THE SUCCESS OF OUR BUSINESS DEPENDS ON OUR ABILITY TO RESPOND TO CONSTANTLY CHANGING FASHION TRENDS AND CONSUMER DEMANDS.

Our success depends in large part on our ability to originate and define fashion product and home product trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure you that we will be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future. Any failure on our part to anticipate, identify and respond effectively to changing consumer demands and fashion trends could adversely affect retail and consumer acceptance of our products and leave us with a substantial amount of unsold inventory or missed opportunities. If that occurs, we may be forced to rely on markdowns or promotional sales to dispose of excess, slow-moving inventory, which may harm our business. At the same time, our focus on tight management of inventory may result, from time to time, in our not having an adequate supply of products to meet consumer demand and cause us to lose sales. See "Business -- Sourcing, Production and Quality."

A DOWNTURN IN THE ECONOMY MAY AFFECT CONSUMER PURCHASES OF DISCRETIONARY ITEMS AND LUXURY RETAIL PRODUCTS, WHICH COULD ADVERSELY AFFECT OUR SALES.

The industries in which we operate are cyclical. Many factors affect the level of consumer spending in the apparel, cosmetic, fragrance and home products industries, including, among others:

- general business conditions,
- interest rates,
- the availability of consumer credit,
- taxation, and
- consumer confidence in future economic conditions.

Consumer purchases of discretionary items and luxury retail products, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A downturn in the economies in which we, or our licensing partners, sell our products, whether in the U.S. or abroad, may adversely affect our sales.

OUR BUSINESS COULD SUFFER AS A RESULT OF CONSOLIDATIONS, RESTRUCTURINGS AND OTHER OWNERSHIP CHANGES IN THE RETAIL INDUSTRY.

In recent years, the retail industry has experienced consolidation and other ownership changes. Some of our customers have operated under the protection of the federal bankruptcy laws. Recently, one of our licensing partners, Warnaco, Inc., filed for bankruptcy protection under the federal bankruptcy laws; however, we cannot determine what impact, if any, this filing will have on our financial condition, results of operations or cash flows. In the future, retailers in the United States and in foreign markets may undergo changes that could decrease the number of stores that carry our products or increase the ownership concentration within the retail industry, including:

- consolidating their operations,
- undergoing restructurings,
- undergoing reorganizations, or
- realigning their affiliations.

While to date these changes in the retail industry have not had a material adverse effect on our business or financial condition, our business can be materially affected by these changes in the future.

ITEM 2. PROPERTIES.

We do not own any real property except for our distribution facility in Greensboro, North Carolina, the parcel of land adjacent to the facility, and a 50% joint venture interest in a 44,000 square foot building located in the SoHo district of New York City. Certain information concerning our principal facilities in excess of 100,000 rentable square feet and of our existing flagship stores of 20,000 rentable square feet or more, all of which are leased, is as follows:

LOCATION	USE	APPROXIMATE SQ. FT.	CURRENT LEASE TERM EXPIRATION
650 Madison Avenue, NYC.....	Executive, corporate office and design studio, Polo Brand showrooms	206,000	December 31, 2009
Lyndhurst, N.J.....	Corporate and retail administrative offices	162,000	February 28, 2008
750 North Michigan Avenue, Chicago, IL.....	Direct retail and restaurant	36,000	November 15, 2017
867 Madison Avenue, NYC.....	Direct retail	27,000	December 31, 2004
1-5 New Bond Street, London..	Direct retail and corporate and retail administrative offices	29,000	July 4, 2021
1950 Northern Boulevard, Manhasset, NY.....	Direct retail	27,000	January 31, 2009
1970 Northern Boulevard, Manhasset, NY.....	Direct retail	21,000	September 30, 2001
160 Fifth Avenue, NYC.....	Direct retail	27,000	July 31, 2009
2604 Sawgrass Mills Circle, Sawgrass, FL.....	Direct retail	20,000	August 31, 2005

Prior to its expiration, we expect to renew our lease at 867 Madison Avenue for an additional ten years. The leases for our non-retail facilities (approximately 56 in all) provide for aggregate annual rentals of approximately \$20.9 million in fiscal 2001. We anticipate that we will be able to extend those leases which expire in the near future on terms satisfactory to us or, if necessary, locate substitute facilities on acceptable terms.

As of March 31, 2001, we operated 35 Polo stores, 129 outlet stores and 56 Club Monaco stores and nine Club Monaco outlet stores on leased premises. Aggregate annual rentals for retail space in fiscal 2001 totaled approximately \$54.6 million. We anticipate that we will be able to extend those leases which expire in the near future on satisfactory terms, or relocate to more desirable locations.

We believe that our existing facilities are well maintained and in good operating condition.

ITEM 3. LEGAL PROCEEDINGS.

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

One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising and seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorneys' fees. The second, filed in Federal court for the Central District of California and subsequently transferred to the United States District Court for the District of Hawaii was brought on behalf of a purported class consisting of the Saipan factory workers. It alleges claims under the Federal civil RICO statute, Federal peonage and involuntary servitude laws, the Alien Tort Claims Act, and state tort law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees.

Although we were not named as a defendant in these suits, we source products in Saipan, and counsel for the plaintiffs in these actions informed us that we are a potential defendant in these or similar actions. We have since entered into an agreement to settle any claims for nonmaterial consideration. The settlement agreement is subject to court approval. We have denied any liability and are not at this preliminary stage in a position to evaluate the likelihood of a favorable or unfavorable outcome if the settlement is not approved and litigation proceeds against us.

As part of the settlement, we have since been named as a defendant, along with certain other apparel companies in a State Court action in California styled Union of Needletrades Industrial and Textile Employees, et al. v. Brylane, L.P., et al., in the San Francisco County Superior Court, and in a Federal Court action styled Doe I. et al. v. Brylane, L.P., et al. in the United States District Court for the District of Hawaii, that mirror portions of the larger State and Federal Court actions but do not include RICO and certain of the other claims alleged in those actions. The newly filed actions against us are expected to remain inactive unless settlement is not finally approved by the Federal Court.

We are otherwise involved from time to time in legal claims involving trademark and intellectual property, licensing, employee relations and other matters incidental to our business. See "Item 1. Business -- Trademarks." We believe that the resolution of any matter currently pending will not have a material adverse effect on our financial condition or results of operations.

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

No matters were submitted to a vote of security holders during the year ended March 31, 2001.

PART II

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

Our Class A common stock is publicly traded on the New York Stock Exchange under the symbol "RL." The below table sets forth the high and low closing sales prices for each quarterly period indicated through March 30, 2001, as reported on the New York Stock Exchange Composite Tape. Since our initial public offering, we have not declared any cash dividends on our common stock other than dividends declared in fiscal 1998 in the amount of \$27.4 million and paid to holders of Class B common stock and Class C common stock in connection with our reorganization just prior to our initial public offering.

MARKET PRICE OF
CLASS A COMMON STOCK

HIGH LOW
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Fiscal 2001:

First Quarter.....	\$20.3125	\$13.250
Second Quarter.....	19.9375	15.5625
Third Quarter.....	23.1875	16.1250
Fourth Quarter.....	30.4500	22.4375

Fiscal 2000:

First Quarter.....	\$24.625	\$18.5
Second Quarter.....	20.5625	17.5
Third Quarter.....	20.25	16.375
Fourth Quarter.....	20.25	14.0625

We anticipate that all of our earnings in the foreseeable future will be retained to finance the continued growth and expansion of its business and has no current intention to pay cash dividends on our common stock.

As of June 7, 2001, there were approximately 1,226 record holders of Class A common stock, four record holders of Class B common stock and five record holders of Class C common stock.

ITEM 6. SELECTED FINANCIAL DATA.

The table below provides selected consolidated financial data for the five fiscal years in the period ended March 31, 2001. We derived the data for the three fiscal years in the period ended March 31, 2001 from our consolidated financial statements and accompanying notes, which were audited by Deloitte & Touche LLP, independent auditors, contained elsewhere in this Form 10-K. We derived the data for the two fiscal years in the period ended March 28, 1998 from the audited consolidated financial statements of Polo Ralph Lauren Corporation and subsidiaries contained in our annual report on Form 10-K for the year ended March 28, 1998 not included in this prospectus. You should read this selected consolidated financial data together with our consolidated financial statements and the notes to those financial statements as well as the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

	FISCAL YEAR ENDED				
	MARCH 31, 2001	APRIL 1, 2000	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997
	(IN THOUSANDS, EXCEPT SHARE DATA)				
STATEMENT OF INCOME:					
Net sales.....	\$ 1,982,419	\$ 1,719,226	\$ 1,518,850	\$1,313,425	\$1,051,104
Licensing revenue.....	243,355	236,302	208,009	167,119	137,113
Net revenues.....	2,225,774	1,955,528	1,726,859	1,480,544	1,188,217
Cost of goods sold.....	1,162,727	1,002,390	904,586	759,988	652,000
Gross profit.....	1,063,047	953,138	822,273	720,556	536,217
Selling, general and administrative expenses.....	822,272	689,227	608,128	520,801	378,854
Restructuring charge.....	123,554	--	58,560	--	--
Income from operations.....	117,221	263,911	155,585	199,755	157,363
Foreign currency gains.....	5,846	--	--	--	--
Interest expense.....	(25,113)	(15,025)	(2,759)	(159)	(13,660)
Equity in net loss of joint venture.....	--	--	--	--	(3,599)
Income before income taxes and change in accounting principle.....	97,954	248,886	152,826	199,596	140,104
Provision for income taxes.....	38,692	101,422	62,276	52,025	22,804
Income before change in accounting principle.....	59,262	147,464	90,550	147,571	117,300
Cumulative effect of change in accounting principle, net of taxes.....	--	3,967	--	--	--
Net income.....	\$ 59,262	\$ 143,497	\$ 90,550	\$ 147,571	\$ 117,300
Income per share before change in accounting principle.....	\$ 0.61	\$ 1.49	\$ 0.91		
Cumulative effect of change in accounting principle, net per share.....	--	0.04	--		
Net income per share -- Basic and Diluted...	\$ 0.61	\$ 1.45	\$ 0.91		
Common shares outstanding -- Basic.....	96,773,282	98,926,993	99,813,328		
Common shares outstanding -- Diluted.....	97,446,482	99,035,781	99,972,152		

	MARCH 31, 2001	APRIL 1, 2000	APRIL 3, 1999	MARCH 28, 1998	MARCH 29, 1997
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents and marketable securities.....	\$ 102,219	\$ 164,571	\$ 44,458	\$ 58,755	\$ 29,599
Working capital.....	462,144	446,663	331,482	354,206	209,038
Inventories.....	425,594	390,953	376,860	298,485	222,147
Total assets.....	1,626,093	1,620,562	1,104,584	825,130	588,758
Total debt.....	383,100	428,838	159,717	337	140,900

Stockholders' equity and partners' capital.....	809,309	772,437	658,905	584,326	260,685
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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis is a summary and should be read together with our consolidated financial statements and related notes which are included in this Annual Report and the information under the caption "Risk Factors." We use a 52-53 week fiscal year ending on the Saturday nearest March 31. Fiscal 2001 and fiscal 2000 reflect a 52-week period and fiscal 1999 reflects a 53-week period.

OVERVIEW

We began operations in 1968 as a designer and marketer of premium quality men's clothing and sportswear. Since our inception, we have grown through increased sales of existing product lines, the introduction of new brands and products, expansion into international markets, development of our retail operations, and acquisitions. Over the last five years, our net revenues have grown to approximately \$2.2 billion in fiscal 2001 from approximately \$1.2 billion in fiscal 1997, while income from operations, excluding restructuring and special charges, has grown to approximately \$300.3 million in fiscal 2001 from approximately \$157.4 million in fiscal 1997. Our net revenues are generated from our three integrated operations: wholesale, retail and licensing. The following table sets forth net revenues for the last five fiscal years:

	FISCAL YEAR				
	2001	2000	1999	1998	1997
	----	----	----	----	----
	(IN THOUSANDS)				
Wholesale sales.....	\$1,053,842	\$ 885,246	\$ 859,498	\$ 742,674	\$ 671,132
Retail sales.....	928,577	833,980	659,352	570,751	379,972
Net sales.....	1,982,419	1,719,226	1,518,850	1,313,425	1,051,104
Licensing revenue.....	243,355	236,302	208,009	167,119	137,113
Net revenues.....	\$2,225,774	\$1,955,528	\$1,726,859	\$1,480,544	\$1,188,217
	=====	=====	=====	=====	=====

Wholesale net sales result from the sale of our men's and women's apparel to wholesale customers, principally to major department stores, specialty stores and non-company operated Polo stores located throughout the United States and Europe. Net sales for the wholesale division increased to \$1.1 billion in fiscal 2001 from \$671.1 million in fiscal 1997. This increase is primarily a result of growth in sales of our existing Polo Brands' and Collection Brands' products and the introduction of new brands. Additionally, this expansion reflects the acquisition of the wholesale operations of Poloco in January 2000.

We generate retail sales from our full price Polo stores, outlet stores and Club Monaco stores. Net sales for the retail division have grown to \$928.6 million in fiscal 2001 from \$380.0 million in fiscal 1997. This increase is primarily a result of our expansion of our existing retail operations and growth through acquisitions. Since the beginning of fiscal 1997, we have added, net of store closings, 32 full price Polo stores, 71 outlet stores and 65 Club Monaco stores. This expansion reflects 21 full price Polo stores acquired in the fiscal 1997 acquisition of the 50% interest we did not own in Polo Retail Corporation, 70 freestanding Club Monaco stores (57 in Canada and 13 in the United States) acquired in fiscal 2000 and seven Polo stores (one flagship and six outlets) acquired in January 2000 in connection with the Poloco transaction. At March 31, 2001, we operated 35 Polo stores, 129 outlet stores and 65 Club Monaco stores.

Licensing revenue consists of royalties paid to us under our agreements with our licensing partners. In fiscal 2001, product, international and Home Collection licensing alliances accounted for 56.0%, 24.2% and 19.8% of total licensing revenue. Through these alliances, we combine our core skills with the product or geographic competencies of our licensing partners to create and develop specific businesses. The growth of existing and development of new businesses under licensing alliances has resulted in an increase in licensing revenue to \$243.4 million in fiscal 2001 from \$137.1 million in fiscal 1997.

During our last two fiscal years, we undertook the following:

- In February 2000, we announced the formation of Ralph Lauren Media, LLC, a joint venture between ourselves, and National Broadcasting Company, Inc. and certain of its affiliated companies. We own 50% of this joint venture.
- In January 2000, we completed the acquisition of stock and certain assets of Poloco S.A.S. and certain of its affiliates, which hold licenses to sell men's and boys' Polo apparel, our men's and women's Polo Jeans apparel, and certain of our accessories in Europe. In addition to acquiring Poloco's wholesale business, we acquired one flagship store in Paris and six outlet stores located in France, the United Kingdom and Austria.
- In 1999, we acquired Club Monaco, Inc. Founded in 1985, Club Monaco is an international specialty retailer of casual apparel and other accessories which are sold under the "Club Monaco" brand name and associated trademarks. In addition, Club Monaco franchises three freestanding stores in Canada, one freestanding store in Israel, four freestanding stores and 15 shop-within-shops in Japan and two freestanding stores and 16 shop-within-shops in Korea and other parts of Asia.

In connection with our growth strategies, we plan to introduce new products and brands and expand our retail operations. Implementation of these strategies may require significant investments for advertising, furniture and fixtures, infrastructure, design and additional inventory. Notwithstanding our investment, we cannot assure you that our growth strategies will be successful.

RESTRUCTURINGS AND SPECIAL CHARGES

FISCAL 2001 RESTRUCTURING AND SPECIAL CHARGES

During fiscal 2001, we completed an internal operational review and formalized our plans to enhance the growth of our worldwide luxury retail business, to better manage inventory and increase our overall profitability. The major initiatives of the operational review included:

- refining our retail strategy;
- developing efficiencies in our supply chain; and
- consolidating corporate business functions and internal processes.

We will continue to refine our retail strategy by expanding the presence of our full-line luxury stores, both in North America and abroad, and by building a profitable portfolio of Club Monaco stores in key urban locations that fully emphasize and capitalize on its fashion-forward merchandising strategy. In connection with this initiative, we closed all 12 Polo Jeans Co. full price retail stores and 11 under-performing Club Monaco retail stores.

Additionally, as a result of changes in market conditions combined with our change in retail strategy in certain locations in which we operate full price retail stores, we performed an evaluation of the recoverability of the assets of certain of these stores. We concluded from the results of this evaluation that a significant permanent impairment of long-lived assets had occurred. Accordingly, we recorded a write down of these assets (primarily leasehold improvements) to their estimated fair value based on discounted future cash flows.

In connection with the implementation of the operational review discussed above, we recorded a pretax restructuring charge of \$123.6 million. The major components of the charge included asset write downs of \$98.8 million, lease and contract termination costs of \$15.7 million, severance and termination benefits of \$8.0 million and other restructuring costs of \$1.1 million.

Our operational review also targeted our supply chain management as one of the most important areas for improvement. The development of operating efficiencies in our worldwide

logistics and supply chain management will better support our growing and increasingly global retail operations. In connection with initiating this aspect of the operational plan, we recorded \$41.5 million of inventory write downs in fiscal 2001 associated with our planned acceleration in the reduction of aged inventory.

Total severance and termination benefits as a result of the operational review related to approximately 550 employees, 450 of whom have been terminated as of March 31, 2001. We expect to complete the implementation of the operational review by the end of the second quarter of fiscal 2002.

FISCAL 1999 RESTRUCTURING

During the fourth quarter of fiscal 1999, we formalized our plans to streamline operations within our wholesale and retail operations and reduce our overall cost structure. The major initiatives of our restructuring plan included:

- an evaluation of our retail operations and site locations;
- the realignment and operational integration of our wholesale operating units; and
- the realignment and consolidation of corporate strategic business functions and internal processes.

In fiscal 2000, we closed three Polo stores and three outlet stores that were not performing at an acceptable level and converted two Polo stores and five outlet stores to new concepts expected to be more productive. Costs associated with this aspect of our restructuring plan included lease and contract termination costs, store fixed asset (primarily leasehold improvements) and intangible asset write downs and severance and termination benefits.

Our wholesale operations were realigned into two new operating units: Polo Brands and Collection Brands. Aspects of this realignment included:

- the reorganization of the sales force and retail development areas;
- the streamlining of the design and development process; and
- the consolidation of the customer service departments.

We also integrated the sourcing and production of our Polo Brands, outlet store and licensees' products into one consolidated unit. Costs associated with the wholesale realignment consisted primarily of severance and termination benefits and lease and contract termination costs.

Our review of our corporate business functions and internal processes resulted in a new management structure designed to better align businesses with similar functions and to identify and eliminate duplicative processes. Costs associated with the corporate realignment consisted primarily of severance and termination benefits and lease and contract termination costs.

We recorded a restructuring charge of \$58.6 million on a pretax basis in our fourth quarter of fiscal 1999. The major components of the restructuring charge included lease and contract termination costs of \$24.7 million, asset write downs of \$17.8 million, severance and termination benefits of \$15.3 million and other restructuring costs of \$0.8 million. Total severance and termination benefits as a result of our restructuring plan related to approximately 280 employees, all of whom have been terminated. We completed the implementation of our restructuring plan in fiscal 2000.

RESULTS OF OPERATIONS

The table below sets forth the percentage relationship to net revenues of certain items in our statements of income for our last three fiscal years:

	FISCAL YEAR		
	2001	2000	1999
Net sales.....	89.1%	87.9%	88.0%
Licensing revenue.....	10.9	12.1	12.0
Net revenues.....	100.0	100.0	100.0
Gross profit.....	47.8	48.7	47.6
Selling, general and administrative expenses.....	36.9	35.2	35.2
Restructuring and special charges.....	5.6	--	3.4
Income from operations.....	5.3	13.5	9.0
Foreign currency gains.....	0.2	--	--
Interest expense.....	(1.1)	(0.8)	(0.2)
Income before income taxes and change in accounting principle.....	4.4%	12.7%	8.8%

FISCAL 2001 COMPARED TO FISCAL 2000

NET SALES. Net sales increased 15.3% to \$2.0 billion in fiscal 2001 from \$1.7 billion in fiscal 2000. Wholesale net sales increased 19.0% to \$1.1 billion in fiscal 2001 from \$885.2 million in fiscal 2000. Wholesale growth primarily reflected the benefit of one year of operations for Poloco's wholesale division included in operating results for the first time in fiscal 2001 and increased unit sales of our luxury products.

Retail sales increased by 11.3% to \$928.6 million in fiscal 2001 from \$834.0 million in fiscal 2000. This increase was primarily attributable to a \$131.7 million benefit from the following:

- new stores in fiscal 2001 (37 stores, prior to 34 store closures in late fiscal 2001);
- a full year of revenues from new stores opened in fiscal 2000; and
- the inclusion of the results of one flagship and six outlet stores purchased in connection with the acquisition of Poloco.

Although our stores remained highly productive, comparable store sales, which represent net sales of stores open in both reporting periods for the full portion of such periods, decreased by 5.3%. The decline was due to a mature and promotionally driven outlet environment and lower sales in Club Monaco's Canadian stores.

LICENSING REVENUE. Licensing revenue increased 3.0% to \$243.4 million in fiscal 2001 from \$236.3 million in fiscal 2000. This increase is primarily attributable to increases in sales of existing men's, women's, and children's apparel, accessories and fragrance products. These gains were partially offset by decreases in sales of Home Collection products.

GROSS PROFIT. Gross profit as a percentage of net revenues decreased to 47.8% in fiscal 2001 from 48.7% in fiscal 2000. This decrease was mainly attributable to \$41.5 million of inventory write downs recorded in fiscal 2001 in connection with the implementation of our operational review and our decision to accelerate the disposition of aged inventory. Excluding these special charges, gross profit as a percentage of net revenues was 49.6%. This improvement reflects increased wholesale gross margins as a result of the acquisition of Poloco, which generates higher margins than our domestic wholesale operations. Additionally, gross profit was favorably impacted by the increase in licensing revenue in fiscal 2001. These

improvements were offset by declines in our retail gross margins as we incurred higher markdowns in fiscal 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses as a percentage of net revenues increased to 36.9% in fiscal 2001 from 35.2% in fiscal 2000. This increase in SG&A expenses as a percentage of net revenues was primarily due to a charge of \$18.1 million recorded in the second quarter of fiscal 2001 relating to nonrecurring charges associated with targeted opportunities for improvement, including the termination of operating contracts, streamlining of certain corporate and operating functions, and employee-related matters. Additionally, SG&A expenses as a percentage of net revenues increased due to an increase in depreciation and amortization expense, start-up costs associated with the expansion of our retail operations and the acquisition of Poloco.

INTEREST EXPENSE. Interest expense increased to \$25.1 million in fiscal 2001 from \$15.0 million in fiscal 2000. This increase was due to a higher level of borrowings during the current period attributable to the additional financing used for the acquisition of Poloco.

INCOME TAXES. The effective tax rate decreased to 39.5% in fiscal 2001 from 40.8% in fiscal 2000. This decline is primarily a result of the benefit of tax strategies implemented by us. We expect to lower our effective tax rate to 38.5% in fiscal 2002 as a result of tax strategies implemented.

FISCAL 2000 COMPARED TO FISCAL 1999

NET SALES. Net sales increased 13.2% to \$1.7 billion in fiscal 2000 from \$1.5 billion in fiscal 1999. Wholesale net sales increased 3.0% to \$885.2 million in fiscal 2000 from \$859.5 million in fiscal 1999. Wholesale growth primarily reflected increased unit sales of our existing brands and luxury products. These unit increases were partially offset by a decline in average selling prices resulting from changes in product mix.

Retail sales increased by 26.5% to \$834.0 million in fiscal 2000 from \$659.4 million in fiscal 1999. This increase was primarily attributable to a \$209.9 million benefit from the following:

- new store openings in fiscal 2000 (23 stores, net of closures);
- a full year impact of new stores opened in fiscal 1999; and
- the acquisition of 70 Club Monaco stores in the quarter ended July 3, 1999.

Although our stores remained highly productive, comparable store sales, which represent net sales of stores open in both reporting periods for the full portion of such periods, decreased by 4.6%, excluding the unfavorable impact of a 53rd week in fiscal 1999. The decline was due to a promotionally driven retail environment, an inadequate inventory of leading products and the effects of a mature and challenging outlet store environment.

LICENSING REVENUE. Licensing revenue increased 13.6% to \$236.3 million in fiscal 2000 from \$208.0 million in fiscal 1999. This increase is primarily attributable to increases in sales of existing licensed products, particularly Lauren, Polo Jeans and Home Collection.

GROSS PROFIT. Gross profit as a percentage of net revenues increased to 48.7% in fiscal 2000 from 47.6% in fiscal 1999. This increase was attributable to an increase in retail gross margins due to a higher concentration of retail sales to net revenues in the current period as a result of the acquisition of Club Monaco in fiscal 2000 and lower markdowns taken in fiscal 2000. Retail gross margins were negatively impacted by higher markdowns in fiscal 1999 as we implemented a strategic initiative in our fourth fiscal quarter of 1999 to reduce inventory levels and move excess product. Additionally, gross profit was favorably impacted by the increase in licensing revenue in fiscal 2000. Wholesale gross margins were consistent with prior years.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses as a percentage of net revenues were 35.2% in both fiscal 2000 and fiscal 1999. Despite increases in depreciation expense from the shop-within-shop development program and start-up costs incurred with the expansion of our retail operations, these expenses, as a percentage of net revenues, were consistent with the prior year period as we were able to achieve expense leveraging from revenue growth in fiscal 2000.

INTEREST EXPENSE. Interest expense increased to \$15.0 million in fiscal 2000 from \$2.8 million in fiscal 1999. This increase was due to a higher level of borrowings incurred during the current period to fund the acquisitions of Club Monaco and Poloco.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities decreased to \$100.3 million in fiscal 2001 from \$242.7 million in fiscal 2000. Net cash provided by operations was negatively impacted by the cash portion of charges recorded in our second quarter of fiscal 2001 in connection with the implementation of our operational review and increases in inventories and accounts receivable due to timing of shipments. Net cash used in investing activities decreased to \$182.0 million in fiscal 2001 from \$318.3 million in fiscal 2000. The decrease principally reflects the use of funds to acquire Poloco in fiscal 2000. Net cash used by financing activities was \$25.9 million in fiscal 2001 as compared to cash provided of \$201.6 million in fiscal 2000. This change is primarily due to proceeds received from the Euro offering in fiscal 2000.

In June 1997, we entered into a credit facility with a syndicate of banks which provides for a \$225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002. Borrowings under the syndicated bank credit facility bear interest, at our option, at a base rate equal to the higher of the Federal Funds rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent, and the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar rate plus an interest margin.

In March 1999, in connection with our acquisition of Club Monaco, we entered into a \$100.0 million senior credit facility with a syndicate of banks consisting of a \$20.0 million revolving line of credit and an \$80.0 million term loan. The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The term loan was used to finance the acquisition of all of the outstanding common stock of Club Monaco and to repay indebtedness of Club Monaco. The term loan is also repayable on June 30, 2003. Borrowings under the 1999 syndicated bank credit facility bear interest, at our option, at a base rate equal to the higher of the Federal Funds rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent, and the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar rate plus an interest margin. In April 1999, we entered into interest rate swap agreements with a notional amount of \$100.0 million to convert the variable interest rate on our 1999 senior credit facility to a fixed rate of 5.5%.

The syndicated bank credit facility and our 1999 senior bank credit facility contain customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreements provide that an event of default will occur if Mr. Ralph Lauren and related entities fail to maintain a specified minimum percentage of the voting power of our common stock.

In November 1999, we issued Euro 275.0 million of 6.125% notes due November 2006. Our Euro debt is listed on the London Stock Exchange. The net proceeds from the Euro offering were \$281.5 million based on the Euro exchange rate on the issuance date. Interest on the Euro debt is payable annually. A portion of the net proceeds from the issuance was used to acquire Poloco while the remaining net proceeds were retained for general corporate purposes. We acquired Poloco for an aggregate cash consideration of \$209.7 million, plus the assumption of \$10.0 million in short-term debt.

During fiscal 2001, we repurchased Euro 27.5 million, or \$25.3 million based on Euro exchange rates, of our outstanding Euro debt.

As of March 31, 2001, we had \$86.1 million outstanding in direct borrowings, \$80.0 million outstanding under the term loan and \$217.0 million outstanding in Euro debt based on the year-end Euro exchange rate. We were also contingently liable for \$34.2 million in outstanding letters of credit related primarily to commitments for the purchase of inventory. The weighted average interest rate on borrowings at March 31, 2001, was 5.9%.

During the second quarter of fiscal 2001, we completed an internal operational review and formalized our plans to enhance the growth of our international luxury retail business, to better manage inventory and to increase our overall profitability. Total cash outlays related to the operational review are expected to be approximately \$24.7 million, \$16.8 million of which has been paid through March 31, 2001. We expect to settle the remaining liabilities in accordance with contract terms which extend until fiscal 2003. On October 18, 2000, we received consent from our lenders under the credit facilities permitting us to incur the charges we recorded in connection with the operational review (see Note 3 to our consolidated financial statements) up to specified thresholds.

Total cash outlays related to the 1999 restructuring plan are approximately \$39.5 million, \$33.5 million of which has been paid through March 31, 2001. The remaining obligations approximated \$6.0 million at March 31, 2001 and primarily relate to severance and lease termination agreements, which extend until fiscal 2003.

Capital expenditures were \$105.2 million in fiscal 2001, \$122.0 million in fiscal 2000 and \$141.7 million in fiscal 1999. Capital expenditures primarily reflect costs associated with the following:

- the expansion of our distribution facilities;
- the shop-within-shops development program which includes new shops, renovations and expansions;
- the expansion of our retail operations;
- our information systems; and
- other capital projects.

We plan to invest approximately \$90.0 million, net of landlord incentives, over the next fiscal year primarily for our retail stores, our European expansion, the shop-within-shops development program, our information systems and other capital projects.

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to \$100.0 million of our Class A common stock. Share repurchases under this plan were made in the open market over the two-year period which commenced April 1, 1998. On March 2, 2000, the Board of Directors authorized a two-year extension of the stock repurchase program. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes. As of March 31, 2001, we had repurchased 3,771,806 shares of our Class A common stock at an aggregate cost of \$71.2 million.

We extend credit to our customers, including those who have accounted for significant portions of our net revenues. We had three customers, Dillard Department Stores, Inc., Federated Department Stores, Inc. and The May Department Stores Company, who in aggregate constituted approximately 52.0% and 54.0% of trade accounts receivable outstanding at March 31, 2001 and April 1, 2000. Additionally, we had four licensing partners, Jones Apparel Group, Inc., WestPoint Stevens, Inc., Seibu Department Stores, Ltd. and Warnaco, Inc., who in aggregate constituted approximately 53.0%, 58.0% and 55.0% of licensing revenue in fiscal 2001, fiscal 2000 and fiscal 1999. Accordingly, we may have significant exposure in collecting accounts receivable from our wholesale customers and licensees. We have credit policies and procedures which we use to manage our credit risk.

We believe that cash from ongoing operations and funds available under our credit facilities and from our Euro offering will be sufficient to satisfy our current level of operations, the operational review, the restructuring plan, capital requirements, stock repurchase program and other corporate activities for the next 12 months. We do not currently intend to pay dividends on our common stock in the next 12 months.

SEASONALITY AND QUARTERLY FLUCTUATIONS

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

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). This Statement, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recognition of all derivatives, whether designated in hedging relationships or not, as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value will be recognized in earnings. SFAS No. 133 is effective for our first quarter of fiscal 2002.

We have entered into interest rate swap agreements and forward foreign exchange contracts which qualify as cash flow hedges under SFAS No. 133. In accordance with SFAS No. 133, we will record the fair value of these derivatives at April 1, 2001 and the resulting net unrealized gain, after taxes, of approximately \$4.2 million will be recorded in other comprehensive income as a cumulative transition adjustment.

In April 2001, the FASB's Emerging Issues Task Force reached a consensus on Issue No. 00-25, Vendor Income Statement Characteristics of Consideration Paid to a Reseller of the Vendor's Products ("EITF No. 00-25"). EITF No. 00-25 concluded that consideration from a vendor to a reseller of the vendor's products is presumed to be a reduction of the selling prices of the vendor's products and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. That presumption is overcome and the

consideration characterized as a cost incurred if a benefit is or will be received from the recipient of the consideration if certain conditions are met. This pronouncement is effective for our first quarter of fiscal 2003. We have not yet determined the impact of adopting this pronouncement on our financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in interest rates or foreign currency exchange rates. We manage these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments. Our policy allows for the use of derivative financial instruments for identifiable market risk exposures, including interest rate and foreign currency fluctuations. We do not enter into derivative financial contracts for trading or other speculative purposes. The following quantitative disclosures were derived using quoted market prices and theoretical pricing models obtained through independent pricing sources for the same or similar types of financial instruments, taking into consideration the underlying terms and maturities. The quantitative disclosures discussed below do not represent the maximum possible loss nor any expected loss that may occur since actual results may differ from those estimates.

FOREIGN CURRENCY EXCHANGE RATES

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than an entity's functional currency and from foreign-denominated revenues translated into U.S. dollars. From time to time, we hedge exposures to foreign currency exchange rate fluctuations with forward foreign exchange contracts. With respect to foreign operations, substantially all of our foreign subsidiaries operate in their respective functional currencies. Our primary foreign currency exposures relate to our Euro debt and Euro investments. The potential loss in value at March 31, 2001 on our Euro debt and Euro investments based on a hypothetical 10.0% adverse change in the Euro rate would have been \$21.7 million and \$4.5 million. As of March 31, 2001, a hypothetical immediate 10.0% adverse change in the Euro rate on the Euro debt and Euro investments would have a \$1.3 million and \$0.2 million unfavorable impact on our earnings and cash flows in fiscal 2002.

INTEREST RATES

Our primary interest rate exposure relates to our fixed and variable rate debt. The fair value of our fixed Euro debt was \$217.1 million based on its quoted market price as listed on the London Stock Exchange and using exchange rates in effect as of March 31, 2001. The potential loss in value at March 31, 2001 on our fixed Euro debt based on a hypothetical 10.0% adverse change in the interest rate would have been \$21.7 million. At March 31, 2001, the carrying value of amounts outstanding of \$166.1 million under our variable debt borrowing arrangements under our bank credit facilities approximated their fair value. We employ an interest rate hedging strategy utilizing swaps to effectively fix a portion of our interest rate exposure on our floating rate financing arrangements. At March 31, 2001, we had interest rate swap agreements with a notional amount of \$100.0 million which fixed the interest rate on our variable rate debt at 5.5%. As of March 31, 2001, a hypothetical immediate 10.0% adverse change in interest rates relating to our unhedged portion of our variable rate debt would have a \$0.4 million unfavorable impact on our earnings and cash flows in fiscal 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The other information required to be included by this Item 10 of this Annual Report on Form 10-K will be included in our proxy statement for the 2001 Annual Meeting of Stockholders which will be filed within 120 days after the close of our fiscal year ended March 31, 2001 and that information is incorporated into this Form 10-K by reference to that proxy statement.

The following table sets forth certain information with respect to our directors and executive officers as of June 21, 2001.

NAME - - - - -	AGE - - -	POSITION - - - - -
Ralph Lauren.....	61	Chairman, Chief Executive Officer and Director
F. Lance Isham.....	56	Vice Chairman and Director
Roger N. Farah.....	48	President, Chief Operating Officer and Director
Dr. Joyce Brown.....	54	Director
Richard A. Friedman.....	43	Director
Frank A. Bennack, Jr.	68	Director
Joel L. Fleishman.....	67	Director
Allen Questrom.....	61	Director
Terry S. Semel.....	58	Director
Judith A. McHale.....	54	Director
Gerald M. Chaney.....	54	Senior Vice President of Finance and Chief Financial Officer
Mitchell A. Kosh.....	51	Senior Vice President, Human Resources
Douglas L. Williams.....	36	Group President, Global Business Development

RALPH LAUREN has been a director of Polo since prior to the commencement of our initial public offering and was a member of the advisory board of our predecessors since their organization. Mr. Lauren is our Chairman and Chief Executive Officer. He founded Polo in 1968 and has provided leadership in the design, marketing, advertising and operational areas since that time.

F. LANCE ISHAM has been Vice Chairman and a director of Polo since April 2000. He was our President from November 1998 to April 2000, prior to which he served as Group President of our menswear operations. Mr. Isham joined us in 1982, and has held a variety of sales positions with us including Executive Vice President of Sales and Merchandising.

ROGER N. FARAH has been our President, Chief Operating Officer and a director since April 2000. Mr. Farah was Chairman of the Board of Venator Group, Inc. from December 1994 to April 2000 and was Chief Executive Officer of Venator Group, Inc. from December 1994 to August 1999. Mr. Farah served as President and Chief Operating Officer of R.H. Macy & Co., Inc. from July 1994 to October 1994. He also served as Chairman and Chief Executive Officer of Federated Merchandising Services, the central buying and product development arm of Federated Department Stores, Inc. from June 1991 to July 1994.

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

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

DR. JOYCE F. BROWN has been a director of Polo Since May 2001. Dr. Brown has been the President of the Fashion Institute of Technology, or "FIT", since 1998. She was a Professor of Clinical Psychology at the Graduate School and University Center of the City University of New York from 1994 to 1998. Dr. Brown is also a member of the Board of Directors of the United States Enrichment Corp.

JOEL L. FLEISHMAN has been a director of Polo since January 1999. Mr. Fleishman has been a Professor of Law and Public Policy, Terry Sanford Institute of Public Policy at Duke University since 1971 and the Director of the Samuel and Ronnie Heyman Center for Ethics, Public Policy and the Professions at Duke University since 1987. Mr. Fleishman is also a member of the Board of Directors of Boston Scientific Corporation.

JUDITH A. MCHALE has been a director of Polo since February 2001. Ms. McHale has been President and Chief Operating Officer of Discovery Communications, Inc., parent company of cable television's Discovery Channel, since 1995. From 1989 to 1995 she served as Executive Vice President and General Counsel for Discovery Communications, Inc. Ms. McHale is a member of the Board of Directors of John Hancock Financial Services, Inc. and the Potomac Electric Power Company.

ALLEN QUESTROM has been a director of Polo since September 1997. Mr. Questrom has been the President and Chief Executive Officer of J.C. Penney Company, Inc. since September 2000. He was the Chairman, President and Chief Executive Officer of Barneys New York, Inc. from May 1999 to September 2000 and was the Chairman and Chief Executive Officer of Federated Department Stores, Inc. from February 1990 to May 1997. He is also a member of the Board of Directors of Barneys New York, Inc. and J.C. Penney Company, Inc.

TERRY S. SEMEL has been a director of Polo since September 1997. Mr. Semel has been Chairman and Chief Executive Officer of Yahoo! Inc. since May 2001. He was Chairman of Windsor Media, Inc., Los Angeles, a diversified media company, from October 1999 to April 2001. Mr. Semel was Chairman of the Board and Co-Chief Executive Officer of the Warner Bros. division of Time Warner Entertainment LP, Los Angeles, from March 1994 until October 1999 and of Warner Music Group, Los Angeles, from November 1995 until October 1999. For more than ten years prior to that he was President of Warner Brothers or its predecessor, Warner Bros. Inc. Mr. Semel is also a member of the Board of Directors of Revlon, Inc. and Yahoo! Inc.

GERALD M. CHANEY has been Senior Vice President of Finance and Chief Financial Officer of Polo since November 2000. Mr. Chaney was Vice President of Finance and Chief Financial Officer of Kellwood Company, a publicly held apparel manufacturing, marketer and merchandiser from December 1998 to November 2000. From April to December 1998, Mr. Chaney was Executive Vice President, Chief Administrative Officer and Chief Financial Officer of Petrie Retail, Inc.

MITCHELL A. KOSH has been Senior Vice President of Human Resources since July 2000. Mr. Kosh was Senior Vice President and Chief Human Resources Officer of Conseco, an insurance and financial services company in Carmel, Indiana from February 2000 to July 2000.

Prior to that he was with the Venator Group, Inc. where since 1996 he held executive human resource positions including serving as Senior Vice President of Human Resources for Foot Locker Worldwide.

DOUGLAS L. WILLIAMS has been Corporate Group President since February 2001. From April 2000 to February 2001 Mr. Williams was corporate Group President, Global Business Development. Mr. Williams began his career with us in 1988 as a retail analyst. He has held various sales and merchandising positions with us, including Vice President of men's sales from 1993 to 1997 and Senior Vice President of men's sales from 1997 to 1998. Mr. Williams was promoted to Divisional President of product licensing in 1998 and in 1999 was further promoted to President of global licensing and new business development.

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

ITEM 11. EXECUTIVE COMPENSATION.

See Item 13.

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

See Item 13.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required to be included by Items 11 through 13 of this Form 10-K Report will be included in our proxy statement for the 2001 Annual Meeting of Stockholders, which will be filed within 120 days after the close of our fiscal year ended March 31, 2001 and that information is incorporated herein by reference to that proxy statement.

PART IV

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

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

3. Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-24733)) (the "S-1")
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1)*
10.1(a)	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+
10.1(b)	Amendment to Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit A to the Company's DEF 14A Proxy Statement, filed June 27, 2000)*+
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+
10.3	Polo Ralph Lauren Corporation Executive Officer Annual Incentive Plan

EXHIBIT NUMBER -----	DESCRIPTION -----
10.4	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*
10.5	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, (filed as Exhibit 10.4 to the S-1)*
10.6	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*
10.7	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*
10.8	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/ Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter Agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*
10.9	Amendment, dated November 27, 1992, to Foreign Design and Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*
10.10	License Agreement, dated as of July 1, 2000, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc.** (filed herewith)
10.11	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*
10.12	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan Co., Ltd. (filed as Exhibit 10.11 to the S-1)*
10.13	Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc. (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 1998 (the "Fiscal 1998 10-K"))*
10.14	License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc. (filed as Exhibit 10-26 to the Fiscal 1998 10-K)*
10.15	Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*
10.16	Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*
10.17	Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*

EXHIBIT NUMBER -----	DESCRIPTION -----
10.18	Credit Agreement between Polo Ralph Lauren Corporation and the Chase Manhattan Bank dated as of March 30, 1999 (filed as Exhibit 10.20 to the Fiscal 1999 Form 10-K)*
10.19	Fiscal and Paying Agency Agreement dated November 22, 1999 among Polo Ralph Lauren Corporation, its subsidiary guarantors and The Bank of New York, as fiscal and principal paying agent (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended January 1, 2000)*
10.20	Stock and Asset Purchase Agreement between Polo Ralph Lauren Corporation and S.A. Louis Dreyfus, dated November 23, 1999 (filed as Exhibit 2.1 to the Form 8-K filed January 10, 2000)*
10.21	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*
10.22	Amended and Restated Employment Agreement effective April 4, 1999 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as Exhibit 10.23 to the Fiscal 1999 Form 10-K)*+
10.23	Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P. (filed as Exhibit 10.14 to the S-1)*+
10.24	Amendment to Deferred Compensation Agreement made as of November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation (filed as Exhibit 10.14 to the Fiscal 1999 10-K)*+
10.26	Amended and Restated Employment Agreement effective November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation (filed as Exhibit 10.16 to the Fiscal 1999 10-K)*+
10.27	Amendment No. 1 to Amended and Restated Employment Agreement between Polo Ralph Lauren Corporation and F. Lance Isham, dated as of December 21, 2000 (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended December 30, 2000).*+
10.28	Employment Agreement effective April 12, 2000 between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.27 to the Fiscal 2000 10-K)*+
10.29	Employment Agreement effective January 1, 2000 between Polo Ralph Lauren Corporation and Douglas L. Williams (filed as Exhibit 10.29 to the Fiscal 2000 10-K)*+
21.1	List of Significant Subsidiaries of the Company.
24.1	Powers of Attorney.

* Incorporated herein by reference.

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

** Portions of Exhibits 10.5 - 10.14 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

(b) Although not within the last quarter covered by this report, on October 5, 2000, a current report on Form 8-K dated October 5, 2000 was filed by us with the Securities and Exchange Commission announcing that we had completed an operational review and, as a result, we would record a \$110 - \$115 million after-tax charge due to initiatives stemming from such review.

SIGNATURES

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

POLO RALPH LAUREN CORPORATION
(Registrant)

By: /s/ RALPH LAUREN

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

Date: June 12, 2001

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

SIGNATURE -----	TITLE(S) -----	DATE ----
/s/ RALPH LAUREN ----- Ralph Lauren	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 12, 2001
/s/ F. LANCE ISHAM ----- F. Lance Isham	Vice Chairman of the Board of Directors	June 7, 2001
/s/ ROGER N. FARAH ----- Roger N. Farah	President, Chief Operating Officer and Director	June 12, 2001
/s/ GERALD M. CHANEY ----- Gerald M. Chaney	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 12, 2001
/s/ FRANK A. BENNACK, JR. ----- Frank A. Bennack, Jr.	Director	June 12, 2001
/s/ JOEL L. FLEISHMAN ----- Joel L. Fleishman	Director	June 12, 2001
/s/ RICHARD A. FRIEDMAN ----- Richard A. Friedman	Director	June 8, 2001
/s/ ALLEN QUESTROM ----- Allen Questrom	Director	June 12, 2001
/s/ TERRY S. SEMEL ----- Terry S. Semel	Director	June 12, 2001
/s/ JUDITH A. MCHALE ----- Judith A. McHale	Director	June 12, 2001
/s/ DR. JOYCE F. BROWN ----- Dr. Joyce F. Brown	Director	June 12, 2001

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

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF POLO RALPH LAUREN CORPORATION
NEW YORK, NEW YORK

We have audited the accompanying consolidated balance sheets of Polo Ralph Lauren Corporation and subsidiaries (the "Company") as of March 31, 2001 and April 1, 2000 and the related consolidated statements of income, stockholders equity and cash flows for each of the three years in the period ended March 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Polo Ralph Lauren Corporation and subsidiaries as of March 31, 2001 and April 1, 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective April 4, 1999, the Company changed its method of accounting for the costs of start-up activities.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York
May 23, 2001

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2001	APRIL 1, 2000
	----- (IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 51,498	\$ 164,571
Marketable securities.....	50,721	--
Accounts receivable, net of allowances of \$12,090 and \$16,631.....	269,010	204,447
Inventories.....	425,594	390,953
Deferred tax assets.....	31,244	40,378
Prepaid expenses and other.....	73,654	52,542
	-----	-----
Total current assets.....	901,721	852,891
Property and equipment, net.....	328,929	372,977
Deferred tax assets.....	61,056	11,068
Goodwill, net.....	249,391	277,822
Other assets, net.....	84,996	105,804
	-----	-----
	\$1,626,093	\$1,620,562
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and acceptances payable -- banks.....	\$ 86,112	\$ 86,131
Accounts payable.....	178,293	151,281
Accrued expenses and other.....	175,172	168,816
	-----	-----
Total current liabilities.....	439,577	406,228
Long-term debt.....	296,988	342,707
Other noncurrent liabilities.....	80,219	99,190
Commitments and contingencies (Note 14)		
Stockholders' equity		
Common Stock		
Class A, par value \$.01 per share; 500,000,000 shares authorized; 34,948,730 and 34,381,653 shares issued....	349	344
Class B, par value \$.01 per share; 100,000,000 shares authorized; 43,280,021 shares issued and outstanding...	433	433
Class C, par value \$.01 per share; 70,000,000 shares authorized; 22,720,979 shares issued and outstanding...	227	227
Additional paid-in-capital.....	463,001	450,030
Retained earnings.....	430,047	370,785
Treasury Stock, Class A, at cost (3,771,806 and 2,952,677 shares).....	(71,179)	(57,346)
Accumulated other comprehensive income.....	(10,529)	9,655
Unearned compensation.....	(3,040)	(1,691)
	-----	-----
Total stockholders' equity.....	809,309	772,437
	-----	-----
	\$1,626,093	\$1,620,562
	=====	=====

See accompanying notes to consolidated financial statements.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	FISCAL YEAR ENDED		
	MARCH 31, 2001	APRIL 1, 2000	APRIL 3, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Net sales.....	\$1,982,419	\$1,719,226	\$1,518,850
Licensing revenue.....	243,355	236,302	208,009
Net revenues.....	2,225,774	1,955,528	1,726,859
Cost of goods sold.....	1,162,727	1,002,390	904,586
Gross profit.....	1,063,047	953,138	822,273
Selling, general and administrative expenses.....	822,272	689,227	608,128
Restructuring charge.....	123,554	--	58,560
Total expenses.....	945,826	689,227	666,688
Income from operations.....	117,221	263,911	155,585
Foreign currency gains.....	5,846	--	--
Interest expense.....	(25,113)	(15,025)	(2,759)
Income before income taxes and cumulative effect of change in accounting principle.....	97,954	248,886	152,826
Provision for income taxes.....	38,692	101,422	62,276
Income before cumulative effect of change in accounting principle.....	59,262	147,464	90,550
Cumulative effect of change in accounting principle, net of taxes.....	--	3,967	--
Net income.....	\$ 59,262	\$ 143,497	\$ 90,550
Income per share before cumulative effect of change in accounting principle -- Basic and Diluted.....	\$ 0.61	\$ 1.49	\$ 0.91
Cumulative effect of change in accounting principle, net of taxes, per share -- Basic and Diluted.....	--	0.04	--
Net income per share -- Basic and Diluted.....	\$ 0.61	\$ 1.45	\$ 0.91
Weighted average common shares outstanding -- Basic.....	96,773,282	98,926,993	99,813,328
Weighted average common shares outstanding -- Diluted.....	97,446,482	99,035,781	99,972,152

See accompanying notes to consolidated financial statements.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN- CAPITAL	RETAINED EARNINGS	TREASURY STOCK, AT COST	
	SHARES	AMOUNT			SHARES	AMOUNT
(IN THOUSANDS, EXCEPT SHARE DATA)						
BALANCE AT MARCH 28, 1998....	100,273,726	\$1,003	\$447,918	\$136,738	--	\$ --
Comprehensive income:						
Net income.....				90,550		
Total comprehensive income.....						
Exercise of stock options....	4,352		113			
Repurchases of common stock.....					603,864	(16,084)
Restricted stock grants.....	104,575	1	1,999			
BALANCE AT APRIL 3, 1999....	100,382,653	1,004	450,030	227,288	603,864	(16,084)
Comprehensive income:						
Net income.....				143,497		
Foreign currency translation adjustments, net of income taxes of \$6.2 million.....						
Total comprehensive income.....						
Repurchases of common stock.....					2,348,813	(41,262)
Restricted stock amortization.....						
BALANCE AT APRIL 1, 2000....	100,382,653	1,004	450,030	370,785	2,952,677	(57,346)
Comprehensive income:						
Net income.....				59,262		
Foreign currency translation adjustments, net of income tax benefit of \$13.2 million.....						
Total comprehensive income.....						
Repurchases of common stock.....					819,129	(13,833)
Exercise of stock options....	448,778	4	10,293			
Income tax benefit from stock option exercises.....			679			
Restricted stock grants.....	118,299	1	1,999			
Restricted stock amortization.....						
BALANCE AT MARCH 31, 2001....	100,949,730	\$1,009	\$463,001	\$430,047	3,771,806	\$(71,179)

	ACCUMULATED OTHER COMPREHENSIVE INCOME	UNEARNED COMPENSATION	TOTAL
	(IN THOUSANDS, EXCEPT SHARE DATA)		
BALANCE AT MARCH 28, 1998....	--	\$(1,333)	\$584,326
Comprehensive income:			
Net income.....			90,550
Total comprehensive income.....			113
Exercise of stock options....			(16,084)
Repurchases of common stock.....			
Restricted stock grants.....		(2,000)	--
BALANCE AT APRIL 3, 1999....	--	(3,333)	658,905
Comprehensive income:			
Net income.....			
Foreign currency translation adjustments,			

net of income taxes of \$6.2 million.....	9,655		
Total comprehensive income.....			153,152
Repurchases of common stock.....			(41,262)
Restricted stock amortization.....		1,642	1,642
	-----	-----	-----
BALANCE AT APRIL 1, 2000.....	9,655	(1,691)	772,437
Comprehensive income:			
Net income.....			
Foreign currency translation adjustments, net of income tax benefit of \$13.2 million.....	(20,184)		
Total comprehensive income.....			39,078
Repurchases of common stock.....			(13,833)
Exercise of stock options....			10,297
Income tax benefit from stock option exercises.....			679
Restricted stock grants.....		(2,000)	--
Restricted stock amortization.....		651	651
	-----	-----	-----
BALANCE AT MARCH 31, 2001....	<u>\$(10,529)</u>	<u>\$(3,040)</u>	<u>\$809,309</u>

See accompanying notes to consolidated financial statements.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEAR ENDED		
	MARCH 31, 2001	APRIL 1, 2000	APRIL 3, 1999
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income.....	\$ 59,262	\$ 143,497	\$ 90,550
Adjustments to reconcile net income to net cash provided by operating activities:			
(Benefit from) provision for deferred income taxes.....	(23,430)	6,761	(25,771)
Depreciation and amortization.....	78,599	66,280	46,414
Cumulative effect of change in accounting principle.....	--	3,967	--
Provision for losses on accounts receivable.....	547	2,734	1,060
Changes in deferred liabilities.....	(27,989)	3,155	(4,782)
Provision for restructuring.....	98,836	--	19,040
Foreign currency gains.....	(5,846)	--	--
Other.....	(9,885)	4,770	2,073
Changes in assets and liabilities, net of acquisitions			
Accounts receivable.....	(68,968)	(32,746)	(9,542)
Inventories.....	(44,626)	53,325	(76,396)
Prepaid expenses and other.....	(22,967)	1,216	(25,526)
Other assets.....	8,042	(9,801)	(9,095)
Accounts payable.....	30,683	31,281	(13,452)
Accrued expenses and other.....	28,028	(31,750)	43,950
Net cash provided by operating activities.....	100,286	242,689	38,523
Cash Flows From Investing Activities			
Purchases of property and equipment, net.....	(105,170)	(122,010)	(141,692)
Investments in marketable securities.....	(50,721)	--	--
Acquisitions, net of cash acquired.....	(20,929)	(235,144)	(6,981)
Proceeds from (payments of) restricted cash for Club Monaco acquisition.....	--	44,217	(44,217)
Cash surrender value -- officers' life insurance....	(5,152)	(5,385)	(3,339)
Net cash used in investing activities.....	(181,972)	(318,322)	(196,229)
Cash Flows From Financing Activities			
Repurchases of common stock.....	(13,833)	(41,262)	(16,084)
Proceeds from issuance of common stock.....	10,297	--	113
Proceeds from (repayments of) short-term borrowings, net.....	2,939	(39,400)	115,500
Repayments of long-term debt.....	(25,289)	(37,358)	(337)
Proceeds from long-term debt.....	--	319,610	44,217
Net Cash (Used In) Provided By Financing Activities.....	(25,886)	201,590	143,409
Effect of exchange rate changes on cash.....	(5,501)	(5,844)	--
Net (decrease) increase in cash and cash equivalents.....	(113,073)	120,113	(14,297)
Cash and cash equivalents at beginning of period.....	164,571	44,458	58,755
Cash and cash equivalents at end of period.....	\$ 51,498	\$ 164,571	\$ 44,458
	=====	=====	=====

See accompanying notes to consolidated financial statements.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEAR ENDED		
	MARCH 31, 2001	APRIL 1, 2000	APRIL 3, 1999
	(IN THOUSANDS)		
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest.....	\$25,318	\$ 7,713	\$ 2,776
	=====	=====	=====
Cash paid for income taxes.....	\$72,599	\$112,202	\$77,877
	=====	=====	=====
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Fair value of assets acquired, excluding cash.....	\$ --	\$398,737	\$14,868
Less:			
Cash paid.....	--	235,144	6,981
Acquisition obligation.....	--	21,637	--
Promissory notes issued.....	--	--	5,000
	-----	-----	-----
Liabilities assumed.....	\$ --	\$141,956	\$ 2,887
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

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

1 BASIS OF PRESENTATION AND ORGANIZATION

(A) BASIS OF PRESENTATION

Polo Ralph Lauren Corporation ("PRLC") was incorporated in Delaware in March 1997. The consolidated financial statements include the accounts of PRLC and its wholly and majority owned subsidiaries. All intercompany balances and transactions have been eliminated. PRLC and its subsidiaries are collectively referred to herein as "we," "us," "our" and "ourselves."

We have included the December 31, 2000 consolidated balance sheet and January 6, 2000 combined balance sheet of Poloco (as defined), our wholly owned subsidiary, in the accompanying March 31, 2001 and April 1, 2000, consolidated balance sheets. We also have consolidated the results of operations of Poloco for the year ended December 31, 2000, in the March 31, 2001 consolidated statements of income, stockholders' equity and cash flows.

(B) ACQUISITIONS AND JOINT VENTURE

On February 7, 2000, we announced the formation of Ralph Lauren Media, LLC ("RL Media"), a joint venture between National Broadcasting Company, Inc. and certain affiliated companies ("NBC") and ourselves. RL Media was created to bring our American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Under the 30-year joint venture agreement, RL Media will be owned 50% by us and 50% by NBC. In exchange for a 50% interest, we will provide marketing through our annual print advertising campaign, make our merchandise available at initial cost of inventory and sell RL Media's excess inventory through our outlet stores, among other things. NBC will contribute \$110.0 million of television and online advertising. NBC will also contribute \$40.0 million in online distribution and promotion and a cash funding commitment up to \$50.0 million. Under the terms of the joint venture agreement, for tax purposes, we will not absorb any losses from the joint venture up to the first \$50.0 million incurred and will share proportionately in the net income or losses thereafter. Additionally, we will receive a royalty on the sale of our products by RL Media based on specified percentages of net sales over a predetermined threshold, subject to certain limitations; to date, no such royalty income has been recognized. RL Media's managing board will have equal representation from NBC and us. The joint venture has been accounted for under the equity method from the effective date of its formation. We have not recognized any losses in excess of our financial basis.

On January 6, 2000, we completed the acquisition of stock and certain assets of Poloco S.A.S. and certain of its affiliates ("Poloco"), which hold licenses to sell our men's and boys' apparel, our men's and women's Polo Jeans apparel, and certain of our accessories in Europe. In addition to acquiring Poloco's wholesale business, we acquired one flagship store in Paris and six outlet stores located in France, the United Kingdom and Austria. We acquired Poloco for an aggregate cash consideration of \$209.7 million, plus the assumption of \$10.0 million in short-term debt. We used a portion of the net proceeds from the Eurobond Offering (as defined) to finance this acquisition. During the quarter ended July 1, 2000, the final 10% of the acquisition price for Poloco in the amount of \$20.9 million was distributed in accordance with the terms of the agreement. This acquisition has been accounted for as a purchase. The purchase price has been allocated based upon the fair values of the net assets acquired at the date of acquisition. This allocation resulted in an excess of purchase price over the estimated fair value of net assets acquired of \$198.3 million, which has been recorded as goodwill and is being amortized on a straight-line basis over an estimated useful life of 40 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table sets forth unaudited pro forma combined statement of income information for fiscal 2000 had the acquisition of Poloco occurred at the beginning of the period:

	FISCAL YEAR 2000 ----- (UNAUDITED)
Pro forma net revenues.....	\$2,135,736
Pro forma net income.....	162,398
Pro forma net income per share -- Basic and Diluted.....	1.64

The unaudited pro forma information above has been prepared for comparative purposes only and includes certain adjustments to our historical statements of income, such as additional amortization as a result of goodwill and increased interest expense on acquisition debt. The results do not purport to be indicative of the results of operations that would have resulted had the acquisition occurred at the beginning of the period, or of future results of operations of the consolidated entities.

On April 6, 1999, PRL Acquisition Corp., a Nova Scotia unlimited liability corporation and our wholly owned subsidiary, acquired, through a tender offer, 98.83% of the outstanding shares of Club Monaco Inc. ("Club Monaco"), a corporation organized under the laws of the Province of Ontario, Canada. On May 3, 1999, PRL Acquisition Corp. acquired the remaining outstanding 1.17% shares pursuant to a statutory compulsory acquisition. The total purchase price was \$51.0 million in cash based on foreign exchange rates in effect on the dates indicated. We used funds from our credit facility to finance this acquisition and to repay in full assumed debt of Club Monaco of \$35.0 million. We have accounted for this acquisition as a purchase and have consolidated the operations of Club Monaco in the accompanying financial statements from the effective date of the transaction. The purchase price has been allocated based upon the fair values of the net assets acquired at the date of the acquisition. This allocation resulted in an excess of purchase price over the estimated fair value of net assets acquired of \$44.5 million, which has been recorded as goodwill and is being amortized on a straight-line basis over an estimated useful life of 40 years.

(C) BUSINESS

We design, license, contract for the manufacture of, market and distribute men's and women's apparel, accessories, fragrances, skin care products and home furnishings. Our sales are principally to major department and specialty stores located throughout the United States and Europe. We also sell directly to consumers through full price, flagship, outlet and Club Monaco stores located throughout the United States, Canada, Europe, Great Britain and Asia.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

2 SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

Our fiscal year ends on the Saturday nearest to March 31. All references to "2001," "2000" and "1999" represent the 52- or 53-week fiscal years ended March 31, 2001, April 1, 2000 and April 3, 1999. Fiscal 2001 and 2000 reflect a 52-week period and fiscal 1999 reflects a 53-week period.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates embodied in the consolidated financial statements include reserves for accounts receivable, inventories and restructuring.

CASH AND CASH EQUIVALENTS

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

MARKETABLE SECURITIES

We determine the appropriate classification of our investments in debt securities at the time of purchase and reevaluate such determinations at each balance sheet date. At March 31, 2001, we had invested in debt securities which we do not intend to hold to maturity. Accordingly, these investments are classified as available-for-sale securities and are carried at fair value, with the unrealized gains and losses, net of income taxes, reported in stockholders' equity. The amortized cost of available-for-sale securities approximated their fair value at March 31, 2001. Gross realized gains and losses on sales of available-for-sale securities were not material.

Our investments in debt securities are diversified among high-credit quality securities in accordance with our risk management policy. The following is a summary of our investments in available-for-sale marketable securities at March 31, 2001:

	MARCH 31, 2001 -----
Corporate debt securities.....	\$18,462
Commercial paper.....	9,584
Money market funds.....	22,675

	\$50,721
	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The contractual maturities of debt securities at March 31, 2001, are as follows: \$44.6 million due in one year or less and \$6.1 million due between one and two years. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out ("FIFO") method) or market. Effective April 4, 1999, we changed our method of valuing our retail inventories from the retail method to the FIFO method. The impact of this change was not material.

STORE PRE-OPENING COSTS

Effective April 4, 1999, we adopted the provisions of Statement of Position No. 98-5 ("SOP No. 98-5"), Reporting on the Costs of Start-up Activities. SOP No. 98-5 requires that costs of start-up activities, including store pre-opening costs, be expensed as incurred. Prior to the adoption of SOP No. 98-5, our accounting policy was to capitalize store pre-opening costs as prepaid expenses and amortize such costs over a 12-month period following store opening. As a result of adopting SOP No. 98-5, we recorded a charge of \$4.0 million, after taxes, in fiscal 2000 as the cumulative effect of a change in accounting principle in the accompanying consolidated financial statements.

PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis. The range of useful lives is as follows: buildings -- 37.5 years; furniture and fixtures and machinery and equipment -- 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the related lease or the estimated useful life (up to 28 years). Major additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred. Additionally, we capitalize our share of the cost of constructing shop-within-shops under agreements with retailers and amortize such costs using the straight-line method over their estimated useful lives of 3 to 5 years.

GOODWILL

Goodwill represents the excess of purchase cost over the fair value of net assets of businesses acquired. We amortize goodwill on a straight-line basis over its estimated useful life, ranging from 11 to 40 years. Amortization expense was \$8.0 million, \$3.7 million and \$1.6 million in fiscal 2001, 2000 and 1999. Accumulated amortization was \$13.9 million and \$5.9 million at March 31, 2001 and April 1, 2000.

IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

We assess the carrying value of long-lived and intangible assets, including unamortized goodwill, as current facts and circumstances indicate that they may be impaired. In evaluating the fair value and future benefits of such assets, we perform an analysis of the anticipated undiscounted future net cash flows of the individual assets over the remaining amortization period and would recognize an impairment loss if the carrying value exceeded the expected future cash flows. The impairment loss would be measured based upon the difference between the fair value of the asset and its recorded carrying value. See Note 3 for long-lived and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

intangible asset write downs recorded in connection with our fiscal 2001 Operational Plan (as defined -- see Note 3) and fiscal 1999 Restructuring Plan (as defined -- see Note 3).

OFFICERS' LIFE INSURANCE

We maintain key man life insurance policies on several of our senior executives, the majority of which contain split dollar arrangements. The key man policies are recorded at their cash surrender value, while the policies with split dollar arrangements are recorded at the lesser of their cash surrender value or premiums paid. Amounts recorded under these policies aggregated \$42.0 million and \$36.9 million at March 31, 2001 and April 1, 2000, and are included in other assets in the accompanying consolidated balance sheets.

REVENUE RECOGNITION

Sales are recognized upon shipment of products to customers since title passes upon shipment and, in the case of sales by our retail and outlet stores, when goods are sold to consumers. Allowances for estimated uncollectible accounts and discounts are provided when sales are recorded. Licensing revenue is recognized based upon shipment of licensed products sold by our licensees, net of allowances.

ADVERTISING

We expense the production costs of advertising, marketing and public relations expenses upon the first showing of the related advertisement. Total advertising expenses, including cooperative advertising, amounted to \$88.8 million, \$73.6 million and \$76.2 million in fiscal 2001, 2000 and 1999.

INCOME TAXES

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

DEFERRED RENT OBLIGATIONS

We account for rent expense under noncancelable operating leases with scheduled rent increases and landlord incentives on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives is recorded as a deferred liability. Unamortized deferred rent obligations amounted to \$46.8 million and \$52.9 million at March 31, 2001 and April 1, 2000, and are included in accrued expenses and other, and other noncurrent liabilities in the accompanying consolidated balance sheets.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

The financial position and results of operations of our foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at each year end. Results of operations are translated at the average rate of exchange prevailing throughout the period. Translation adjustments arising from differences in exchange rates from period to period are included in other comprehensive income, net of taxes, except for certain foreign-denominated debt. We have designated a portion of our Eurobond (as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

defined -- See Note 7) debt as a hedge of our net investment in a foreign subsidiary. Transaction gains or losses on the unhedged portion resulting from changes in the euro rate are recorded in income and amounted to \$5.8 million in fiscal 2001. Gains and losses from other foreign currency transactions are included in operating results and were not material.

FINANCIAL INSTRUMENTS

We, from time to time, use derivative financial instruments to reduce our exposure to changes in foreign exchange and interest rates. While these instruments are subject to risk of loss from changes in exchange or interest rates, those losses generally would be offset by gains on the related exposure.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). This Statement, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recognition of all derivatives, whether designated in hedging relationships or not, as either assets or liabilities in the statement of financial position, and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value will be recognized in earnings. SFAS No. 133 is effective for our first quarter of our fiscal year ending March 30, 2002.

As described further in Note 9, we have entered into interest rate swap agreements and forward foreign exchange contracts which qualify as cash flow hedges under SFAS No. 133. In accordance with SFAS No. 133, we will record the fair value of these derivatives at April 1, 2001 and the resulting net unrealized gain, after taxes, of approximately \$4.2 million will be recorded in other comprehensive income as a cumulative transition adjustment.

STOCK OPTIONS

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

COMPREHENSIVE INCOME

Other comprehensive income consists of foreign currency translation adjustments, net of taxes, and is reflected in the consolidated statements of stockholders' equity.

SHIPPING AND HANDLING COSTS

We reflect shipping and handling costs as a component of selling, general and administrative expenses in the consolidated statements of income. These costs approximated 2.0% of net sales in each of the fiscal years presented. We bill our wholesale customers for shipping and handling costs and record such revenues in net sales upon shipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NET INCOME PER SHARE

Basic net income per share was calculated by dividing net income by the weighted average number of shares outstanding during the period, excluding any potential dilution. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and awards. The difference between the basic and diluted weighted average shares outstanding is due to the dilutive effect of stock options and restricted stock awards issued under our stock option plans.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2001, the FASB's Emerging Issues Task Force reached a consensus on Issue No. 00-25, Vendor Income Statement Characteristics of Consideration Paid to a Reseller of the Vendor's Products ("EITF No. 00-25"). EITF No. 00-25 concluded that consideration from a vendor to a reseller of the vendor's products is presumed to be a reduction of the selling prices of the vendor's products and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. That presumption is overcome and the consideration characterized as a cost incurred if a benefit is or will be received from the recipient of the consideration if certain conditions are met. This pronouncement is effective for our first quarter in the year ending March 29, 2003. We have not yet determined the impact of adopting this pronouncement on our consolidated results of operations.

RECLASSIFICATIONS

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

3 RESTRUCTURING AND SPECIAL CHARGES

(a) 2001 OPERATIONAL PLAN

During the second quarter of fiscal 2001, we completed an internal operational review and formalized our plans to enhance the growth of our worldwide luxury retail business, to better manage inventory and to increase our overall profitability (the "Operational Plan"). The major initiatives of the Operational Plan included: refining our retail strategy; developing efficiencies in our supply chain; and consolidating corporate strategic business functions and internal processes.

In connection with refining our retail strategy, we closed all 12 Polo Jeans Co. full-price retail stores and 11 under-performing Club Monaco retail stores. Costs associated with this aspect of the Operational Plan included lease and contract termination costs, store fixed asset write downs (primarily leasehold improvements of \$21.5 million) and severance and termination benefits.

Additionally, as a result of changes in market conditions combined with our change in retail strategy in certain locations in which we operate full-price retail stores, we performed an evaluation of the recoverability of the assets of certain of these stores in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. We concluded from the results of this evaluation that a significant permanent impairment of long-lived assets had occurred. Accordingly, we recorded a write down of these assets (primarily leasehold improvements) to their estimated fair value based on discounted future cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In connection with the implementation of the Operational Plan, we recorded a pretax restructuring charge of \$128.6 million in our second quarter of fiscal 2001. After extensive review of the Operational Plan, and changes in business conditions in certain markets in which we operate, we made an adjustment to the Operational Plan in our fourth quarter of fiscal 2001. We recorded a \$5.0 million reduction of the liability for lease and contract termination costs resulting from the overestimation of costs associated with the closure of our retail stores due to market conditions that were more favorable than originally estimated. The major components of the charge and the activity through March 31, 2001, were as follows:

	SEVERANCE AND TERMINATION BENEFITS	ASSET WRITE DOWNS	LEASE AND CONTRACT TERMINATION COSTS	OTHER COSTS	TOTAL
	-----	-----	-----	-----	-----
2001 provision.....	\$ 7,947	\$ 98,835	\$ 15,638	\$1,134	\$ 123,554
2001 activity.....	(5,005)	(98,835)	(11,469)	(352)	(115,661)
	-----	-----	-----	-----	-----
Balance at March 31, 2001....	\$ 2,942	\$ --	\$ 4,169	\$ 782	\$ 7,893
	=====	=====	=====	=====	=====

Our operational review also targeted our supply chain management as one of the most important areas for improvement. In connection with initiating this aspect of the Operational Plan, we recorded \$37.9 million of inventory write downs in our second quarter of fiscal year 2001 associated with our planned acceleration in the reduction of aged inventory. In the fourth quarter of fiscal 2001, we determined that the original provision was not sufficient and recorded additional inventory write downs of \$3.6 million. These charges are reflected in cost of goods sold in the accompanying consolidated statement of income.

Our Operational Plan also included the consolidation of certain corporate strategic business functions and internal processes. Costs associated with this aspect of the plan included the termination of operating contracts, streamlining of certain corporate and operating functions, and employee related matters. These costs aggregated \$18.1 million and are included in selling, general and administrative expenses in the accompanying consolidated statement of income.

Total severance and termination benefits as a result of the Operational Plan related to approximately 550 employees, 450 of whom have been terminated as of March 31, 2001. Total cash outlays related to the Operational Plan are expected to be approximately \$24.7 million, \$16.8 million of which have been paid to date. We expect to complete the implementation of the Operational Plan by the end of our second quarter of fiscal 2002 and expect to settle the remaining liabilities in accordance with contract terms which extend until fiscal 2003.

(b) 1999 RESTRUCTURING PLAN

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

In an effort to improve the overall profitability of our retail operations, we closed three Polo stores and three outlet stores that were not performing at an acceptable level. Additionally, we converted two Polo stores and five outlet stores to new concepts expected to be more productive. Costs associated with this aspect of the Restructuring Plan included lease and

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

contract termination costs, store fixed asset (primarily leasehold improvements) and intangible asset write downs and severance and termination benefits.

Our wholesale operations were realigned into two new operating units: Polo Brands and Collection Brands. Aspects of this realignment included: (i) the reorganization of the sales force and retail development areas; (ii) the streamlining of the design and development process; and (iii) the consolidation of the customer service departments. Additionally, we integrated the sourcing and production of our Polo Brands, outlet store and licensees' products into one consolidated unit. Costs associated with the wholesale realignment consisted primarily of severance and termination benefits and lease termination costs. Our review of our corporate business functions and internal processes resulted in a new management structure designed to better align businesses with similar functions and to identify and eliminate duplicative processes. Costs associated with the corporate realignment consisted primarily of severance and termination benefits and lease and contract termination costs.

In connection with the implementation of the Restructuring Plan, we recorded a pretax restructuring charge of \$58.6 million in our fourth quarter of fiscal 1999. The major components of the restructuring charge and the activity through March 31, 2001, were as follows:

	SEVERANCE AND TERMINATION BENEFITS	ASSET WRITE DOWNS	LEASE AND CONTRACT TERMINATION COSTS	OTHER COSTS	TOTAL
	-----	-----	-----	-----	-----
1999 provision.....	\$ 15,277	\$ 17,788	\$ 24,665	\$ 830	\$ 58,560
1999 activity.....	(3,318)	(17,788)	(1,112)	(105)	(22,323)
	-----	-----	-----	-----	-----
Balance at April 3, 1999.....	11,959	--	23,553	725	36,237
2000 activity.....	(4,694)	--	(18,675)	(585)	(23,954)
	-----	-----	-----	-----	-----
Balance at April 1, 2000.....	7,265	--	4,878	140	12,283
2001 activity.....	(3,019)	--	(3,131)	(140)	(6,290)
	-----	-----	-----	-----	-----
Balance at March 31, 2001.....	\$ 4,246	\$ --	\$ 1,747	\$ --	\$ 5,993
	=====	=====	=====	=====	=====

After extensive review of the Restructuring Plan, and changes in business conditions in certain markets in which we operate, we made adjustments to the Restructuring Plan and incurred other restructuring related costs in fiscal 2000. These adjustments included the following: (i) a \$0.9 million reduction of the liability for lease and contract termination costs resulting from the overestimation of costs associated with the closure and conversion of our retail stores due to improved market conditions; and (ii) a \$0.9 million charge for the underestimation of severance and termination benefits recorded in the Restructuring Plan. The above adjustments had no net impact.

Total severance and termination benefits as a result of the Restructuring Plan related to 280 employees, all of whom have been terminated. Total cash outlays related to the Restructuring Plan are approximately \$39.5 million, \$33.5 million of which have been paid to date. We completed the implementation of the Restructuring Plan in fiscal 2000 and expect to settle the remaining liabilities in accordance with contract terms which extend until fiscal 2003.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4 INVENTORIES

	MARCH 31, 2001	APRIL 1, 2000
	-----	-----
Raw materials.....	\$ 7,024	\$ 13,649
Work-in-process.....	6,251	6,337
Finished goods.....	412,319	370,967
	-----	-----
	\$425,594	\$390,953
	=====	=====

5 PROPERTY AND EQUIPMENT

	MARCH 31, 2001	APRIL 1, 2000
	-----	-----
Land and improvements.....	\$ 3,408	\$ 3,108
Buildings.....	10,178	10,178
Furniture and fixtures.....	229,824	192,444
Machinery and equipment.....	56,833	49,807
Leasehold improvements.....	304,681	350,367
	-----	-----
	604,924	605,904
Less: accumulated depreciation and amortization.....	275,995	232,927
	-----	-----
	\$328,929	\$372,977
	=====	=====

6 ACCRUED EXPENSES AND OTHER

	MARCH 31, 2001	APRIL 1, 2000
	-----	-----
Accrued operating expenses.....	\$108,441	\$ 90,467
Accrued payroll and benefits.....	37,760	26,621
Accrued restructuring charges.....	13,886	12,283
Accrued acquisition obligation.....	--	21,637
Accrued shop-within-shops.....	15,085	17,808
	-----	-----
	\$175,172	\$168,816
	=====	=====

7 FINANCING AGREEMENTS

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

On March 30, 1999, in connection with our acquisition of Club Monaco, we entered into a \$100.0 million senior credit facility (the "1999 Credit Facility") with a syndicate of banks consisting of a \$20.0 million revolving line of credit and an \$80.0 million term loan (the "Term Loan"). The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The Term Loan was used to finance the acquisition of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the stock of Club Monaco and to repay existing indebtedness of Club Monaco. The Term Loan is repayable on June 30, 2003. Borrowings under the 1999 Credit Facility bear interest, at our option, at a Base Rate equal to the higher of the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent, and the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin. In April 1999, we entered into interest rate swap agreements with a notional amount of \$100.0 million to convert the variable interest rate on the 1999 Credit Facility to a fixed rate of 5.5% (see Note 9).

The Credit Facility and 1999 Credit Facility (the "Credit Facilities") contain customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreements provide that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of our common stock. On October 18, 2000, we received consent from our lenders under the Credit Facilities permitting us to incur the charges we recorded in connection with the Operational Plan (see Note 3) up to specified thresholds.

On November 22, 1999, we issued Euro 275.0 million of 6.125 percent Notes (the "Eurobonds") due November 2006 (the "Eurobond Offering"). The Eurobonds are listed on the London Stock Exchange. The net proceeds from the Eurobond Offering were \$281.5 million based on the Euro exchange rate on the issuance date. A portion of the net proceeds from the issuance was used to finance the acquisition of stock and certain assets of Poloco while the remaining net proceeds were retained for general corporate purposes. Interest on the Eurobonds is payable annually. During fiscal 2001, we repurchased 27.5 million of our outstanding Eurobonds, or \$25.3 million based on Euro exchange rates. The loss on this early extinguishment of debt was not material.

As discussed in Note 2 (b), in connection with the Poloco acquisition, we assumed borrowings under short-term facilities which represent overdraft positions on bank accounts. These borrowings bore interest at .5% to 1.0% over the Euro Overnight Indexed Average which was 5.16% and 3.75% at March 31, 2001 and April 1, 2000.

At March 31, 2001, we had \$86.1 million outstanding in direct borrowings, \$80.0 million outstanding under the Term Loan and \$217.0 million outstanding in Eurobonds based on the year-end Euro exchange rate. We were also contingently liable for \$34.2 million in outstanding letters of credit related primarily to commitments for the purchase of inventory. At April 1, 2000, we had \$86.1 million outstanding in direct borrowings, \$80.0 million outstanding under the Term Loan and \$262.7 million outstanding in Eurobonds based on the year-end Euro exchange rate. The Credit Facilities bore interest primarily at the institution's prime rate (ranging from 5.9% to 8.5% at March 31, 2001 and 6.9% to 9.0% at April 1, 2000). The weighted average interest rate on borrowings was 6.3%, 6.1% and 7.4% in fiscal 2001, 2000 and 1999.

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8 INCOME TAXES

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

	FISCAL YEAR		
	2001	2000	1999
	----	----	----
Current:			
Federal.....	\$ 27,984	\$ 71,565	\$ 68,012
State and local.....	21,605	17,398	15,080
Foreign.....	12,533	5,698	4,955
	-----	-----	-----
	62,122	94,661	88,047
	-----	-----	-----
Deferred:			
Federal.....	(11,689)	4,527	(19,654)
State and local.....	(11,741)	2,234	(6,117)
	-----	-----	-----
	(23,430)	6,761	(25,771)
	-----	-----	-----
	\$ 38,692	\$101,422	\$ 62,276
	=====	=====	=====

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

	FISCAL YEAR		
	2001	2000	1999
	----	----	----
Domestic.....	\$127,071	\$215,270	\$102,644
Foreign.....	(29,117)	33,616	50,182
	-----	-----	-----
	\$ 97,954	\$248,886	\$152,826
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The deferred tax assets reflect the net tax effect of temporary differences, primarily net operating loss carryforwards, property and equipment and accounts receivable, between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. The components of the net deferred tax assets at March 31, 2001 and April 1, 2000, were as follows:

	MARCH 31, 2001	APRIL 1, 2000
	-----	-----
DEFERRED TAX ASSETS:		
Net operating loss carryforwards.....	\$ 30,651	\$15,602
Property and equipment.....	27,622	1,082
Accounts receivable.....	14,785	20,353
Uniform inventory capitalization.....	8,217	7,945
Deferred compensation.....	6,628	6,778
Restructuring reserves.....	5,106	4,709
Trademark expenses.....	4,473	2,924
Accrued expenses.....	2,057	3,327
Accrued royalty income.....	1,941	3,519
Other.....	13,246	2,569
	-----	-----
	114,726	68,808
Less: Valuation allowance.....	22,426	17,362
	-----	-----
	\$ 92,300	\$51,446
	=====	=====

We have available Federal net operating loss carryforwards of approximately \$17.2 million and state net operating loss carryforwards of approximately \$202.2 million for tax purposes to offset future taxable income. The net operating loss carryforwards expire beginning in fiscal 2004. The utilization of the Federal net operating loss carryforwards is subject to the limitations of Internal Revenue Code Section 382 which applies following certain changes in ownership of the entity generating the loss carryforward. As a result of the limitation of Section 382, we believe that approximately \$3.2 million of the federal net operating loss carryforwards will expire and not be utilized. A valuation allowance has been recorded against such net operating losses.

Also, we have available additional state and foreign net operating loss carryforwards of approximately \$15.0 million and \$20.4 million for which no net deferred tax asset has been recognized. A full valuation allowance has been recorded since we do not believe that we will more likely than not be able to utilize these carryforwards to offset future taxable income. Subsequent recognition of a substantial portion of the deferred tax asset relating to these Federal, state and foreign net operating loss carryforwards would result in a reduction of goodwill recorded in connection with acquisitions. Additionally, we have recorded a valuation allowance against certain other deferred tax assets relating to our Canadian operations. Subsequent recognition of these deferred tax assets, as well as a portion of the foreign net operating loss carryforwards, would result in an income tax benefit in the year of such recognition.

Provision has not been made for United States or additional foreign taxes on approximately \$49.0 million of undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to tax if they were remitted as dividends, if foreign earnings were lent to PRLC or a subsidiary or U.S. affiliate of PRLC, or if the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

stock of the subsidiaries were sold. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practical. We believe that the amount of the additional taxes that might be payable on the earnings of foreign subsidiaries, if remitted, would be partially offset by United States foreign tax credits.

The historical provision for income taxes in fiscal 2001, 2000 and 1999 differs from the amounts computed by applying the statutory Federal income tax rate to income before income taxes due to the following:

	FISCAL YEAR		
	2001	2000	1999
	----	----	----
Provision for income taxes at statutory Federal rate.....	\$34,284	\$ 87,110	\$53,489
Increase (decrease) due to:			
State and local income taxes, net of Federal benefit.....	6,005	12,761	5,825
Foreign income, net.....	(2,499)	753	1,055
Other.....	902	798	1,907
	-----	-----	-----
	\$38,692	\$101,422	\$62,276
	=====	=====	=====

9 FINANCIAL INSTRUMENTS

In April 1999, we entered into interest rate swap agreements with commercial banks which expire in 2003 to hedge against interest rate fluctuations. The swap agreements effectively convert borrowings under the 1999 Credit Facility from variable rate to fixed rate obligations. Under the terms of these agreements, we make payments at a fixed rate of 5.5% and receive payments from the counterparty based on the notional amount of \$100.0 million at a variable rate based on the London Inter-Bank Offer Rate ("LIBOR"). The net interest paid or received on this arrangement is included in interest expense. The fair value of these agreements was an unrealized loss of \$1.4 million and an unrealized gain of \$4.4 million at March 31, 2001 and April 1, 2000, based upon the estimated amount that we would have to pay or would receive to terminate the agreements, as determined by the financial institutions.

We entered into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce our risk from exchange rate fluctuations. Gains and losses on these contracts are deferred and recognized as adjustments to the basis of those assets. These gains and losses were not material. At March 31, 2001, we had foreign exchange contracts outstanding as follows: (i) to receive 60 million French Francs in fiscal 2001 in exchange for 5.6 million British Pounds; (ii) to deliver 279 million French Francs in fiscal 2001 in exchange for \$50.0 million; (iii) to deliver 1.5 million British Pounds in fiscal 2001 in exchange for Euro 2.5 million; and (iv) to deliver \$1.3 million in fiscal 2001 in exchange for Euro 1.5 million. The fair value of these contracts resulted in an unrealized gain of approximately \$10.0 million at March 31, 2001.

The carrying amounts of financial instruments reported in the accompanying consolidated balance sheets at March 31, 2001 and April 1, 2000, approximated their estimated fair values, except for the Eurobonds, primarily due to either the short-term maturity of the instruments or their adjustable market rate of interest. The fair value of the Eurobonds, net of discounts, was \$217.1 million and \$258.6 million as of March 31, 2001 and April 1, 2000, based on its quoted market price as listed on the London Stock Exchange. Considerable judgment is required in interpreting certain market data to develop estimated fair values for certain financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange.

10 CONCENTRATION OF CREDIT RISK

We sell our merchandise primarily to major upscale department stores across the United States and extend credit based on an evaluation of the customer's financial condition generally without requiring collateral. Credit risk is driven by conditions or occurrences within the economy and the retail industry and is principally dependent on each customer's financial condition. A decision by the controlling owner of a group of stores or any substantial customer to decrease the amount of merchandise purchased from us or to cease carrying our products could have a material adverse effect. We had three customers who in aggregate constituted approximately 52.0% and 54.0% of trade accounts receivable outstanding at March 31, 2001 and April 1, 2000.

We had three significant customers who accounted for approximately 11.0%, 10.0% and 10.0% each of net sales in fiscal 2001, and for approximately 12.0%, 11.0% and 10.0% each of net sales in fiscal 2000. We had two significant customers who accounted for approximately 10.0% each of net sales in fiscal 1999. Additionally, we had four significant licensees who in aggregate constituted approximately 53.0%, 58.0% and 55.0% of licensing revenue in fiscal 2001, 2000 and 1999.

We monitor credit levels and the financial condition of our customers on a continuing basis to minimize credit risk. We believe that adequate provision for credit loss has been made in the accompanying consolidated financial statements.

We are also subject to concentrations of credit risk with respect to our cash and cash equivalents, marketable securities, interest rate swap agreements and forward foreign exchange contracts which we attempt to minimize by entering into these arrangements with major banks and financial institutions and investing in high-quality instruments. We do not expect any counterparties to fail to meet their obligations.

11 EMPLOYEE BENEFITS

PROFIT SHARING RETIREMENT SAVINGS PLANS

We sponsor two defined contribution benefit plans covering substantially all eligible U.S. employees not covered by a collective bargaining agreement. The plans include a savings plan feature under Section 401(k) of the Internal Revenue Code. We make discretionary contributions to the plans and contribute an amount equal to 50% of the first 6% of an employee's contribution. Under the terms of the plans, a participant is 100% vested in our matching and discretionary contributions after five years of credited service. Contributions under these plans approximated \$7.4 million, \$4.3 million and \$8.7 million in fiscal 2001, 2000 and 1999.

UNION PENSION

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from or termination of a multi-employer plan, is required to continue funding its proportionate share of the plan's unfunded vested benefits. Such withdrawal liability was assumed in conjunction with the acquisition of certain assets from a nonaffiliated licensee. We have no current intention of withdrawing from the plan.

DEFERRED COMPENSATION

We have deferred compensation arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. The amounts accrued under these plans were \$18.1 million and \$16.7 million at March 31, 2001 and April 1, 2000, and are reflected in other noncurrent liabilities in the accompanying consolidated balance sheets. Total compensation expense recorded was \$3.2 million, \$2.6 million and \$2.7 million in fiscal 2001, 2000 and 1999. We fund a portion of these obligations through the establishment of trust accounts on behalf of the executives participating in the plans. The trust accounts are reflected in other assets in the accompanying consolidated balance sheets.

12 COMMON STOCK

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

13 STOCK INCENTIVE PLANS

On June 9, 1997, our Board of Directors adopted the 1997 Long-Term Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan authorizes the grant of awards to any officer or other employee, consultant to, or director with respect to a maximum of 10.0 million shares of our Class A Common Stock (the "Shares"), subject to adjustment to avoid dilution or enlargement of intended benefits in the event of certain significant corporate events, which awards may be made in the form of: (i) nonqualified stock options; (ii) stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code; (iii) stock appreciation rights; (iv) restricted stock and/or restricted stock units; (v) performance awards; and (vi) other stock-based awards. On June 13, 2000, our Board of Directors increased the maximum number of Shares that can be granted under the Stock Incentive Plan to 20.0 million shares. At March 31, 2001, we had an additional 11.0 million Shares reserved for issuance under this plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On June 9, 1997, our Board of Directors adopted the 1997 Stock Option Plan for Non-Employee Directors (the "Non-Employee Directors Plan"). Under the Non-Employee Directors Plan, grants of options to purchase up to 500,000 Shares may be granted to non-employee directors. Stock options vest in equal installments over two years and expire ten years from the date of grant. In fiscal 2001, 2000 and 1999, our Board of Directors granted options to purchase 12,250, 12,000 and 28,500 Shares with exercise prices equal to the stock's fair market value on the date of grant. At March 31, 2001, we had 417,250 options reserved for issuance under this plan.

Stock options were granted in fiscal 2001, 2000 and 1999 under the plans with an exercise price equal to the stock's fair market value on the date of grant. These options vest in equal installments primarily over three years for officers and other key employees and over two years for all remaining employees and non-employee directors. The options expire ten years from the date of grant. No compensation cost has been recognized in the accompanying consolidated financial statements in accordance with APB No. 25. If compensation cost had been recognized for stock options granted under the plans based on the fair value of the stock options at the grant date in accordance with SFAS No. 123, our historical net income and net income per share in fiscal 2001, 2000 and 1999 would have been reduced to the following pro forma amounts:

	FISCAL YEAR		
	2001	2000	1999
Pro forma net income.....	\$43,120	\$128,000	\$77,953
Pro forma net income per share --			
Basic.....	0.45	1.29	0.78
Diluted.....	0.44	1.29	0.78

We used the Black-Scholes option-pricing model to determine the fair value of grants made. The weighted average fair value of options granted was \$11.14, \$12.33 and \$14.02 per share in fiscal 2001, 2000 and 1999. The following assumptions were applied in determining the fair value of options granted:

	FISCAL YEAR		
	2001	2000	1999
Risk-free interest rate.....	6.35%	5.81%	5.46%
Expected dividend yield.....	0%	0%	0%
Weighted average expected option life.....	6.0yrs	6.0yrs	6.0yrs
Expected stock price volatility.....	85.0%	65.0%	44.0%

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock option activity for the Stock Incentive Plan and Non-Employee Directors Plan in fiscal 2001, 2000 and 1999 was as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
BALANCE AT MARCH 28, 1998.....	4,084	\$26.00
Granted.....	1,736	27.70
Exercised.....	(4)	26.00
Forfeited.....	(518)	26.24
	-----	-----
BALANCE AT APRIL 3, 1999.....	5,298	\$26.53
Granted.....	2,767	19.07
Exercised.....	--	--
Forfeited.....	(815)	25.64
	-----	-----
BALANCE AT APRIL 1, 2000.....	7,250	\$23.77
Granted.....	2,831	14.73
Exercised.....	(449)	22.95
Forfeited.....	(764)	22.00
	-----	-----
BALANCE AT MARCH 31, 2001.....	8,868	\$20.79
	=====	=====

Additional information relating to options outstanding as of March 31, 2001, was as follows:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE OF OPTIONS OUTSTANDING	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE OF EXERCISABLE OPTIONS
-----	-----	-----	-----	-----	-----
\$13.94 - \$17.06	2,576	9.2	\$14.28	9	\$17.06
\$17.13 - \$19.56	2,144	8.2	19.00	607	18.98
\$20.19 - \$25.19	328	8.6	22.14	95	22.52
\$26.00 - \$29.91	3,820	6.5	26.71	3,414	6.53
	-----	---	-----	-----	-----
	8,868	7.8	\$20.79	4,125	\$25.31
	=====	===	=====	=====	=====

In March 1998, our Board of Directors authorized the repurchase, subject to market conditions, of up to \$100.0 million of our Shares. Share repurchases were made in the open market over the two-year period which commenced April 1, 1998. On March 2, 2000, our Board of Directors authorized a two-year extension to the stock repurchase program. Shares acquired under the repurchase program will be used for stock option programs and other corporate purposes. The repurchased Shares have been accounted for as treasury stock at cost. At March 31, 2001, we had repurchased 3,771,806 Shares at an aggregate cost of \$71.2 million.

14 COMMITMENTS AND CONTINGENCIES

LEASES

We lease office, warehouse and retail space and office equipment under operating leases which expire through 2029. As of March 31, 2001, aggregate minimum annual rental payments

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

under noncancelable operating leases with lease terms in excess of one year were payable as follows:

FISCAL YEAR ENDING

- - - - -

2002.....	\$ 80,842
2003.....	73,473
2004.....	69,055
2005.....	62,669
2006.....	54,891
Thereafter.....	318,553

	\$659,483
	=====

Rent expense charged to operations was \$75.6 million, \$66.7 million and \$59.6 million, net of sublease income of \$2.2 million, \$1.7 million and \$1.6 million, in fiscal 2001, 2000 and 1999. Substantially all outlet and retail store leases provide for contingent rentals based upon sales and require us to pay taxes, insurance and occupancy costs. Certain rentals are based solely on a percentage of sales, and one significant lease requires a fair market value adjustment at January 1, 2004. Contingent rental charges included in rent expense were \$6.1 million, \$5.3 million and \$4.1 million in fiscal 2001, 2000 and 1999.

EMPLOYMENT AGREEMENTS

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

TAXES

The predecessor of Poloco, which we acquired in January 2000, has been subject to a tax audit in France for the years 1996, 1997 and 1998. In late December 1999, the French tax authorities issued a notification preliminarily advising that additional taxes, penalties and interest would be due for the years in question. Poloco and its former parent, S.A. Louis Dreyfus ("Dreyfus") are contesting the assessment. We are indemnified by Dreyfus under the purchase agreement.

LEGAL MATTERS

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based companies that source apparel garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationships with the factories, have violated various Federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising and seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in Federal Court for the Central District of California and subsequently transferred to the United States District Court for the District of Hawaii, is brought on behalf of a purported class consisting of the Saipan factory workers. It alleges claims under the Federal civil RICO statute,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Federal peonage and involuntary servitude laws, the Alien Tort Claims Act, and state tort law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. Although we were not named as a defendant in these suits, we source products in Saipan, and counsel for the plaintiffs in these actions informed us that we are a potential defendant in these or similar actions. We have since entered into an agreement to settle any claims for nonmaterial consideration. The settlement agreement is subject to court approval. We have denied any liability and are not in a position to evaluate the likelihood of a favorable or unfavorable outcome if the settlement is not approved and litigation proceeds.

As part of the settlement, we have since been named as a defendant, along with certain other apparel companies, in a State Court action in California styled Union of Needletrades Industrial and Textile Employees, et al. v. Brylane, L.P., et al., in the San Francisco County Superior Court for the District of Hawaii, that mirrors portions of the larger State and Federal Court actions but does not include RICO and certain of the other claims alleged in those actions. The newly filed actions are expected to remain inactive unless settlement is not finally approved by the Federal Court.

We are from time to time involved in legal claims, involving trademark and intellectual property, licensing, employee relations and other matters incidental to our business. In our opinion, the resolution of any matter currently pending will not have a material adverse effect on our consolidated financial condition or results of operations.

15 QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of certain unaudited quarterly financial information for fiscal 2001 and 2000:

FISCAL 2001 -----	JULY 1, 2000 -----	SEPT. 30, 2000 -----	DEC. 30, 2000 -----	MARCH 31, 2001 -----
Net revenues.....	\$487,297	\$586,217	\$613,740	\$538,520
Gross profit.....	252,547	250,133	297,520	262,847
Net income (loss).....	23,983	(62,821)	50,603	47,497
Net income (loss) per share --				
Basic.....	\$ 0.25	\$ (0.65)	\$ 0.52	\$ 0.49
Diluted.....	0.25	(0.65)	0.52	0.48
Shares outstanding -- Basic.....	97,092	96,713	96,530	96,740
Shares outstanding -- Diluted.....	97,350	97,256	97,347	98,164

FISCAL 2000 -----	JULY 3, 1999 -----	OCT. 2, 1999 -----	JAN. 1, 2000 -----	APRIL 1, 2000 -----
Net revenues.....	\$434,421	\$543,885	\$510,299	\$466,923
Gross profit.....	216,975	269,415	239,580	227,168
Net income.....	24,110	55,349	32,268	31,770
Net income per share --				
Basic and Diluted.....	\$ 0.24	\$ 0.56	\$ 0.33	\$ 0.32
Shares outstanding -- Basic.....	99,533	99,118	98,808	98,243
Shares outstanding -- Diluted.....	99,704	99,251	98,938	98,347

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

16 SEGMENT REPORTING

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

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

The retail segment operates two types of stores: outlet and full price stores, including flagship stores. The stores sell our products purchased from our wholesale segment, our licensees and our suppliers.

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

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

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Our net revenues, income from operations, depreciation and amortization expense and capital expenditures for fiscal 2001, 2000 and 1999, and total assets as of March 31, 2001, April 1, 2000 and April 3, 1999, for each segment were as follows:

	FISCAL YEAR		
	2001	2000	1999
	----	----	----
NET REVENUES:			
Wholesale.....	\$1,053,842	\$ 885,246	\$ 859,498
Retail.....	928,577	833,980	659,352
Licensing.....	243,355	236,302	208,009
	-----	-----	-----
	\$2,225,774	\$1,955,528	\$1,726,859
	=====	=====	=====
INCOME FROM OPERATIONS:			
Wholesale.....	\$ 127,040	\$ 81,139	\$ 59,796
Retail.....	27,710	26,176	31,840
Licensing.....	145,598	149,900	122,509
	-----	-----	-----
	300,348	257,215	214,145
Less: Unallocated restructuring and special charges.....	183,127	--	58,560
Add: Cumulative effect of pretax accounting change.....	--	6,696	--
	-----	-----	-----
	\$ 117,221	\$ 263,911	\$ 155,585
	=====	=====	=====
DEPRECIATION AND AMORTIZATION:			
Wholesale.....	\$ 31,642	\$ 23,004	\$ 21,111
Retail.....	35,896	36,393	20,349
Licensing.....	11,061	6,883	4,954
	-----	-----	-----
	\$ 78,599	\$ 66,280	\$ 46,414
	=====	=====	=====
CAPITAL EXPENDITURES:			
Wholesale.....	\$ 20,957	\$ 16,219	\$ 32,013
Retail.....	57,836	60,778	59,568
Licensing.....	6,217	3,813	7,817
Corporate.....	20,160	41,200	42,294
	-----	-----	-----
	\$ 105,170	\$ 122,010	\$ 141,692
	=====	=====	=====
	MARCH 31,	APRIL 1,	APRIL 3,
	2001	2000	1999
	-----	-----	-----
TOTAL ASSETS:			
Wholesale.....	\$ 604,834	\$ 524,223	\$ 376,154
Retail.....	528,836	596,989	424,203
Licensing.....	154,714	202,090	73,389
Corporate.....	337,709	297,260	230,838
	-----	-----	-----
	\$1,626,093	\$1,620,562	\$1,104,584
	=====	=====	=====

POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Our net revenues for fiscal 2001, 2000 and 1999, and our long-lived assets as of March 31, 2001 and April 1, 2000, by geographic location were as follows:

		FISCAL YEAR	
	2001	2000	1999
	----	----	----
NET REVENUES:			
United States.....	\$1,875,223	\$1,802,246	\$1,648,092
Foreign countries.....	350,551	153,282	78,767
	-----	-----	-----
	\$2,225,774	\$1,955,528	\$1,726,859
	=====	=====	=====
		MARCH 31,	APRIL 1,
		2001	2000
		-----	-----
LONG-LIVED ASSETS:			
United States.....		\$286,257	\$306,439
Foreign countries.....		42,672	66,538
		-----	-----
		\$328,929	\$372,977
		=====	=====

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF POLO RALPH LAUREN CORPORATION
NEW YORK, NEW YORK

We have audited the consolidated financial statements of Polo Ralph Lauren Corporation and subsidiaries (the "Company"), as of March 31, 2001 and April 1, 2000, and for each of the three years in the period ended March 31, 2001, and have issued our report thereon dated May 23, 2001 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in a method of accounting), such financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of Polo Ralph Lauren Corporation and subsidiaries, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York
May 23, 2001

SCHEDULE II

POLO RALPH LAUREN CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION -----	BALANCE AT BEGINNING OF YEAR -----	CHARGED TO COSTS AND EXPENSES -----	CHARGED TO OTHER ACCOUNTS -----	DEDUCTIONS -----	BALANCE AT END OF YEAR -----
YEAR ENDED MARCH 31, 2001					
Allowance for doubtful accounts.....	\$ 9,760	\$ 547	\$0	\$ 5,640(a)	\$ 4,667
Allowance for sales discounts.....	6,871	35,521	0	34,969	7,423
	-----	-----	--	-----	-----
	\$16,631	\$36,068	\$0	\$40,609	\$12,090
	=====	=====	==	=====	=====
YEAR ENDED APRIL 1, 2000					
Allowance for doubtful accounts.....	\$ 7,147	\$ 2,734	\$0	\$ 121(a)	\$ 9,760
Allowance for sales discounts.....	6,348	34,098	0	33,575	6,871
	-----	-----	--	-----	-----
	\$13,495	\$36,832	\$0	\$33,696	\$16,631
	=====	=====	==	=====	=====
YEAR ENDED APRIL 3, 1999					
Allowance for doubtful accounts.....	\$ 6,647	\$ 1,060	\$0	\$ 560(a)	\$ 7,147
Allowance for sales discounts.....	5,800	34,320	0	33,772	6,348
	-----	-----	--	-----	-----
	\$12,447	\$35,380	\$0	\$34,332	\$13,495
	=====	=====	==	=====	=====

(a) Accounts written-off as uncollectible.

POLO RALPH LAUREN CORPORATION

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE -----
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-24733) (the "S-1"))*	
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the S-1)*	
10.1(a)	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the S-1)*+	
10.1(b)	Amendment to Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan (filed as Exhibit A to the Company's DEF 14A Proxy Statement, filed June 27, 2000)*+	
10.2	Polo Ralph Lauren Corporation 1997 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10.2 to the S-1)*+	
10.3	Polo Ralph Lauren Corporation Executive Officer Annual Incentive Plan (filed as Exhibit 10.3 to the Fiscal 2000 10-K)+	
10.4	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*	
10.5	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*	
10.6	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*	
10.7	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oreal S.A., as Licensee, and letter agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*	
10.8	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/ Lauren Company, as Licensor, and L'Oreal S.A., as Licensee, letter Agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*	
10.9	Amendment, dated November 27, 1992, to Foreign Design and Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*	
10.10	License Agreement, dated as of July 1, 2000, between Ralph Lauren Home Collection, Inc. and WestPoint Stevens Inc.** (filed herewith)	
10.11	License Agreement, dated March 1, 1998, between The Polo/Lauren Company, L.P. and Polo Ralph Lauren Japan Co., Ltd., and undated letter agreement related thereto** (filed as Exhibit 10.10 to the S-1)*	

EXHIBIT NUMBER	DESCRIPTION	PAGE
10.12	Design Services Agreement, dated March 1, 1998, between Polo Ralph Lauren Enterprises, L.P. and Polo Ralph Lauren Japan Co., Ltd. (filed as Exhibit 10.11 to the S-1)*	
10.13	Design Services Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc.** (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the Fiscal Year ended March 28, 1998 (the "Fiscal 1998 10-K"))*	
10.14	License Agreement, dated as of October 18, 1995, by and between Polo Ralph Lauren Enterprises, L.P. and Jones Apparel Group, Inc. (filed as Exhibit 10.26 to the Fiscal 1998 10-K)*	
10.15	Stockholders Agreement dated as of June 9, 1997 among Polo Ralph Lauren Corporation, GS Capital Partners, L.P., GS Capital Partners PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., Mr. Ralph Lauren, RL Holding, L.P. and RL Family (filed as Exhibit 10.22 to the S-1)*	
10.16	Form of Credit Agreement between Polo Ralph Lauren Corporation and The Chase Manhattan Bank (filed as Exhibit 10.24 to the S-1)*	
10.17	Form of Guarantee and Collateral Agreement by Polo Ralph Lauren Corporation in favor of The Chase Manhattan Bank (filed as Exhibit 10.25 to the S-1)*	
10.18	Credit Agreement between Polo Ralph Lauren Corporation and the Chase Manhattan Bank dated as of March 30, 1999 (filed as Exhibit 10.20 to the Fiscal 1999 10-K)*	
10.19	Fiscal and Paying Agency Agreement dated November 22, 1999 among Polo Ralph Lauren Corporation, its subsidiary guarantors and The Bank of New York, as fiscal and principal paying agent (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended January 1, 2000)*	
10.20	Stock and Asset Purchase Agreement between Polo Ralph Lauren Corporation and S.A. Louis Dreyfus, dated November 23, 1999 (filed as Exhibit 2.1 to the Form 8-K filed January 10, 2000)*	
10.21	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*	
10.22	Amended and Restated Employment Agreement effective April 4, 1999 between Ralph Lauren and Polo Ralph Lauren Corporation (filed as Exhibit 10.23 to the Fiscal 1999 Form 10-K)*+	
10.23	Deferred Compensation Agreement dated April 2, 1995 between F. Lance Isham and Polo Ralph Lauren, L.P.(filed as Exhibit 10.14 to the S-1)*+	
10.24	Amendment to Deferred Compensation Agreement made as of November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation+ (filed as Exhibit 10.14 to the Fiscal 1999 10-K)*+	
10.25	Amended and Restated Employment Agreement effective November 10, 1998 between F. Lance Isham and Polo Ralph Lauren Corporation (filed as Exhibit 10.16 to the Fiscal 1999 10-K)*+	
10.27	Amendment No. 1 to Amended and Restated Employment Agreement between Polo Ralph Lauren Corporation and F. Lance Isham, dated as of December 21, 2000 (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended December 30, 2000).*+	

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE -----
10.28	Employment Agreement effective April 12, 2000 between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.27 to the Fiscal 2000 10-K)*+	
10.29	Employment Agreement effective January 1, 2000 between Polo Ralph Lauren Corporation and Douglas L. Williams (filed as Exhibit 10.29 to the Fiscal 2000 10-K)*+	
21.1	List of Significant Subsidiaries of the Company.	

 * Incorporated herein by reference.

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

** Portions of Exhibits 10.5 - 10.14 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

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REQUESTED BY
POLO RALPH LAUREN CORPORATION
SEC FILE NO. 001-13057

EXHIBIT 10.10

PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH PORTIONS ARE DESIGNATED "[* * *]."

(BED & BATH -- NORTH AMERICA & EUROPE)

THIS AGREEMENT made as of July 1, 2000, between Ralph Lauren Home Collection, Inc. ("RLHC"), a Delaware corporation with a place of business at 103 Foulk Road, Suite 201, Wilmington, Delaware 19803, Polo Ralph Lauren Corporation ("PRLC"), a Delaware corporation with a place of business at 650 Madison Avenue, New York, New York, The Polo/Lauren Company, L.P., a New York limited partnership with a place of business at 103 Foulk Road, Suite 201, Wilmington, Delaware ("PLC," together with RLHC hereinafter referred to collectively as "PLC/RLHC") and WestPoint Stevens Inc., a Delaware corporation with a principal place of business at 1185 Avenue of the Americas, New York, New York 10036 ("Company").

WITNESSETH:

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

WHEREAS, Polo owns, and RLHC is the exclusive licensee of the rights to use, the "Licensed Mark", hereinafter defined, in connection with the manufacture and sale in the United States of certain items of home furnishings, including the "Licensed Products", hereinafter defined, and Company has for many years been the licensee of RLHC and its predecessors with respect to Licensed Products in the United States; and

WHEREAS, PLC owns the exclusive right to use the Licensed Mark in connection with the manufacture and sale outside the United States of certain items of home furnishings, including "Licensed Products", hereinafter defined; and

WHEREAS, Company desires to obtain, and PLC/RLHC is willing to grant, an exclusive sublicense, to use the Licensed Mark in connection with the manufacture and sale of Licensed Products in the "Territory", hereinafter defined; and

WHEREAS, Company desires to obtain, and PRLC is willing to provide, design, marketing and other services as set forth herein.

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

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

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

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

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written notice. Except for the trademarks in which rights are expressly granted herein, all rights with respect to all other trademarks are expressly reserved by PLC/RLHC, regardless of whether such trademarks include or refer to "Polo" or "Ralph Lauren", subject to Company's rights of first refusal as set forth in paragraph 2.15 hereof.

1.3. "RL Affiliates" shall mean, PLC, RLHC, Polo or any of their affiliates or related companies (as such term is defined in the Lanham Act).

1.4. "Territory" shall mean the United States, Mexico, Canada and "Europe" (hereinafter defined); provided, however, that Company shall have no right to sell any Licensed Products, and PLC/RLHC shall be free to sell or authorize the sale of Licensed Products, to hotels, motels and other lodging facilities for use in such facilities (but not for retail sale at such facilities). From time to time PLC/RLHC may authorize Company to sell certain Licensed Products to specific purchasers outside the Territory. Absent an agreement with respect to such sales signed by PLC/RLHC and Company, all such sales shall be made on all of the terms and conditions set forth in this Agreement; provided, however, that Company's right to make such sales shall be non-exclusive and may be terminated by PLC/RLHC immediately upon written notice to Company. Any such termination shall not apply to orders already taken by Company in accordance with PLC/RLHC's prior authorization. As used herein, "Europe" shall mean: United Kingdom, Spain, Portugal, France, Germany, Ireland, Isle of Man, Benelux, Austria, Sweden, Denmark, Channel Islands, Norway, Greece, Malta, Finland, Iceland, Switzerland, Monaco, Cyprus and Turkey.

2. Grant of License.

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

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

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

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

2.5. Company shall not without PLC/RLHC's prior written approval sell any Licensed Products bearing the Licensed Mark to any third party which, directly or indirectly, sells or proposes to sell such Licensed Products outside the Territory. Company shall use its best efforts to prevent any such resale outside the Territory and shall, immediately upon learning or receiving notice from PLC/RLHC that a customer is selling Licensed Products outside the Territory, cease all sales and deliveries to such customer.

2.6. PLC/RLHC shall not, without Company's consent, grant to others the right and license to use a trademark which bears the words "Polo" or "Ralph Lauren" in connection with the

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Licensed Products within the Territory. To the extent that it is legally possible to do so, no license is granted hereunder for the manufacture, sale or distribution of Licensed Products to be used for publicity purposes, other than publicity of Licensed Products, in combination sales, as premiums or giveaways or to be disposed of under or in connection with similar methods of merchandising, such rights being specifically reserved for PLC/RLHC.

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

2.8. Company shall not use, or permit another person or entity in its control to use, the words "Polo", "Ralph Lauren" or any initials associated therewith (e.g., "RL" or "PRL") as part of a corporate name or tradename and Company shall not otherwise permit use of the Licensed Mark in such a way so as to give the impression that the names "Polo" or "Ralph Lauren", or the Licensed Mark, or any modification thereof, is the property of Company.

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

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

2.11. Company shall not without RLHC's prior written approval, directly or indirectly, manufacture, distribute, sell or advertise, during the term of this Agreement, any items which bear or are associated with any of the following trademarks: [* * *] or any other fashion apparel or home furnishings designer whose products are sold primarily through department store distribution; provided, however, that nothing contained herein shall prevent Company from continuing its businesses under the following names and brands: French Connection, Designers Guild, Joe Boxer, Esprit, Larry Laslo, Lucasfilm, or Arthur Sanderson. In the event that during the term hereof Company shall desire, directly or indirectly, to manufacture, distribute, sell or advertise any items which bear the name or are associated with the name of any fashion apparel or home furnishings designer other than those specifically named above in markets outside of department store distribution, Company shall notify RLHC in writing of the identity of the designer and the nature of the proposed transaction not less than sixty (60) days prior to concluding an agreement with respect to such transaction, and during such period shall discuss with RLHC in good faith any reasonable concerns RLHC may have with respect thereto. The provisions of this paragraph 2.11 shall not be deemed to prohibit Company from acquiring or merging with any other entity, or engaging in any other transaction, which results in Company directly or indirectly acquiring ownership of any trademark set forth in this paragraph 2.11 or acquiring the right to use any such trademark in connection with products in the same categories as Licensed Products; provided, however, that Company shall promptly notify RLHC in writing of any such transaction and RLHC shall, for sixty (60) days after its receipt of such notice, have the right to terminate this Agreement by written notice to Company, such termination to become effective thirty (30) days after the date notice of termination is received by Company.

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

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

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

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

2.15. In the event PLC/RLHC wishes to use or license a third party to use in the Territory any trademark other than the Licensed Mark which includes or refers to "Polo" or "Ralph Lauren" (a "New Mark") (e.g., "American Living/Ralph Lauren") in connection with the manufacture or sale of Licensed Products during the term hereof, and the proposed channel of distribution under such mark will include "Mass Distribution" (as hereinafter defined), PLC/RLHC shall grant to Company a right of first refusal to act: (i) as the licensee therefor, if PLC/RLHC proposes to grant a license to a third party with respect to such New Mark, or (ii) as the vendor of specific bedding or bath items bearing such New Mark (a "Mass Product"), if PLC/RLHC or one of its affiliates proposes to purchase such product directly from a vendor. In the implementation of said first refusal rights for a license to use such New Mark, PLC/RLHC shall give Company notice of the offer terms upon which it proposes to grant a license (a "License Offer") for such products. Company shall have a period of forty-five (45) days after the date of the License Offer to accept or reject such License Offer in writing. If Company rejects such License Offer or if Company initially accepts such License Offer but thereafter is unable to satisfy the offer terms, then PLC/RLHC shall thereafter be free to make a substantially similar License Offer to any third party. If PLC/RLHC shall substantially (as determined in PLC/RLHC's reasonable discretion) change the offer terms then, during the term hereof, Company's right of first refusal as provided hereinabove shall apply to such changed offer terms. In the implementation of said first refusal rights to act as the vendor with respect to a particular Mass Product, PLC/RLHC shall present to Company the design for a proposed Mass Product, together with product specifications and the required price point, and Company shall have a period of seven (7) days in which to accept or reject the opportunity to supply such Mass Product at such price point. If Company rejects such opportunity or initially accepts such opportunity but thereafter is unable timely to deliver such Mass Product, with the product specifications and price point designated by PLC/RLHC, PLC/RLHC shall thereafter be free to obtain such Mass Product from any third party on terms which are substantially the same as the terms last offered to Company. The term "Mass Distribution", as used herein, shall mean broad distribution channels other than department stores and specialty stores of the sort which have traditionally distributed Licensed Products, and Mass Distribution shall include (i) mass distribution such as [* * *], (ii) chain store distribution such as [* * *] and (iii) warehouse clubs such as [* * *].

2.16. Company acknowledges that PLC/RLHC's affiliates in the United States responsible for the operation of "Polo Retail Stores" (as defined in paragraph 4.9 hereof) have sought to produce directly for Polo Retail Stores certain special Licensed Products which are not of the

sort typically produced by Company. Notwithstanding Company's exclusive rights hereunder, such affiliates of PLC/RLHC shall be entitled to produce or purchase a particular Licensed Product directly from a resource if such Licensed Product will be sold solely in Polo Retail Stores (and, to the extent there is an excess inventory thereof, such inventory will be disposed of in "Polo Outlet Stores" and "Home Outlet Stores" as defined in paragraph 4.9 hereof); provided, however, that Company shall be given a period of sixty (60) days after having been presented with design specifications and intended price point in which to develop any such product and notify PLC/RLHC of the price at which it will supply such product, and PLC/RLHC and its affiliates shall not thereafter purchase such product from another vendor unless such other vendor is willing to deliver such product at a materially lower price.

3. Design Standards and Prestige of Licensed Products.

3.1. PRLC shall provide services in connection with the creation and design of Licensed Products, subject to the terms and provisions hereof, in order to enable Company to exploit the rights granted to it under this Sublicense Agreement and to manufacture Licensed Products in conformity with the established prestige and good will of the Licensed Mark. All Licensed Products manufactured or caused to be manufactured and sold by Company shall be made in accordance with the design and other information approved under this Agreement, and in all other respects in conformity with the terms hereof. In addition to such design services, PRLC shall provide to Company sales, advertising, promotional and other services as hereinafter set forth.

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

3.3. The death or incapacity of Ralph Lauren shall not in any way effect PRLC's obligation to provide its services hereunder, or Company's obligation to accept such services.

4. Marketing; Advertising.

4.1. PLC/RLHC requires that Company accept the services of and obtain certain approvals from PRLC, in the manner hereinafter set forth, in connection with the marketing, advertising and sale of Licensed Products. Licensed Products shall be marketed in a manner consistent with the quality and prestige of the Licensed Mark and only to those customers expressly approved by PRLC. Prior to the opening of each selling season, Company shall submit a written list of its customers to PRLC for its approval. It is understood that such approval shall not be unreasonably withheld, and shall be based on considerations of quality and prestige of the Licensed Mark. If Company shall decide during the season to sell to customers not previously approved by PRLC, Company shall so advise PRLC and shall not sell to such additional customers without the approval of PRLC as aforesaid. Company shall be responsible for directly

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employing sales personnel, with expertise in selling utility bedding product, which personnel shall be subject to PLC/RLHC's prior approval, which shall not unreasonably be withheld.

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

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

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

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

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

4.7. Company agrees to make available for purchase, and to sell on its customary price, credit and payment terms, all lines and styles of Licensed Products to retail stores in the Territory bearing any trademark of Polo or its affiliates pursuant to a license from Polo or any of its affiliates and to any stores or facilities operated or owned by Polo and/or its affiliates, which

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are authorized to sell Licensed Products within such retail stores. Notwithstanding anything to the contrary contained herein, in the event that any such Licensed Products are not so made available by Company to such stores or facilities, and in addition to any other remedy available to PLC/RLHC hereunder, such Licensed Products may be made available to such stores by PLC/RLHC (or its affiliates or other licensees).

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

4.9. In consideration of the rights granted herein, Company shall sell on a priority basis and timely ship Licensed Products to "Polo Outlet Stores", "Home Outlet Stores", "Polo Retail Stores", and "Polo's Direct to Consumer Business" (as each such term is hereinafter defined), at the respective discounts off the regular wholesale price therefor hereinafter set forth, to the extent of their respective requirements. The discount off the regular wholesale price of Licensed Products which Company shall give, is as follows:

Polo Outlet Stores [* * *]%
Home Outlet Stores [* * *]%
Polo Retail Stores [* * *]%
Polo's Direct to Consumer Business [* * *]%

it being understood that larger discounts may be negotiated in respect of excess and irregular inventory purchased by Polo Outlet Stores and Home Outlet Stores, taking into account the age, condition and quantity of merchandise to be disposed of. All sales of Licensed Products pursuant to this paragraph 4.9 are referred to herein as "Sales to Polo". All Sales to Polo shall be separately reported by Company in its accounting statements pursuant to paragraph 10.2 hereof, but such sales shall not be subject to the royalty obligations set forth herein. "Polo Outlet Stores", as used herein, shall mean all "outlet" or "factory" stores in the United States doing business under any Polo/Ralph Lauren service mark or tradename which are operated by a "Polo Affiliated Entity" (hereinafter defined). "Home Outlet Stores", as used herein, shall mean all "outlet" or "factory" stores doing business under any Polo/Ralph Lauren service mark or tradename which are operated by a "Polo Affiliated Entity" and which offer substantially solely Ralph Lauren Home products, up to a limit of seven (7) stores. "Polo Retail Stores", as used herein, shall mean all stores in the Territory (i) at which substantially solely products bearing Polo's trademarks are sold, (ii) which bear any service mark owned by Polo or its affiliates and (iii) which are operated by a Polo Affiliated Entity. "Polo's Direct to Consumer Business" shall mean any direct-to-consumer selling enterprise (including, without limitation, direct mail and selling over the Internet) operated by any Polo Affiliated Entity. The term "Polo Affiliated Entity" shall mean any entity in which Polo or any of its affiliates owns, directly or indirectly, an equity interest in excess of 20%, or which operates under license from any such entity.

4.10. Company shall, in consultation with PLC/RLHC, develop, prototype, build and finalize the presentation of a shop/fixture program for the retail presentation of Licensed Products outside the United States. Such program shall include re-fitting and renovating as necessary throughout the term hereof. PLC/RLHC shall have the right to approve the final design of all shops, fixtures and signage areas. Company shall bear all costs associated with such program. With respect to each of Mexico and Canada, Company shall expend in connection with such shop/fixture program during each year of the term hereof not less than [* * *]% of the Net Sales Price of all Licensed Products sold in such year in such country or such other amount as may be reflected in a business plan approved by PLC/RLHC (which approval shall not unreasonably be withheld) which specifies a shop/fixture program. With respect to Europe, Company shall expend not less than [* * *]% of the Net Sales Price of all Licensed Products sold in such year in Europe or such other amount as may be reflected in a business plan approved by PLC/RLHC (which approval shall not unreasonably be withheld) which specified a

shop/fixture program; provided, however, that Company shall expend not less than \$[* * *] on such its shop/fixture program in Europe during the first two years of the term hereof, and no less than \$[* * *] in each year thereafter.

4.11. Company shall not offer for sale or promote the sale of Licensed Products through direct mail, the "Internet", or other direct-to-consumer vehicles ("Direct-to-Consumer Media") without RLHC's prior written approval, all such rights, notwithstanding anything to the contrary contained herein, being reserved by RLHC. In addition, Company shall inform each approved customer in writing, that, as a condition of being approved to purchase Licensed Products from Company, such customer may not sell or promote the sale of Licensed Products through any Direct-to-Consumer Media without Company's prior written approval. Company shall only approve the use of any Direct-to-Consumer Media with RLHC's prior written approval. Company shall seek to enforce RLHC's policy with respect to the use of Direct-to-Consumer Media, including, if necessary, by refusing to sell or ship Licensed Products to any customer that does not adhere to that policy.

4.12. During each year of the term hereof, Company shall expend for the production and placement of national institutional and media advertising of Licensed Products ("Institutional Advertising") the amounts hereinafter specified (the "Advertising Obligation"). Except as may be expressly agreed in writing, all decisions with respect to the creation, production and placement of Institutional Advertising shall, throughout the Territory, be made by PLC/RLHC in its sole discretion. Company shall deliver to RLHC within sixty (60) days after the end of each year hereof an accounting statement in respect of amounts expended by Company on advertising for the prior year. Each such accounting statement shall be signed, and certified as correct, by a duly authorized officer of Company. Prior to each year hereof, Company shall submit Company's advertising budget for the upcoming year, based on the aggregate net sales price of Licensed Products during the year then ending and on sales projected for the upcoming year. The advertising expenditures for such upcoming year will initially be made based upon such budget. If the actual aggregate net sales price for such year should be greater than the projected aggregate net sales price included in such budget, the appropriate percentage of such excess shall be expended in the next following year in addition to the amount otherwise to be expended in such next following year.

4.12.1. With respect to Canada, the Advertising Obligation shall be an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sales price (as defined in paragraph 10.2 hereof) of all Licensed Products sold in Canada in each year, which amount shall be paid by Company directly to PLC/RLHC on the first day of each year during the term hereof. In addition, during each year of the term hereof Company shall expend for cooperative advertising of Licensed Products in Canada an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sale price of all Licensed Products sold in Canada in that year, pursuant to a plan for such cooperative advertising approved in advance by RLHC.

4.12.2. With respect to Mexico, the Advertising Obligation shall be an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sales price of all Licensed Products sold in Mexico in each year, all of which shall, except as may otherwise be agreed, be expended on cooperative advertising in Mexico, pursuant to a plan for such cooperative advertising approved in advance by RLHC. With RLHC's prior written approval, Company may apply a portion of its annual advertising obligation in Mexico to retail advertising and public relations.

4.12.3. With respect to the United States, the Advertising Obligation shall be an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sales price of all Licensed Products sold in the United States in each year; provided, however, that the Advertising Obligation shall, with respect to Licensed Products bearing the "Lauren/Ralph

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Lauren" mark, be [* * *] percent ([* * *]%) of the aggregate net sales price of all Licensed Product sold during calendar year 2001. With respect to the Advertising Obligation in the United States, Company shall make a minimum, non-refundable payment to PLC/ RLHC on January 1 in each year as hereafter set forth in the following amounts:

2001.....	\$[* * *]
2002.....	\$[* * *]
2003.....	\$[* * *]
2004.....	\$[* * *]
2005.....	\$[* * *]

and, if the term hereof is renewed in the manner set forth in paragraph 12 hereof:

2006.....	\$[* * *]
2007.....	\$[* * *]
2008.....	\$[* * *]

4.12.4. With respect to Europe, the Advertising Obligation shall be an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sales price of all Licensed Products sold in Europe in each year; provided, however, that the Advertising Obligation in each year during the term hereof be not less than USD\$[* * *]. In addition, Company shall be responsible for all reasonable costs associated with photography shoots and production undertaken specifically for Europe, provided that Company has approved a budget therefor in advance, which approval shall not unreasonably be withheld or delayed. In addition, during each year of the term hereof Company shall expend for cooperative advertising of Licensed Products in Europe an amount that is not less than [* * *] percent ([* * *]%) of the aggregate net sale price of all Licensed Products sold in Europe in that year, pursuant to a plan for such cooperative advertising approved in advance by RLHC.

4.12.5. In addition to the foregoing obligations, upon the execution of this Agreement, Company shall make a one-time, non-refundable contribution to PLC/RLHC's marketing activities in the amount of \$[* * *].

4.13. PLC/RLHC and its affiliates intend during the term hereof to open a number of Polo Retail Stores devoted primarily to the sale of Ralph Lauren Home products ("Home Stores"). While the schedule for opening Home Stores has not been finalized, as of the execution of this Agreement the proposed schedule calls for opening one (1) Home Store in 2001, two (2) Home Stores in 2002, and one (1) Home Store in 2003. At such time during the term of this Agreement as PLC/RLHC implements plans to open a Home Store, Company shall contribute to the construction and buildout costs of such Home Store, at least sixty (60) days prior to the intended opening date for such Home Store, the amount of \$[* * *]; provided, however, that Company shall not, without its prior consent in its sole discretion, be obligated hereunder to contribute to the construction and buildout of more than four (4) Home Stores during the term hereof. Company shall also contribute to the construction and buildout costs of a Ralph Lauren Home shop in the Polo/Ralph Lauren flagship store at 1 New Bond Street in London, England, the amount of \$[* * *], which amount shall be contributed at least sixty (60) days prior to the intended opening of such Ralph Lauren Home shop.

5. Trademark and Copyright Protection.

5.1. All uses of the Licensed Mark by Company, including, without limitation, use in any business documents, invoices, stationery, advertising, promotions, labels, packaging and otherwise, shall be subject to paragraph 4 hereof and shall require PRLC's prior written consent, and all uses of the Licensed Mark by Company in advertising, promotions, labels and packaging shall bear the notation, "Ralph (Polo Player design) Lauren", the representation of the Polo Player Design, or "Ralph Lauren". Company acknowledges and agrees that its use of the

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Licensed Mark shall at all times be as sublicensee of RLHC and licensee of PLC for the account and benefit of PLC/RLHC, Polo and PRLC. All uses of the Licensed Mark pursuant to this Agreement shall be for the sole benefit of Polo and shall not vest in Company any title to or right or presumptive right to continue such use. For the purposes of trademark registrations, sales by Company or PLC/RLHC shall be deemed to have been made by PLC or RLHC, as the case may be.

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

5.3. Company will not, during the term of this Agreement or thereafter, (a) attack Polo's title or rights, or PLC/RLHC's rights, in and to the Licensed Mark in any jurisdiction, or attack the validity of this Sublicense or of the Licensed Mark, or (b) contest the fact that Company's rights under this Agreement (i) are solely those of a manufacturer or distributor, and (ii) subject to the provisions of paragraph 14 hereof, terminate upon termination of this Agreement. The provisions of this paragraph 5.3 shall survive the termination or expiration of this Agreement.

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

6. Designs.

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

6.2. At any time or from time to time within a reasonable period following receipt by PRLC of the aforesaid lists or lists, PRLC shall provide Company, with its program of suggested, broad design themes and concepts with respect to the design of the Licensed Products ("Design Concepts") which shall be embodied in verbal and/or written descriptions of design themes and concepts and such other detailed designs and sketches therefor, as PRLC deems appropriate. PRLC shall have full discretion with respect to the manner in which the Design Concepts shall be

formulated and presented to Company but may undertake to prepare and provide finished artwork with respect to the design of Licensed Products, in which case Company shall reimburse PRLC for the costs incurred in connection with the preparation of such finished artwork promptly after receiving proper documentation of such costs, up to a cap of \$[* * *] per year. PRLC shall be available for consultation with Company on Design Concepts for the purpose of making such modifications to the Design Concepts as are required to meet PRLC's approval.

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

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

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

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

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

7. Design Legends: Copyright Notice and Grant.

7.1. All designs, and all art work, sketches, logos and other materials depicting the designs or Design Concepts created by PRLC, or created by or for Company and reviewed and approved by PRLC or developed by or for Company from Design Concepts or subsequent design concepts furnished or approved by PRLC, shall be subject to the provisions of this paragraph 7 and shall be owned exclusively by PRLC.

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

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

8. Licensed Products.

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

8.2. The written approval of PRLC of the Prototypes for each seasonal collection shall be evidenced by a written list, signed on behalf of PRLC, setting forth those Prototypes that have been approved for inclusion in such collection. Prototypes so approved shall be deemed Final Prototypes in respect of such collection. Approval of any and all Prototypes as Final Prototypes shall be in the sole discretion of PRLC. Company shall present for sale, through the showing of each seasonal collection to the trade, all Final Prototypes so approved in respect of such collection.

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

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

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

9. Quality of Licensed Products.

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

9.2. In the event that any Licensed Product is, in the judgment of PRLC, not being manufactured or sold in adherence to the materials, colors, workmanship, design, dimensions, styling, detail and quality embodied in the Final Prototypes, or is otherwise not in accordance with the Final Prototypes, PLC/RLHC shall notify Company thereof in writing and Company shall

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promptly repair or change such Licensed Product to conform strictly thereto. If an item of Licensed Product as repaired or changed does not strictly conform to the Final Prototypes and such strict conformity cannot be obtained after at least one (1) resubmission, the Licensed Mark shall be promptly removed from the item, at the option of PRLC, in which event the item may be sold by Company, subject to the royalty provisions of Paragraph 10 hereof, provided it is in no way identified as a Licensed Product.

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

10. Royalties.

10.1. Company shall pay to PLC/RLHC minimum royalties each year commencing in calendar year 2001 during the term of this Sublicense Agreement. The minimum royalty for each year during the term hereof shall be as follows:

	MEXICO	CANADA	U.S. (NON-UTILITY)	U.S. (UTILITY)	EUROPE
2001.....	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]
2002.....	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]
2003.....	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]
2004.....	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]
2005.....	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]	\$[* * *]

and, if the term hereof is renewed pursuant to paragraph 12 hereof:

2006.....	\$[* * *]	\$[* * *]	\$[* * *]	(Combined	\$[* * *]
2007.....	\$[* * *]	\$[* * *]	\$[* * *]	with Non-	\$[* * *]
2008.....	\$[* * *]	\$[* * *]	\$[* * *]	Utility)	\$[* * *]

Minimum royalties for each year shall be paid in four equal quarterly installments, in the manner set forth in paragraph 10.2 hereof. No credit shall be permitted against minimum royalties payable in any year on account of earned or minimum royalties paid in any other year and minimum royalties shall not be returnable. To the extent earned royalties exceed minimum royalties with respect to any of the five constituent element of minimum royalties listed above, such excess may not be used to offset the minimum royalty obligation for any other constituent part of the minimum royalty obligation, it being the intent of the parties that, with respect to each of the five constituent parts of the minimum royalty obligation listed above, Company shall pay in each year an amount equal to the greater of (a) minimum royalties dues for that constituent part for that year and (b) the total earned royalty due for that constituent part for that year; provided, however, that the minimum royalty obligation stated above with respect to Non-Utility and Utility Bedding in the United States during the renewal term is a combined minimum royalty obligation. For the purposes of this Agreement, a "year" shall mean a period of twelve (12) months commencing on each January 1 during the term hereof; provided, however, that the first year shall commence on the date hereof and end on December 31, 2001.

10.2. In consideration of all rights granted and services rendered by PLC/RLHC and PRLC hereunder, Company shall pay to PLC/RLHC and PRLC earned royalties based on the Net Sales

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Price, as hereinafter defined, of all Licensed Products sold hereunder, including without limitation any sales made pursuant to the terms of paragraphs 3.3, 9.2 and 14 hereof; provided, however, that no royalties shall be due with respect to sales of Licensed Products sold at a price equal to or less than [* *] percent ([* * *]%) off the regular wholesale price (although all such discounted sales shall be separately reflected in Company's accounting statements), but such royalty waiver shall apply only to the extent the total volume of such discounted sales in each year of the term hereof does not exceed [* * *] percent ([* * *]%) the aggregate Net Sales Price of all Licensed Products sold during such year, less the aggregate Net Sales Price of all Licensed Products sold during such year on which no earned royalty is due hereunder. Earned royalties shall equal:

(a) In Canada and Mexico: [* * *] percent ([* * *]%) of the Net Sales Price of all Licensed Products sold under this Agreement;

(b) In Europe: [* * *] percent ([* * *]%) of the Net Sales Price of all Licensed Products sold under this Agreement; provided, however, that in any year commencing with calendar year 2003 in which the aggregate Net Sales Price of all Licensed Products sold in Europe during such year equals or is less than \$[* * *], the royalty rate with respect to all Licensed Products sold during such year shall be [* * *] percent ([* * *]%), and, at the same time at which it accounts for and pays royalties with respect to December of such year, Company shall pay PLC/RLHC the full amount of the adjusted royalty with respect to all sales during such year.

(c) In the United States, (i) [* * *] percent ([* * *]%) of the Net Sales Price of all Bathroom Products sold hereunder, other than shower curtains, (ii) [* * *] percent ([* * *]%) of the Net Sales Price of all blankets (including throw blankets) sold hereunder, (iii) [* * *] percent ([* * *]%) of the Net Sales Price of all Bedroom Products and Unmatched Bedding Accessories sold hereunder, and (iv) [* * *] percent ([* * *]%) of the Net Sales Price of all Utility Bedding, other than blankets.

Company shall prepare or cause to be prepared statements of operations for each month during the term hereof, which statements shall be furnished to PLC/RLHC together with the earned royalties due for each such month on the last day of the following month. The statement and royalty payment provided on the last day of each April (for the month of March), July (for the month of June), October (for the month of September) and January (for the month of December) during the term shall also include Company's minimum royalty obligation for the preceding calendar quarter (beginning in 2001), less the aggregate earned royalties paid for such calendar quarter; provided, however, that any payment of minimum royalties required hereunder may be set off against any excess of earned royalties over minimum royalties in any subsequent quarter of the same year, it being the parties intent that at the end of each year during the term hereof Company shall have paid PLC/RLHC with respect to each of Canada and Mexico (taken separately) an amount equal to the greater of (i) the aggregate earned royalties for the year or (ii) the minimum royalty obligation set forth in paragraph 10.1 above. For the avoidance of doubt, to the extent earned royalties with respect to only one country in the Territory exceed the minimum royalty obligation with respect to such country, the amount of such excess shall not in any way be used as a set-off or otherwise to reduce the minimum royalty obligation in the other country. The term "Net Sales Price" shall mean the gross sales price to retailers or, with respect to Licensed Products that are not sold directly or indirectly to retailers, other ultimate consumers (as in the case of accommodation sales by Company to its employees), of all sales of Licensed Products sold under this Agreement, less trade discounts actually taken and merchandise returns. The Net Sales Price of any Licensed Products sold by Company to affiliates of Company shall, for purposes of this Agreement, be deemed to be the higher of (a) the actual gross sales price, or (b) Company's regular selling price for such Licensed Products

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sold to unaffiliated parties for sale at retail. Merchandise returns shall be credited in the quarterly period in which the returns are actually made.

10.3. Company shall reimburse PRLC for all travel expenses incurred by PLC/RLHC or PRLC with respect to design development and approval pursuant to this Agreement, up to \$[* * *] per year, and for any additional trips made at Company's request.

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

10.5. The obligation of Company to pay royalties hereunder shall be absolute notwithstanding any claim Company may assert against PLC/RLHC, Polo, Lauren or PRLC. Company shall not have the right to set off, compensate or make any deduction from such royalty payments for any reason whatsoever.

10.6. All payments of royalties due to PLC/RLHC and PRLC shall, unless PLC/RLHC shall otherwise direct by written notice to Company, be made by wire transfer on the date due, which wire transfer shall be directed to RLHC, on its own behalf and as agent for PLC and PRLC, as follows:

Chase Manhattan Bank Delaware
1201 Market Street, Wilmington, Delaware, 19801-1167,
ABA#031100267
Account Name and Number: Ralph Lauren Home Collection, Inc.:
6301-225193-500

10.7. All references to dollars in this Agreement shall, except as otherwise expressly provided herein, mean U.S. dollars. All royalties due hereunder shall be paid in U.S. dollars, and the currency conversion to U.S. dollars for each quarter shall be made at the spot conversion rate published in The Wall Street Journal for the last day of each such quarter. The amount of royalties to be paid to PLC/RLHC by Company hereunder has been determined on the understanding that Company will be entitled to deduct any required withholding taxes and PLC/ RLHC will be entitled to a tax credit for United States federal income tax purposes equal to the amount of any tax imposed in the Territory upon PLC/RLHC's royalties, whether imposed by withholding or otherwise. Company shall provide such documentation as may be necessary to reflect all taxes paid on PLC/RLHC's behalf. In the event that any such tax is not so available as a credit for United States federal income tax purposes for the period when paid, the royalty to be paid hereunder shall be renegotiated to reflect the actual loss of revenue to PLC/RLHC.

11. Accounting; Records.

11.1. Company shall at all times keep an accurate account of all operations within the scope of this Agreement and shall prepare and furnish to PLC/RLHC full statements of operations with respect to each quarter in each year during the term of this Agreement within thirty (30) days of the end of such period. Such statements shall include, on a country-by-country basis, all aggregate gross sales, trade discounts, merchandise returns and the Net Sales Price of all sales of License Products for the previous quarterly period. Such statements shall be in sufficient detail to be audited from the books of Company and shall be certified by a financial officer of Company. Once each year, which may be in connection with the regular annual audit of Company's books, Company shall furnish an annual statement of the aggregate gross sales, trade discounts, merchandise returns and Net Sales Price of all sales of Licensed Products made by Company certified by the independent public accountant of Company.

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

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

12. Term.

The initial term of this Agreement (the "Initial Term") shall commence on the date hereof and shall terminate on December 31, 2005, unless earlier terminated in accordance with the terms hereof; provided, however, (i) the term shall not commence with respect to Utility Bedding or Unmatched Bedding Accessories in the United States and Canada until July 1, 2001, (ii) the term shall not commence with respect to Europe until January 1, 2001, and (iii) that if no Event of Default shall have occurred and not been cured or waived, and Company has achieved the Minimum Renewal Volume (as such term is hereinafter defined) for the period January 1, 2004 to December 31, 2004, Company shall have the option, upon providing notice to PLC/RLHC on or before April 1, 2005, to renew this Agreement for an additional three (3) year period (the "Renewal Term") so as to expire on December 31, 2008, on the terms and conditions herein except that there will be no further right to renewal. The minimum aggregate Net Sales Price which PLC/RLHC must achieve in connection with sales of Licensed Products (irrespective of whether royalties are due on such sales) during the period from January 1, 2004 to December 31, 2004 (the "Minimum Renewal Volume") in order to be entitled to renew this Agreement for a second term as hereinabove provided shall be \$[* * *]. It is expressly understood that only the company (which may be Company) whose licensed term covers the period subsequent to the expiration of this Agreement shall be entitled to receive designs for Licensed Products intended to be sold after the expiration of this Agreement, and to make presentations of such Licensed Products during the market presentation weeks that relate to such subsequent period, even if such market presentation occurs prior to the termination of this Agreement. Without limiting the generality of the foregoing, in the event the term hereof is not renewed or extended, the last season for which the Company shall be entitled to receive designs and, during the term hereof, to manufacture and sell Licensed Products shall be the Fall season of the last year of the Initial Term or Renewal Term, as the case may be, and PLC/RLHC shall be entitled to undertake, directly or through a successor licensee, all activities associated with the design, manufacture and sale of Licensed Products commencing with the immediately following Spring season.

13. Default; Change of Business.

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

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

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

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

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

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

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

(vii) If Company shall use the Licensed Marks in an unauthorized or improper manner and/or if Company shall make an unauthorized disclosure of confidential information or materials given or loaned to Company by Polo, PRLC and or PLC/RLHC; or

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

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

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

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

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

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(xiii) There shall be a change in control of Company such that (a) Holcombe Green, Jr. no longer controls, in the aggregate, in excess of 25% of the issued and outstanding voting stock of Company or in excess of 25% of the equity interest of Company or (b) Mr. Thomas Ward ("Ward") is no longer in all material respects responsible with individual authority as the chief operating officer of Company, to unconditionally bind Company in connection with the operations contemplated by this Agreement, including, without limitation, the performance of Company's duties and obligations under this Agreement; provided, however, that (i) in the event Ward ceases to have responsibility described herein for any reason, Company shall have six (6) months to engage a successor to Ward, reasonably acceptable to PLC/RLHC, to serve in such capacity, and (ii) no event of default under this paragraph 13.1(xii) shall be deemed to have occurred if such change of control occurs as a result of any assignment of this Agreement made in accordance with all the terms and conditions contained in paragraph 23.4 hereof; or

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

13.2. If any Event of Default shall occur, PLC/RLHC, Polo or PRLC, or any of them, shall have the right, exercisable in its discretion, immediately to terminate this Agreement and the sublicense upon ten (10) days written notice to Company of its intention to do so, and upon the expiration of such ten (10) day period, this Agreement and the sublicense, including, without limitation, all rights of Company in and to the Licensed Mark, and in and to the designs furnished or used hereunder and all copyrights therein and design patents thereon, shall terminate and come to an end without prejudice to any remedy of PLC/RLHC for the recovery of any monies (including attorneys' fees for collection) then due it under this Agreement or in respect of any antecedent breach of this Agreement, and without prejudice to any other right of PLC/RLHC, including without limitation, damages for breach to the extent that the same may be recoverable. No assignee for the benefit of creditors, receiver, liquidator, sequestrator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Company's assets or business shall have any right to continue the performance of this Agreement. In addition, and notwithstanding anything to the contrary contained herein, the term of this Agreement shall automatically terminate without notice or the need for any other act on the part of any party hereto in the event that the term of Company's license agreement with RLHC with respect to Licensed Products in the United States shall expire or be terminated for any reason.

13.3. During the term of this Agreement, Company shall not dissolve, liquidate or wind-up its business. In addition, Company shall not, without prior written notice to PLC/RLHC, (i) merge or consolidate with or into any other corporation, or (ii) directly or indirectly sell or otherwise dispose of all or a substantial portion of its business or assets. PLC/RLHC shall have the option, upon receipt of such notice, to terminate this Agreement unless the same persons who shall have been working for Company with respect to PLC/RLHC and the Licensed Products shall continue to perform such services after either event (i) or (ii).

14. Disposal of Stock upon Termination or Expiration.

14.1. Within ten (10) days following the termination of this Agreement for any reason whatsoever including the expiration of the term hereof, and on the last day of each month during the disposal period set forth in paragraph 14.2 hereof, Company shall furnish to PLC/RLHC a certificate of Company listing its inventories of Licensed Products (which defined term for purposes of this paragraph 14.1 shall include all materials, trim and packaging which are used in

the manufacture and marketing of Licensed Products) on hand or in process wherever situated. PLC/RLHC shall have the right to conduct a physical inventory of Licensed Products in Company's possession or under Company's control. PLC/RLHC or PLC/RLHC's designee shall have the option (but not the obligation) to purchase from Company all or any part of Company's then existing inventory of Licensed Products upon the following terms and conditions:

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

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

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

14.2. In the event PLC/RLHC chooses not to exercise the option referred to in paragraph 14.1 hereof with respect to all or any portion of Licensed Products, for a period of one hundred and twenty (120) days after termination of this Agreement for any reason whatsoever, except on account of breach of the provisions of paragraphs 3, 4 or 10 hereof, Company may dispose of Licensed Products which are on hand or in the process of being manufactured at the time of termination of this Agreement, provided Company fully complies with the provisions of this Agreement, including specifically those contained in paragraphs 3, 4 or 10 hereof in connection with such disposal. Such sales shall be subject to the payment of earned royalties pursuant to paragraph 10.2. Failure by Company to timely submit the certificates of inventory as set forth in paragraph 14.1 hereof shall deprive Company of its right of disposal of stock pursuant to this paragraph 14.

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

15. Effect of Termination.

15.1. Except for the sublicense to use the Licensed Mark and the designs furnished hereunder only as specifically provided in this Agreement, Company shall have no right, title or interest in or to the Licensed Mark, the designs furnished hereunder and design patents thereon, and all copyrights licensed hereby. Upon and after the termination of this sublicense, all rights granted to Company hereunder, including without limitation all right, title and interest in or with respect to all designs, art works, sketches and other materials depicting or relating to the Licensed Products, together with any interest in and to the Licensed Mark Company may acquire, shall forthwith automatically and without further action or instrument be assigned to and revert to

Polo, PRLC and PLC/RLHC, as their interests may appear. Company will execute any instruments requested by PLC/RLHC to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual agreements contained herein. PLC/RLHC shall thereafter be free to license to others the use of the Licensed Mark in connection with the manufacture and sale of the Licensed Products covered hereby, and Company will, except as specifically provided in paragraph 14 hereof, (i) refrain from any further use of the Licensed Mark or any reference to it, direct or indirect, or anything deemed by PLC/RLHC or Polo to be similar to the Licensed Mark, (ii) refrain from further use of any of the Design Concepts, and (iii) refrain from manufacturing, selling or distributing any products (whether or not they bear the Licensed Mark) which are confusingly similar to, or derived from, the Licensed Products or Design Concepts, in connection with the manufacture, sale or distribution of Company's products. Upon termination of this Agreement, Company shall forthwith cease the use of the words "Ralph Lauren" and/or the Polo Player Design in any and all respects. It is expressly understood that under no circumstances shall Company be entitled, directly or indirectly, to any form of compensation or indemnity from PLC/ RLHC, Ralph Lauren, Polo, PRLC or their affiliates, as a consequence to the termination of this Agreement, whether as a result of the passage of time, or as the result of any other cause of termination referred to in this Agreement. Without limiting the generality of the foregoing, by its execution of the present Agreement, Company hereby waives any claim which it has or which it may have in the future against PLC/RLHC, Polo, PRLC, Ralph Lauren or their affiliates, arising from any alleged goodwill created by Company for the benefit of any or all of the said parties or from the alleged creation or increase of a market for Licensed Products.

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

16. Remedies.

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

17. Certain Employees.

17.1. At all times during the term of this Agreement, Company shall employ a dedicated brand manager with respect to Licensed Products in each of the Mexican and Canadian market, who shall be subject to RLHC's continuing approval throughout the term hereof. In addition, Company shall for both the Mexican and Canadian businesses relating to Licensed Products (i) employ adequate sales, merchandising, customer service and operational personnel to support fully the growth requirement of the business, (ii) consult with RLHC in good faith regarding the current and anticipated staffing requirements of the business and (iii) at RLHC's request, allow RLHC to participate in good faith in the selection process for key sales and merchandising personnel.

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17.2. At all times during the term of this Agreement, Company shall employ a dedicated account manager whose primary responsibility shall relate to Licensed Products in Canada, who shall be subject to RLHC's continuing approval throughout the term hereof.

17.3. At all times during the term of this Agreement, Company shall employ in the United States individuals, dedicated solely to the Ralph Lauren Home business, who shall be subject to RLHC's continuing approval throughout the term hereof, in the following positions:

- a. Vice President -- operations
- b. Vice President -- merchandising
- c. Business Manager -- sheets and accessories
- d. Business Manager -- bath products
- e. Business Manager -- utility bedding and blankets
- f. Marketing Manager -- all Licensed Products
- g. Vice President -- product development
- h. Sourcing Manager -- all Licensed Products
- i. Product Development Coordinator -- bedding products
- j. Product Development Coordinator -- bath products

In addition, at all times during the term hereof, the Company shall reimburse PLC/RLHC for 100% of the salary and benefits costs associated with a full-time CAD/CAM operator who shall be employed by PLC/RLHC.

17.4.1. At all times during the term of this Agreement, with respect to operations in Europe, Company shall contribute to the cost of PLC/RLHC's employment of one design/product development associate, which contribution shall be \$30,000 per year, which amount shall be paid on the first day of each year.

17.4.2. In each year during the term hereof Company shall reimburse PLC/RLHC for Company's share of "European Expenses", as hereinafter defined. Company's reimbursement of European Expenses shall initially be made in four equal quarterly installments, simultaneously with minimum royalty payments due hereunder, based on the actual European Expenses incurred in the immediately preceding year. If actual European Expenses in any year exceed the European Expenses in the immediately preceding year, resulting in an underpayment by Company of European Expenses, Company shall pay reimburse PLC/RLHC for the difference within thirty (30) days after the end of such year. If actual European Expenses incurred in any year are less than the European Expenses in the immediately preceding year, resulting in an overpayment by Company of European Expenses, Company may deduct the difference from its next payment of European Expenses for the following year. In the first year hereof (calendar 2001), Company's share of European Expenses shall be [* * *] ([* * *]) of total European Expenses for such year.

17.4.3. "European Expenses" shall mean the following expenses anticipated to be incurred by PLC/RLHC, and such other expenses Company may approve:

Brand Director -- Europe

Salary & Benefits.....	\$[* * *] per year
Moving Costs.....	\$[* * *] one time expense

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Creative Services Manager	
Salary & Benefits.....	\$[* * *] per year
Trade Showroom Manager	
Salary & Benefits.....	\$[* * *] per year
Advertising and PR Managers (3 people)	
Salary & Benefits.....	\$[* * *] per year
Office Assistant	
Salary & Benefits.....	\$[* * *] per year
Travel & Entertainment.....	\$[* * *] per year
Office Space (for above staff and 4 Company employees)	
Rent.....	\$[* * *] per year
Buildout.....	\$[* * *] one time expense
Administrative.....	\$[* * *] per year

Company hereby approves a cost of living increase for all salary and benefits expenses listed above of up to [* * *] percent ([* * *]%) each year. In addition, Company shall not unreasonably withhold its approval of including as European Expenses reasonable increases in rent and administrative costs.

17.4.4. In each year during the term hereof commencing in calendar year 2002, Company's share of European Expenses shall be calculated by applying to the total European Expenses for such year a fraction, the numerator of which is the aggregate Net Sales Price of all Licensed Products sold by Company in Europe in such year, and the denominator is the aggregate Net Sales Price of all Ralph Lauren Home products sold in Europe during such year.

17.4.5. In connection with its European business operations hereunder, Company shall staff and support its personnel in a manner generally consistent with the business plan Company presented to PLC/RLHC in April of 1998.

18. Indemnity.

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

18.2. To the extent not inconsistent with paragraph 18.1 hereof, Company shall indemnify and save and hold PLC/RLHC, Polo, PRLC and Ralph Lauren, individually, (together, the "Indemnified Parties") harmless from and against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in actions involving third parties or between the parties hereto), which they, or any of them, are or become liable for, or may incur, or be compelled to pay by reason of any acts, whether of omission or commission, that may be committed or suffered by Company or any of its servants, agents or

employees in connection with Company's performance of this Agreement, including Company's use of Company's own designs, in connection with Licensed Products manufactured by or on behalf of Company or otherwise in connection with Company's business.

18.3. Company shall carry product liability insurance with limits of liability in the minimum amount, in addition to defense costs, of \$[* * *] per occurrence and each of the Indemnified Parties shall be named therein as insureds, as their interests may appear. Company shall, promptly after the signing of this Agreement, deliver to PLC/RLHC a certificate of such insurance from the insurance carrier, setting forth the scope of coverage and the limits of liability and providing that the policy may not be canceled or amended without at least thirty (30) days prior written notice to the Indemnified Parties.

19. Disclosure.

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

20. Brokers.

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

21. Manufacture; Distribution; Sale.

Consistent with the high quality and prestige of the Licensed Marks and products manufactured by, or under license from, Polo and its affiliates, Company undertakes, during the term hereof, diligently to manufacture and sell each and every Licensed Product listed in Schedule A, to use its best efforts to create a demand therefor, supply such demand, and maintain adequate arrangements and facilities for the distribution of Licensed Products throughout the Territory. As an essential part of its distribution program, Company agrees to maintain adequate inventories (consistent with good industry practice) of all such Licensed Products at distribution points adequate to satisfy the requirements of its customers for a full line of such Licensed Products and to expedite the delivery thereof. Company represents, warrants and covenants that it is or shall be, on or before December 31, 2000, "Y2K" compliant, and acknowledges that any failure of its computer systems as a result of Company's failure to be Y2K compliant would, if such failure results in a material interruption or adverse impact on its ordinary business operations relating to Licensed Products, constitute a violation of Company's obligations hereunder.

22. Showrooms; Samples.

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

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

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

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

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22.5. Company shall be responsible for all costs associated with the initial design, construction and decoration of a showroom in the United States for Utility Bedding, up to a one-time cap of \$[* * *]. All plans and designs with respect to such showroom shall be subject to PLC/RLHC's prior approval.

22.6. Company shall be responsible for all costs associated with the initial buildout of a showroom in Europe for Licensed Products, up to a cap of \$[* * *]. All plans and designs with respect to such showroom shall be subject to PLC/RLHC's prior approval. Thereafter, Company shall be responsible for all costs associated with seasonal changeovers of such showroom (including props, staff, construction and travel by PLC/RLHC personnel to assist in changeovers), up to a cap of \$[* * *] in year 1 (2001) and \$[* * *] per year thereafter during the term hereof. In addition, Company shall be responsible for rent costs for such showroom, up to \$[* * *] per year (subject to reasonable increases over the term of this Agreement).

22.7. Company shall provide, at no charge, samples for all showrooms and for advertising and editorials relating to Licensed Products. All normal expenses with respect to shipping shall be the responsibility of Company and Company may, at its option, insure the samples for risk of damage or loss (including by theft) during shipment and while at the RLHC showroom, but RLHC shall have no liability with respect thereto. All items will be inventoried by RLHC and, at RLHC's discretion, (i) held in storage for future use, (ii) sold at sample sales, or (iii) returned to Company at Company's expense. In the event of a sale at a sample sale, RLHC shall remit to Company, within forty-five (45) days thereof, [* * *] percent ([* * *]%) of the profits therefrom. In addition, Company shall supply at its own expense, such samples as may be reasonably necessary for RLHC salesmen.

23. Miscellaneous.

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

(a) If to PLC/RLHC addressed as follows:

The Polo/Lauren Company, L.P. and
Ralph Lauren Home Collection, Inc.
103 Foulk Road
Suite 201
Wilmington, Delaware 19803
Attention: President
Telecopier: 302.778.1008

(b) With a copy to Polo and PRLC, addressed as follows:

Polo Ralph Lauren Corporation
650 Madison Avenue
New York, New York 10022
Attention: General Counsel
Telecopier: 212.318.7183

(c) If to Company, addressed as follows:

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

(d) With a courtesy copy to:

WestPoint Stevens Inc.
1185 Avenue of the Americas
New York, New York 10036
Attention: Assistant General Counsel
Telecopier: 212.930.3551

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

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

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

23.4. Each of PLC, RLHC and PRLC may assign all or any portion of the respective royalties payable to it hereunder, and may assign all of its rights, duties and obligations hereunder to any entity to which the Trademarks, or the right to use the Trademarks, has been transferred, or to an affiliate of any such entity. The rights granted to Company are personal in nature, and neither this Agreement nor the sublicense may be assigned by Company without the prior written consent of PLC/RLHC, Polo and PRLC. Company may employ subcontractors for the manufacture of the Licensed Products with the prior approval of PLC/RLHC, provided, however, that (i) Company shall not employ any subcontractor for the manufacture of Licensed Products until such subcontractor has executed a Trademark and Design Protection Agreement substantially in the form annexed hereto as Schedule B, (ii) Company shall maintain appropriate quality controls and comply with the quality requirements set forth herein, (iii) such subcontractors shall comply with the Operating Guidelines annexed hereto as Schedule C and made a part hereof, as such Operating Guidelines may be amended from time-to-time, (iv) Company shall not itself sell or otherwise dispose of, and shall be responsible for preventing all subcontractors from selling or otherwise disposing of, any seconds, irregulars or rejected merchandise except with PLC/RLHC's prior written consent, (v) Company shall, in seeking PLC/RLHC's approval, give PLC/RLHC prior written notice of the full name and address of each subcontractor it proposes to use in connection with the manufacture of Licensed Products, together with a complete list of Licensed Products (and/or components thereof) to be manufactured by such subcontractor, and Company shall, upon PLC/RLHC's request no more than once annually (and in any event upon the expiration or termination of the term hereof), provide PLC/RLHC with a complete list of all such subcontractors containing all such information); and (vi) Company, upon request from PLC/RLHC, shall cease placing orders with any such subcontractor.

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

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

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

23.8. The parties hereby consent to the jurisdiction of the United States District Court for the Southern District of New York and of any of the courts of the Southern District of New York and of any of the courts of the State of New York located within the Southern District in any dispute arising under this Agreement and agree further that service of process or notice in any such action, suit or proceeding shall be effective if in writing and delivered as provided in paragraph 23.1 hereof. Notwithstanding anything to the contrary set forth herein, neither Polo Ralph Lauren Corporation nor any other general or limited partner of Polo or PRLC shall be liable for any claim based on, arising out of, or otherwise in respect of, this Agreement, and Company shall not have nor claim to have any recourse for any such claim against any general or limited partner of Polo or PRLC.

23.9. This Agreement contains the entire and only agreement between the parties hereto concerning the subject matter hereof, and any oral statements or representations or prior written matter with respect thereto not contained herein shall have no force and effect. The provisions of this Agreement are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction and shall not in any manner affect such provision in this Agreement in any other jurisdiction.

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

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

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

RALPH LAUREN HOME COLLECTION, INC.

By: /s/ ANDREW T. PANACCIONE

Title: Assistant Secretary

THE POLO/LAUREN COMPANY, L.P.

By: PRL International, Inc.

By: /s/ ANDREW T. PANACCIONE

Title: Assistant Treasurer

POLO RALPH LAUREN CORPORATION

By: /s/ F. LANCE ISHAM

Title: Vice Chairman

WESTPOINT STEVENS INC.

By: /s/ THOMAS WARD

Title: Authorized Signatory

SCHEDULE A

"LICENSED PRODUCTS"
(PURSUANT TO PARAGRAPH 1.1)

Licensed Products shall mean the following:

1. Bathroom Products consisting of:

- (a) bath towels (non-embellished)
- (b) bath sheets (non-embellished)
- (c) fingertip towels (non-embellished)
- (d) hand towels (non-embellished)
- (e) face cloths (non-embellished)
- (f) tub mats

(g) men's and women's robes made from towels, it being understood that Company's rights with respect to robes shall be non-exclusive and shall be limited to the sale of robes in the same departments of stores in which other Licensed Products are sold.

- (h) shower curtains

In the event PLC/RLHC wishes to use or license a third party to use in the Territory the Licensed Mark in connection with embellished Bathroom Products, PLC/RLHC shall grant to Company a right of first refusal with respect thereto. The implementation of such first refusal rights shall be the same as the first refusal rights provided for in paragraph 2.15 of this Agreement.

2. Bedroom Products consisting of:

- (a) sheets
- (b) pillow cases (but not pillows)

(c) The following bedroom products to the extent they match sheets that are made under license from Polo ("Matched Bedding Accessories"):

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

(d) The following bedroom products, not matched to sheets ("Unmatched Bedding Accessories"):

- (1) bed covers
- (2) Intentionally Omitted
- (3) duvet and comforter covers
- (4) shams
- (5) bed skirts
- (6) bed spreads
- (7) comforters other than down comforters
- (8) decorative pillows
- (9) quilts
- (10) night spreads

(11) curtains and draperies matched or coordinated to bedding Licensed Products manufactured by Company hereunder

(e) The following items of utility bedding ("Utility Bedding"):

- (1) bed pillows
- (2) mattress pads
- (3) down comforters
- (4) feather beds
- (5) bed and throw blankets (but excluding blankets for infants)

Licensed Products, with respect to Mexico, shall mean all Bathroom Products and Bedroom Products described above, and shall also include the following items ("Utility Bedding"):

Except as may otherwise be agreed in writing by the parties hereto, through July 1, 2001 Company's rights with respect to Unmatched Bedding Accessories in Canada and Mexico, and with respect to Utility Bedding in Mexico, shall be solely to purchase such products from Pillowtex Corporation, RLHC's current licensee for such products in the United States, and to resell such products in the Territory on the terms set forth herein. Otherwise, Company's rights with respect to Unmatched Bedding Accessories and Utility Bedding shall not commence until July 1, 2001, and shall be subject to the rights of Pillowtex Corporation to sell-off its remaining inventory of Unmatched Bedding Accessories and Utility Bedding pursuant to its license agreement with respect thereto, the term of which expires on June 30, 2001, with sell-off rights continuing for 120 days thereafter.

Notwithstanding anything to the contrary contained herein, PLC/RLHC shall have the right to undertake or license a third party the right to undertake a free-standing window treatment program, whether or not matched or coordinated to bedding.

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SCHEDULE B

TRADEMARK AND DESIGN PROTECTION AGREEMENT

Re: Orders for Polo/Ralph Lauren Merchandise

TO
- - - - -

Our company may be entering into Purchase Order Contracts for samples and various products with you in the near future and would like to take this opportunity to call to your attention the basis upon which we will enter such agreements.

Pursuant to our agreements we may be providing you with certain designs and art work and requisitions for finished products (including samples), packaging, and business materials, among other things. By accepting our orders or contracts, your company will have agreed that it has only a limited, non-transferable right to use any trademarks and/or designs and/or art work (including specifically, colors, shapes, and textures) of Ralph Lauren Home Collection, Inc. and its affiliates ("Polo") as necessary for merchandise shipped or services rendered under our orders or contracts. You agree that such trademarks, designs, logos and art work shall not be used by your firm at any time, whether or not they are used in conjunction with the Ralph Lauren name or trademarks, for any purpose other than that for which they were placed in your trust, i.e. in fulfillment of specific purchase orders, and you shall exercise due diligence so that they are not made available to third parties. No rights shall remain in your firm or its employees or agents as to such trademarks, logos, art work, or designs of Polo and its affiliates and you agree that to the extent your firm may acquire any rights to said marks, logos, art work or designs, such rights shall revert to Polo or its affiliates, as the case may be, without any further act of the parties hereunder. By accepting our orders, you hereby agree to indemnify Polo and its affiliates for any losses, costs or expenses (of any kind whatsoever) which may arise as a result, directly or indirectly, of a breach of this Agreement.

Please place the acknowledgment signature of two (2) of your executive officers in the space provided below and return one signed copy of this letter to the undersigned as soon as possible.

Thank you for your cooperation.

Sincerely yours,
Ralph Lauren Home Collection, Inc.

By:
- - - - -

We have read and accept and agree to the above in consideration of orders from Ralph Lauren Home Collection, Inc.

CONTRACTOR NAME:
- - - - -

By: (1) ----- and (2) -----
Name: Name:

Date:
- - - - -

OPERATING GUIDELINES

Polo Ralph Lauren (the "Company") is dedicated to conducting its operations throughout the world on principles of ethical business practice and recognition of the dignity of workers. We expect our business partners to respect and adhere to the same standards in the operation of their business, and we will utilize these criteria to evaluate our relationships with customers and suppliers.

WAGES/BENEFITS/WORKING HOURS. Our business partners must comply with all laws regulating local wages, work hours and benefits. Wage and benefit policies must be consistent with prevailing national standards, and also be acceptable under a broader international understanding as to the basic needs of workers and their families. We will not work with companies whose wage structure violates local law or prevailing industry practice.

CHILD LABOR. Our business partners must not use child labor, defined as school age children. Our business partners will not employ workers under the age of 14. This provision extends to all partner facilities.

HEALTH & SAFETY. Our business partners must ensure that their workers are provided a safe and healthy work environment, and are not subject to unsanitary or hazardous conditions.

FREEDOM OF ASSOCIATION. Our business partners should respect the legal rights of employees to freely and without harassment participate in worker organizations of their choice.

PRISON OR FORCED LABOR. Our business partners will not work with or arrange for purchase of any materials from business partners who utilize prison or forced labor in any stage of the manufacture of our products.

DISCIPLINARY PRACTICES. Our business partners will not employ or conduct any business activity with partners who employ any form of physical or mental coercion or punishment against workers.

DISCRIMINATION. Our business partners will not practice nor do business with business partners who practice any form of improper discrimination in hiring and employment, including on the basis of age, race, color, gender, or religion.

ENVIRONMENT. Our business partners must embrace a fundamental concern for environmental protection and conduct their operations consistent with both local and internationally recognized environmental practices.

LEGAL REQUIREMENTS. Our business relationship must be built on a mutual respect for and adherence to legal requirements. Our business partners will observe both local and applicable international standards.

ETHICAL STANDARDS. We intend to conduct all our business in a manner consistent with the highest ethical standards, and we will seek and utilize partners who will do likewise, as this contributes directly to our corporate reputation and the collective success of our organization and selected business partners.

SUBCONTRACTING. Our business partners may not subcontract all or any part of the work on our products without our express written consent, which will not be given unless each subcontractor meets all of the criteria set forth herein.

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CONFLICTS OF INTEREST. Our business partners may not give Company employees a gift of value in excess of US\$25.00, and may not bribe foreign officials to benefit the Company or its business.

IMPLEMENTATION. We will apply these criteria in all business partner determinations, and will continue to implement these policies in the conduct of all activities. This will include our business partners sharing information on production facilities and procedures, with the objective of improving our collective service to customers in a responsible manner. Failure by a business partner to meet these standards, will result in our taking appropriate actions, up to and including cancellation of existing orders.

POLO RALPH LAUREN CORPORATION

SIGNIFICANT SUBSIDIARIES

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

NAME	JURISDICTION IN WHICH ORGANIZED
- - - - -	-----
Fashions Outlet of America, Inc.	Delaware
PRL USA Holdings, Inc.	Delaware
PRL International, Inc.	Delaware
Acqui Polo, C.V.	Netherlands