

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2000

OR

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

Commission file number 1-16153

Coach, Inc.

(Exact name of registrant as specified in its charter)

Maryland 52-2242751

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

516 West 34th Street, New York, NY 10001

(Address of principal executive offices)
(Zip Code)

(212) 594-1850

(Registrant's telephone number, including area code)

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

Yes No

On November 14, 2000, the Registrant had 43,513,333 outstanding shares of
common stock, which is the Registrant's only class of common stock.

The document contains 27 pages excluding exhibits.

COACH, INC.
INDEX TO FORM 10-Q

PART I - FINANCIAL INFORMATION	Page Number -----	
ITEM 1.	FINANCIAL STATEMENTS -	
	Preface	3
	Condensed Consolidated and Combined Balance Sheets - For Pro Forma as Adjusted September 30, 2000, and at September 30, 2000 and July 1, 2000	4
	Condensed Consolidated and Combined Statements of Income - For the thirteen weeks ended September 30, 2000 and October 2, 1999	5
	Consolidated and Combined Statements of Common Stockholders' Equity - For the period July 3, 1999 to September 30, 2000	6
	Consolidated and Combined Statements of Cash Flows - For the thirteen weeks ended September 30, 2000 and October 2, 1999	7
	Notes to Consolidated and Combined Financial Statements	8
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	23
PART II -	OTHER INFORMATION AND SIGNATURES	
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	24
ITEM 6.	EXHIBITS AND REPORTS ON FORM 8-K	25
SIGNATURE		27
EXHIBIT 2.4	Employee Matters Agreement	
EXHIBIT 27	Financial Data Schedule	

ITEM 1.

COACH, INC. AND SUBSIDIARIES

PREFACE

The consolidated financial statements for the thirteen weeks ended September 30, 2000 and October 2, 1999 and the balance sheet as of September 30, 2000 included herein have not been audited by independent public accountants, but, in the opinion of Coach, Inc. ("Company"), all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at September 30, 2000 and the results of operations and the cash flows for the periods presented herein have been made. In the opinion of management, the information furnished reflects all adjustments, all of which are of a normal recurring nature, necessary for a fair presentation of the results for the reported interim periods. The results of operations for the thirteen weeks ended September 30, 2000 are not necessarily indicative of the operating results to be expected for the full fiscal year ending June 30, 2001.

The consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such regulations. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form S-1 for the fiscal year ended July 1, 2000.

COACH, INC.
 CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS
 At September 30, 2000 and July 1, 2000
 (IN THOUSANDS)

	PRO FORMA AS ADJUSTED SEPTEMBER 30, 2000 ----- (unaudited)	SEPTEMBER 30, 2000 ----- (unaudited)	JULY 1, 2000 -----
ASSETS			
Cash	\$ 164	\$ 164	\$ 162
Receivables	24,855	24,855	15,567
Inventories	119,397	119,397	102,097
Other current assets	17,047	17,047	15,862
	-----	-----	-----
Total current assets	161,463	161,463	133,688
Receivable from Sara Lee Property, net	-	-	63,783
Trademarks and other assets	66,314	66,314	65,184
	33,718	33,718	33,998
	-----	-----	-----
Total assets	\$ 261,495	\$ 261,495	\$ 296,653
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bank overdrafts	\$ 5,408	\$ 5,408	\$ 4,940
Accounts payable	4,999	4,999	2,926
Accrued liabilities	82,948	78,662	71,693
Revolving credit facility	5,671	9,957	-
Long-term debt due within one year	40	40	40
	-----	-----	-----
Total current liabilities	99,066	99,066	79,599
Long-term debt	71,735	3,735	3,735
Other liabilities	2,158	2,158	511
Common stockholders' equity	88,536	156,536	212,808
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 261,495	\$ 261,495	\$ 296,653
	=====	=====	=====

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

COACH, INC.
 CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF INCOME
 FOR THE THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

	THIRTEEN WEEKS ENDED	
	----- SEPTEMBER 30, 2000 -----	OCTOBER 2, 1999 -----
Net sales	\$ 134,552	\$ 118,032
Cost of sales	49,564	54,727
Gross profit	84,988	63,305
Selling, general and administrative expenses	68,246	60,256
Reorganization costs	4,950	-
Operating income	11,792	3,049
Interest expense, net	113	97
Income before income taxes	11,679	2,952
Provision for income taxes	4,088	903
Net income	\$ 7,591	\$ 2,049
Pro forma as adjusted basic net income per share	\$ 0.17	
Shares used in computing pro forma as adjusted basic net income per share	43,513	
Pro forma as adjusted diluted net income per share	\$ 0.17	
Shares used in computing pro forma as adjusted diluted net income per share	43,670	

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

COACH, INC.
 CONSOLIDATED AND COMBINED STATEMENT OF COMMON STOCKHOLDERS' EQUITY
 FOR THE PERIOD JULY 3, 1999 TO SEPTEMBER 30, 2000
 (IN THOUSANDS)
 (UNAUDITED)

	TOTAL	ACCUMULATED		COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)
		SARA LEE CORPORATION EQUITY	OTHER		
Balances at July 3, 1999	\$ 203,162	\$ 203,966		\$ (804)	
Net income	2,049	2,049		-	\$ 2,049
Translation adjustments	55	-		55	55
Comprehensive income					\$ 2,104
Balances at October 2, 1999	205,266	206,015		(749)	
Net income	36,554	36,554		-	36,554
Equity distribution	(29,466)	(29,466)		-	-
Translation adjustments	97	-		97	97
Minimum pension liability	357	-		357	357
Comprehensive income					\$ 37,008
Balances at July 1, 2000	212,808	213,103		(295)	
Net income	7,591	7,591		-	7,591
Capitalization of receivable from Sara Lee	(63,783)	(63,783)		-	-
Translation adjustments	(80)	-		(80)	(80)
Comprehensive income					\$ 7,511
Balances at September 30, 2000	\$ 156,536	\$ 156,911		\$ (375)	

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
FOR THE THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
(IN THOUSANDS)
(UNAUDITED)

	THIRTEEN WEEKS ENDED	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999
OPERATING ACTIVITIES		
Net Income	\$ 7,591	\$ 2,049
Adjustments for noncash charges included in net income:		
Depreciation	5,397	5,059
Amortization of intangibles	221	324
Reorganization costs	4,950	-
(Increase) in deferred taxes	(1,732)	(2,085)
Other noncash credits, net	1,626	(82)
Changes in current assets and liabilities:		
(Increase) in trade accounts receivable	(9,288)	(9,086)
(Increase) in inventories	(17,300)	(2,726)
Decrease in other current assets	547	531
Increase (decrease) in accounts payable	2,073	(4,342)
Increase in accrued liabilities	3,016	1,118
Decrease in receivable from Sara Lee	4,144	1,918
	1,245	(7,322)
INVESTMENT ACTIVITIES		
Purchases of property and equipment	(7,573)	(5,622)
Dispositions of property and equipment	49	1,362
	(7,524)	(4,260)
FINANCING ACTIVITIES		
Borrowings from Sara Lee	139,363	127,124
Repayments to Sara Lee	(133,550)	(116,172)
Bank overdrafts	468	636
	6,281	11,588
Increase in cash and equivalents	2	6
Cash and equivalents at beginning of period	162	148
Cash and equivalents at end of period	\$ 164	\$ 154

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
 THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

1 BASIS OF PRESENTATION

Coach was formed in 1941 and was acquired by Sara Lee Corporation ("Sara Lee") in July 1985 in a transaction accounted for as a purchase. Coach has operated as a division in the United States and as subsidiaries in foreign countries.

On May 30, 2000, Sara Lee announced its plan to create an independent publicly traded company, Coach, Inc. ("Coach", "the Company") comprised of Sara Lee's branded leathergoods and accessories business. On June 1, 2000, Coach was incorporated under the laws of the State of Maryland. On October 2, 2000, Coach began to operate as a wholly owned subsidiary of Sara Lee.

As described in Note 8 (Subsequent Events), during October 2000 Coach completed an initial public offering of 8,487 shares of common stock. This reduced Sara Lee's ownership to 80.5%.

The historical financial statements have been prepared using Sara Lee's historical basis in the assets and liabilities and the results of Coach's business.

2 INVENTORIES

Inventories are valued at the lower of cost (determined by the first-in, first-out method) or market. Inventory cost includes material and conversion costs.

Components of inventories are as follows:

	SEPTEMBER 30, 2000	JULY 1, 2000
	-----	-----
Finished Goods	\$ 113,800	\$ 95,446
Work in process	1,230	677
Materials and supplies	4,367	5,974
	-----	-----
	\$ 119,397	\$ 102,097
	=====	=====

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

3 REVOLVING CREDIT FACILITY/LONG TERM DEBT

Coach participates in a cash concentration system that requires that cash balances be deposited with Sara Lee which are netted against any borrowings or billings that are provided by Sara Lee. On July 2, 2000, Coach entered into a revolving credit facility with Sara Lee. The maximum borrowing from Sara Lee permitted under this facility is \$75,000 which will accrue interest at US dollar LIBOR plus 30 basis points. Any receivable balance from Sara Lee under this facility will accrue interest at US dollar LIBOR minus 20 basis points. When Sara Lee owns less than 50% of Coach's outstanding capital stock, this facility will terminate and become due. The credit facility contains certain covenants including a requirement that Coach maintain an interest coverage ratio of at least 1.75, and restrictions on mergers, significant property disposals, dividends, additional secured debt, sale and leaseback transactions or lease obligations in excess of amounts approved by Sara Lee. As of September 30, 2000 we are in compliance with all note covenants. We are required to repay these borrowings from cash provided by operations as reduced by capital expenditures.

As described in Note 8 (Subsequent Events), Coach has completed an equity restructuring which resulted in the assumption of \$190,000 of long-term debt payable to a subsidiary of Sara Lee. The net proceeds of the initial stock offering were used to partially repay this loan, resulting in a remaining balance of \$68,000.

This long-term debt has a maturity date of September 30, 2002 and will accrue interest at U.S. dollar LIBOR plus 30 basis points while Sara Lee owns greater than a majority of Coach's common stock, and U.S. dollar LIBOR plus 250 basis points when Sara Lee owns less than 80% of Coach's capital stock. Coach intends to repay this note using cash generated from future operations. The note contains certain covenants, including a requirement that Coach maintain an interest coverage ratio of at least 1.75, and restrictions on mergers, significant property disposals, dividends, additional secured debt, sale and leaseback transactions or lease obligations in excess of amounts approved by Sara Lee. Primarily all cash flows from operations less capital expenditures after debt service payments under the cash concentration system are required as payments under this note.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
 THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

4 REORGANIZATION COSTS

In the first quarter of fiscal year 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000. This reorganization involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers.

Coach has recognized a reorganization cost of \$4,950 in the first quarter of fiscal year 2001. This reorganization cost includes \$3,168 for worker separation costs, \$785 for lease termination costs, and \$997 for the write down of long-lived assets to their estimated net realizable values.

The composition of the reorganization reserves is set forth in the table below. We expect that these reorganization actions will be completed by the end of this fiscal year.

	ORIGINAL REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF SEPTEMBER 30, 2000
Worker's separation costs	\$ 3,168	-	\$ (24)	\$ 3,144
Lease termination costs	785	-	(6)	779
Anticipated losses on disposal of fixed assets	997	\$ (997)	-	-
Total reorganization reserve	\$ 4,950	\$ (997)	\$ (30)	\$ 3,923

During 1999, Coach closed the Carlstadt, New Jersey warehouse and distribution center and the Italian manufacturing operation and reorganized the Medley, Florida manufacturing facility. As contemplated in the original plan, a portion of the Carlstadt facility remains in use for product development. Related to these facility closures and the reorganization activities, 737 employees were terminated. At July 1, 2000, these reorganization actions were complete and certain worker's separation costs remained to be paid subject to the separation agreements with each employee. During the quarter, workers' separation costs of \$63 were paid. The remaining balance of \$79 will be paid by December 2000.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
 THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

5 EARNINGS PER SHARE

Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have any shares outstanding. Therefore, earnings per share for the thirteen weeks ended September 30, 2000 are calculated on a pro forma as adjusted basis. Pro forma as adjusted basic net income per share is computed by dividing net income by the assumed number of shares outstanding. This share amount is calculated on a pro forma as adjusted basis assuming that the 35,025.333 to 1.0 common stock dividend had occurred and that 8,487 shares were sold in the initial public offering in October 2000. Pro forma as adjusted diluted net income per share reflects the potential dilution that would occur if options or other contracts to issue common stock were exercised or converted into common stock. The following is a reconciliation of the assumed shares outstanding for purposes of calculating pro forma as adjusted basic and diluted net income per share.

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000

Net income	\$ 7,591 =====
Shares used in computing pro forma as adjusted basic net income per share	43,513
Dilutive effect of stock award plans based on the initial offering price	157

Shares used in computing pro forma as adjusted diluted net income per share	43,670 =====
Pro forma as adjusted basic net income per share	\$ 0.17 =====
Pro forma as adjusted diluted net income per share	\$ 0.17 =====

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
 THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

As described in Note 8 (Subsequent Events), Coach issued options representing 3,171 shares of common stock at the offering price and our employees converted Sara Lee options into Coach options representing 1,204 shares of common stock. Both the newly granted stock options and the converted Sara Lee stock options are non-dilutive in the pro forma as adjusted disclosures based upon the initial public offering price.

6 SEGMENT INFORMATION

The Company operates its business in two reportable segments: Direct to Consumer and Wholesale. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through Company owned retail and factory stores, the Coach catalog and the Internet constitute the Direct to Consumer segment. Wholesale refers to sales of Coach products to other retailers. In deciding how to allocate resources and assess performance, Coach's executive officers regularly evaluate the sales and operating income of these segments. Operating income is the gross margin of the segment at standard cost less direct expenses of the segment. Unallocated corporate expenses include manufacturing variances, general marketing, administration and information systems, distribution and customer service expenses.

THIRTEEN WEEKS ENDED SEPT. 30, 2000	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
Net Sales	\$80,508	\$54,044	-	\$ 134,552
Operating income	20,052	22,126	\$(30,386)	11,792
Interest income	-	-	29	29
Interest expense	-	-	142	142
Income before taxes	20,052	22,126	(30,499)	11,679
Depreciation and amortization	3,067	394	2,157	5,618
Total assets	139,412	68,765	53,318	261,495
Additions to long-lived assets	6,238	899	436	7,573

THIRTEEN WEEKS ENDED OCT. 2, 1999	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
Net sales	\$ 70,361	\$47,671	-	\$118,032
Operating income	14,755	16,474	\$(28,180)	3,049
Interest income	-	-	8	8
Interest expense	-	-	105	105
Income before taxes	14,755	16,474	(28,277)	2,952
Depreciation and amortization	2,513	377	2,493	5,383
Total assets	120,428	59,995	101,179	281,602
Additions to long-lived assets	2,889	355	2,378	5,622

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
 THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

The following is a summary of the common costs not allocated in the determination of segment performance.

	THIRTEEN WEEKS ENDED	
	SEPT. 30, 2000	OCT. 2, 1999
Manufacturing variances	\$(383)	\$(6,989)
Advertising, marketing and design	(8,928)	(7,780)
Administration and information systems	(10,276)	(7,595)
Distribution and customer service	(5,849)	(5,816)
Reorganization costs	(4,950)	-
	-----	-----
Total corporate unallocated	\$(30,386)	\$(28,180)
	=====	=====

7 RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, June 1999 and June 2000, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Derivative Instruments and Hedging Activities - an amendment of SFAS No. 133." These statements outline the accounting treatment for derivative and hedging activities. Coach adopted SFAS No. 133, as amended, as of July 2, 2000. Coach does not hold or use derivative instruments, hence this adoption had no effect on Coach's operating income or financial position.

8 SUBSEQUENT EVENTS

In October 2000, Coach completed an initial public offering of common stock. In conjunction with this offering, the following transactions occurred:

On July 2, 2000, the receivable from Sara Lee was capitalized into stockholders' net investment. No cash was paid or collected by either party.

On October 2, 2000, Coach assumed \$190,000 of indebtedness to a subsidiary of Sara Lee resulting in a reduction in equity.

Coach declared and paid a 35,025.333 to 1.0 common stock dividend.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
THIRTEEN WEEKS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

Coach sold 8,487 shares of common stock in an initial public offering at a price of \$16.00 per share. After deducting the underwriting discount and estimated offering expenses, net proceeds of \$122,000 were received.

The net offering proceeds were used to repay a portion of the indebtedness to a subsidiary of Sara Lee resulting in a remaining obligation of \$68,000.

Coach issued options to purchase 3,171 shares of our common stock at the offering price.

Coach employees elected to convert previously held Sara Lee options into options to purchase 1,204 shares of our common stock.

Coach employees elected to convert previously held Sara Lee service-based restricted stock units into 34 Coach service-based restricted stock units.

Coach employees elected to convert previously held Sara Lee restricted stock under deferred compensation agreements, into 123 shares of Coach restricted stock.

9 PRO FORMA BALANCE SHEET INFORMATION

Pro forma amounts give effect to the following actions as though these actions had been taken as of September 30, 2000:

On October 2, 2000, Coach assumed \$190,000 of indebtedness to a subsidiary of Sara Lee resulting in a reduction in equity.

Coach declared and paid a 35,025.333 to 1.0 common stock dividend.

Coach sold 8,487 shares of common stock in an initial public offering at a price of \$16.00 per share. After deducting the underwriting discount and estimated offering expenses, net proceeds of \$122,000 were received.

The net offering proceeds were used to repay a portion of the indebtedness to a subsidiary of Sara Lee resulting in a remaining obligation of \$68,000.

Estimated costs and expenses of the common stock offering of \$4,286 have been accrued. The offsetting amount has been applied to the revolving credit facility, pending cash payment of these expenditures.

ITEM 2.

COACH, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW

Coach was founded in 1941 and was acquired by Sara Lee Corporation in 1985. Coach is a designer, producer and marketer of quality, modern, American classic accessories and gifts. Our primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves.

On May 30, 2000, Sara Lee announced a plan to narrow its focus on a smaller number of global branded consumer packaged goods businesses by, among other things, initiating plans to dispose of some of its non-core businesses. The plan included the initial public offering of up to 19.5% of our common stock to be followed by a later distribution of our remaining common stock by Sara Lee. As of September 30, 2000, we were a wholly owned subsidiary of Sara Lee. On October 5, 2000, the Company was listed on the New York Stock Exchange and sold 7.4 million shares of stock in an initial public offering, representing 17.4% of the outstanding shares. On October 17, 2000, the underwriters exercised their over-allotment option and purchased an additional 1.1 million shares of our stock. In total we sold 8.5 million shares of our common stock, representing 19.5% of the outstanding shares. The net proceeds of these transactions were used to repay 64.2% of the indebtedness owed to a subsidiary of Sara Lee Corporation.

This management's discussion and analysis should be read in conjunction with Coach's Consolidated and Combined Financial Statements and accompanying footnotes thereto along with the cautionary statement of risk factors at the end of this section.

FIRST QUARTER FISCAL 2001 COMPARED TO FIRST QUARTER FISCAL 2000

The following is a discussion of the results of operations for the first quarter of fiscal 2001 compared to the first quarter of fiscal 2000 and a discussion of the changes in financial condition during the first quarter of fiscal 2001.

Net sales by business segment in the first quarter of fiscal 2001 compared to the first quarter of fiscal 2000 are as follows:

	THIRTEEN WEEKS ENDED				
	NET SALES			PERCENTAGE OF TOTAL NET SALES	
	(UNAUDITED)				
SEPT. 30, 2000	OCT. 2, 1999	RATE OF INCREASE	SEPT. 30, 2000	OCT. 2, 1999	
(DOLLARS IN MILLIONS*)					
Direct to Consumer	\$80.5	\$70.4	14.4%	59.8%	59.6%
Wholesale	54.0	47.7	13.4%	40.2	40.4
Total Net Sales	\$134.6	\$118.0	14.0%	100.0%	100.0%

*Components do not add to total due to rounding.

Combined statements of income for the first quarter of fiscal 2001 compared to the first quarter of fiscal 2000 are as follows:

	THIRTEEN WEEKS ENDED			
	(DOLLARS IN MILLIONS, EXCEPT FOR EARNINGS PER SHARE)			
	SEPT. 30, 2000		OCT. 2, 1999	
	(UNAUDITED)	(UNAUDITED)		
	\$	% TO NET SALES	\$	% TO NET SALES
Net sales	\$134.0	99.6%	\$117.6	99.7%
Licensing revenue	0.6	0.4	0.4	0.3
Total net sales	134.6	100.0	118.0	100.0
Gross profit	85.0	63.2	63.3	53.6
Selling, general and administrative expenses	68.2	50.7	60.3	51.1
Operating income before reorganization costs	16.8	12.5	3.0	2.5
Reorganization costs	5.0	3.7	-	-
Operating income	11.8	8.8	3.0	2.5
Net interest expense	0.1	0.1	0.1	-
Income before taxes	11.7	8.7	2.9	2.5
Income taxes	4.1	3.1	0.9	0.8
Net income	\$7.6	5.6%	\$2.0	1.7%

Pro forma as adjusted net income per share:

Basic	\$0.17
Diluted	\$0.17

Pro forma as adjusted weighted average number of common shares:

Basic	43,513
Diluted	43,670

FIRST QUARTER FISCAL 2001 COMPARED TO FIRST QUARTER FISCAL 2000

NET SALES

Net sales increased by 14.0% to \$134.6 million in the first quarter of fiscal 2001 from \$118.0 million during the first quarter of fiscal 2000. These results reflect increased volume in both the direct to consumer and wholesale channels.

Direct to Consumer. Net sales increased 14.4% to \$80.5 million during the first quarter of fiscal 2001 from \$70.4 million during the comparable period for fiscal 2000. This sales increase was primarily due to new store openings, store renovations and expansions and comparable stores sales growth. Since the end of the first quarter of fiscal 2000, Coach has opened eight new retail stores and two new factory stores. In addition, 22 retail stores and one factory store were remodeled while five retail stores and three factory stores were expanded. Comparable store sales growth for the first quarter of fiscal 2001 for the entire U.S. store base was 5.5%. Comparable store sales growth for the first quarter of fiscal 2001 for retail stores and factory stores open for one full year was 3.8% and 6.7%, respectively. Coach also closed three retail stores and one factory store since the end of the first quarter of fiscal 2000.

Wholesale. Net sales attributable to domestic and international wholesale shipments increased 13.4% to \$54.0 million in the first quarter of fiscal 2001 from \$47.7 million during the comparable quarter of fiscal 2000. This increase was driven by increased demand for new products in our U.S. and international wholesale channels. Licensing revenue increased 35.5% to \$0.6 million in the first quarter of fiscal 2001 from \$0.4 million during the first quarter of fiscal 2000 caused primarily by expanded distribution of licensed footwear product.

GROSS PROFIT

Gross profit increased 34.3% to \$85.0 million in the first quarter of fiscal 2001 from \$63.3 million in the first quarter of fiscal 2000. Gross margin increased 953 basis points to 63.2% in the first quarter of fiscal 2001 from 53.6% in the first quarter of fiscal 2000. These increases were primarily due to the continuing impact of manufacturing and sourcing cost reductions realized during fiscal 2001 from the reorganization that commenced in 1999, as well as from increased shipments to international distributors. Gross profit also increased due to the reduction of low margin disposition shipments as compared to the comparable quarter in fiscal 2000.

The following chart illustrates the gross margin performance which the Company has experienced over the last five quarters.

	FISCAL YEAR ENDED JULY 1, 2000				FISCAL YEAR ENDING JUNE 30, 2001
	Q1	Q2	Q3	Q4	Q1
	--	--	--	--	--
	(UNAUDITED)				(UNAUDITED)
	-----				-----
Gross Margin	53.6%	62.1%	61.0%	61.5%	63.2%

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased 13.3% to \$68.2 million in the first quarter of fiscal 2001 from \$60.3 million in the first quarter of fiscal 2000. As a percentage of net sales, SG&A expenses during the first quarter of fiscal 2001 were 50.7% compared to 51.1% during the first quarter of fiscal 2000.

Selling expenses increased by 12.5% to \$41.5 million in the first quarter of fiscal 2001 from \$36.9 million during the comparable quarter in fiscal 2000. As a percentage of sales, selling costs were 30.8% in the first quarter of fiscal 2001 versus 31.2% in the first quarter of fiscal 2000. The selling expense increase was primarily due to \$2.2 million of operating costs associated with stores that were not open during the first quarter of fiscal 2000. Eight new retail stores and two new factory stores that were operating during the first quarter of fiscal 2001 were not open in the first quarter of fiscal 2000. Two stores were temporarily closed during the first quarter of fiscal 2000, reducing our expenses for that period. Additionally, four stores were permanently closed since the end of the first quarter of fiscal 2000. The remaining selling expense increase was caused by volume related costs in our wholesale segment.

Advertising, marketing, and design costs increased by 9.2% to \$10.0 million in the first quarter of fiscal 2001, from \$9.2 million during the same period in fiscal 2000. As a percentage of sales, advertising, marketing and design costs were 7.5% in the first quarter of fiscal 2001, versus 7.8% in the comparable quarter of fiscal 2000. The dollar increase in expenses was primarily due to the timing of advertising media and production expenses along with increased design costs.

Distribution and customer service costs declined by \$0.2 million to \$6.4 million, in the first quarter of fiscal 2001, compared to \$6.6 million in the first quarter of fiscal 2000. As a percentage of sales, distribution and customer service costs represented 4.8% in the first quarter of fiscal 2001 versus 5.6% in the first quarter of fiscal 2000. The decrease in distribution and customer service expenses reflected continued efficiency gains associated with the consolidation of warehouse and customer service activities into our Jacksonville, Florida facility.

Administrative expenses increased by 35.3% to \$10.3 million in the first quarter of fiscal 2001 from \$7.6 million during the same period in fiscal 2000 as a result of increased occupancy, corporate governance and staffing costs. As a percentage of sales, administrative expenses were 7.6% in the first quarter of fiscal 2001, versus 6.4% during the comparable period in fiscal 2000. Higher occupancy costs were associated with the lease renewal of our New York City corporate headquarters location and incremental expenses were incurred to support new corporate governance activities relating to the Company becoming publicly owned.

REORGANIZATION COSTS

In the first fiscal quarter of 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000. This reorganization involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach has recorded a reorganization cost of approximately \$5.0 million in the first quarter of fiscal year 2001. This reorganization cost includes \$3.2 million for worker separation costs, \$0.8 million for lease termination costs and \$1.0 million for the write down of long-lived assets to estimated net realizable value.

OPERATING INCOME

Operating Income increased 287% to \$11.8 million in the first quarter of fiscal 2001 from \$3.0 million in the first quarter of fiscal 2000. Before the impact of reorganization costs in the first quarter of fiscal 2001, operating income increased 449% to \$16.7 million from \$3.0 million during the same period in fiscal 2000. This increase resulted from higher sales and improved gross margins, partially offset by an increase in SG&A expenses.

INCOME TAXES

The effective tax rate increased to 35.0% in the first quarter of fiscal 2001 from 30.6% in the first quarter of fiscal 2000. This increase was caused by a lower percentage of income in fiscal 2001 attributable to company-owned offshore manufacturing, which is taxed at lower rates.

NET INCOME

Net income increased 270% to \$7.6 million in the first quarter of fiscal 2001 from \$2.0 million in the first quarter of fiscal 2000. Before the impact of reorganization costs in the first quarter of fiscal 2001, net income increased 428% to \$10.8 million from \$2.0 million during the same period in fiscal 2000. This increase was the result of increased operating income partially offset by a higher provision for taxes.

FINANCIAL CONDITION**LIQUIDITY AND CAPITAL RESOURCES**

Sara Lee manages cash on a centralized basis for Coach and its other businesses. Cash receipts associated with our business have been transferred directly to Sara Lee on a daily basis and Sara Lee has provided funds to cover our disbursements. In accordance with the Separation Agreement, Sara Lee transferred to Coach an intercompany note payable of \$190 million to a Sara Lee subsidiary on October 2, 2000. Net proceeds from the stock offering of \$122 million were used to partially repay this note, resulting in a remaining balance of \$68 million.

Cash provided by operating activities, defined as net income plus depreciation and amortization and the change in working capital, was \$1.2 million for the first quarter of fiscal 2001. Cash used by operating activities was \$7.3 million in the same period of fiscal 2000. The \$8.6 million year-to-year increase in cash provided from operating activities was the result of higher first quarter earnings partially offset by increased working capital requirements.

Capital expenditures amounted to \$7.6 million in the first quarter of fiscal 2001, compared to \$5.6 million in the first quarter of fiscal 2000 and related primarily to new and renovated retail stores. Our future capital expenditures will depend on the timing and rate of expansion of our businesses, new store openings, store renovations and international expansion opportunities.

On July 2, 2000, we entered into a revolving credit facility with Sara Lee under which we may borrow up to \$75 million. At September 30, 2000 we had accessed \$10.0 million of this credit facility. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds 50% of our outstanding capital stock. We anticipate that at or prior to such time we will enter into a revolving credit facility with a banking institution.

At the time of the IPO, we assumed \$190 million of indebtedness in the form of a term note which matures on September 30, 2002, which was partially repaid with the net proceeds of the IPO amounting to \$122 million. Each of the revolving credit facility and the term note covenants require us to maintain an interest coverage ratio of at least 1.75 to 1.0, and contains restrictions on liens, mergers and consolidations, significant property disposals, payment of dividends, transactions with affiliates (other than Sara Lee), sale and leaseback transactions and lease obligations in excess of amounts approved by Sara Lee. As of September 30, 2000 we are in compliance with all note covenants. We are required to repay these borrowings from cash provided by operations as reduced by capital expenditures.

We plan to open at least 15 new retail stores in fiscal year 2001, of which one was opened at the end of the first quarter. We also expect to continue our store renovations program in fiscal 2001. We expect that fiscal 2001 capital expenditures for new retail stores will be approximately \$10 million to \$12 million and that capital expenditures for store renovations will be approximately \$11 million. We intend to finance these investments from internally generated cash flow or by using funds from our revolving credit facility. Historically, new store opening costs are expensed as incurred and have not been significant to our results.

We experience significant seasonal variations in our working capital requirements. During the first fiscal quarter we build inventory for the holiday selling season, open new retail stores and increase trade receivables. In the second fiscal quarter our working capital requirements are reduced substantially as we generate consumer sales and collect wholesale accounts receivable. In the first quarter of fiscal 2001, we purchased approximately \$70 million of inventory which was funded by operating cash flow and by borrowings under our revolving credit facility. As of September 30, 2000, our borrowings under the revolving credit facility were \$10.0 million. We expect to repay the borrowing under the revolving credit facility in the second fiscal quarter. We believe that our operating cash flow, together with our revolving credit facility, will provide sufficient capital to fund our operations for the foreseeable future.

Until Sara Lee effects a distribution of its Coach stock, we have agreed not to cause Sara Lee's ownership of our outstanding capital stock to fall below 80%. As a result, we may be required to purchase shares of our common stock on the open market as options are exercised and use the repurchased shares to satisfy options exercised and the vesting of restricted stock units. We believe that our operating cash flow, together with our revolving credit facility, will provide sufficient funds for any required share repurchases.

Currently, Sara Lee is a guarantor or a party to many of our store leases. We have agreed to make efforts to remove Sara Lee from all of our existing leases and Sara Lee will not guarantee or be a party to any new or renewed leases that we enter into after our separation from Sara Lee, which occurred on October 2, 2000. We have agreed to obtain a letter of credit for the benefit of Sara Lee in an amount approximately equal to the annual minimum rental payments under leases transferred to us by Sara Lee but for which Sara Lee retains contingent liability. We are required to obtain this letter of credit as of the date Sara Lee no longer is allowed to consolidate our results of operations and financial position, and to maintain the letter of credit until the annual minimum rental payments under the relevant leases are less than \$2.0 million. We currently expect the initial letter of credit to have a maximum amount of approximately \$25.6 million and that we will be required to maintain the letter of credit for at least 10 years.

SUBSEQUENT EVENTS

During October 2000 we entered into several transactions relating to the public offering of our common stock:

- - We assumed \$190 million of indebtedness to a subsidiary of Sara Lee.
- - We declared a stock dividend on the common stock held by Sara Lee resulting in 35,026,333 shares outstanding.
- - In October 2000, we sold 8,487,000 shares of common stock in an initial public offering at a price of \$16.00 per share. After deducting the underwriting discount and estimated offering expenses, net proceeds of \$122 million were received.
- - We used the net offering proceeds of \$122 million from the IPO to make a partial paydown of the assumed indebtedness, resulting in a remaining indebtedness of \$68 million.

SEASONALITY

Because our products are frequently given as gifts, we have historically realized, and expect to continue to realize, higher sales and operating income in the second quarter of our fiscal year which includes the holiday months of November and December. We have sometimes experienced, and may continue to experience, reduced income or net losses in any or all of our first, third or fourth quarters. The higher sales in the second quarter typically result in higher operating profits and margins. This is due to higher gross profits, with no substantial corresponding increase in fixed costs related to operating retail stores and other administrative and selling costs, which remain fairly constant throughout the year. During the holiday season, these fixed costs are spread over higher sales, resulting in greater operating income expressed in both dollars and as a percentage of sales in the second quarter compared to the other three quarters. We anticipate that our sales and operating profit will continue to be seasonal in nature.

RISK FACTORS

This Form 10-Q contains certain "forward-looking statements", based on current expectations, that involve risks and uncertainties that could cause our actual results to differ materially from management's current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will", "should," "expect," "intend", "estimate", or "continue", or the negative thereof or comparable terminology. Future results will vary from historical results and historical growth is not indicative of future trends which will depend upon a number of factors, including but not limited to: (i) the successful implementation of our growth strategies and initiatives, including our store expansion and renovation program; (ii) the effect of existing and new competition in the marketplace; (iii) our ability to successfully anticipate consumer preferences for accessories and fashion trends; (iv) our ability to control costs; (v) the effect of seasonal and quarterly fluctuations in our sales on our operating results; (vi) our exposure to international risks, including currency fluctuations; (vii) changes in economic or political conditions in the markets where we sell or source our products; (viii) our ability to protect against infringement of our trademarks and other proprietary rights; and such other factors as set forth in the Company's Form S-1 which was declared effective on October 4, 2000. Coach, Inc. assumes no obligation to update or revise any such forward-looking statements, which speak only as of their date, even if experience or future events or changes make it clear that any projected financial or operating results will not be realized.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN EXCHANGE

As of September 30, 2000, we are projecting that approximately 75% of our fiscal year 2001 non-licensed product needs will be purchased from independent manufacturers in other countries such as China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. Additionally, sales are made through international channels to third-party distributors. Substantially all purchases and sales involving international parties are denominated in U.S. dollars and therefore are not hedged using any derivative instruments. We have not used foreign exchange instruments in the past nor do we expect to use them in the future.

INTEREST RATE

We have fixed rate long-term debt related to the Jacksonville distribution center and use the sensitivity analysis technique to evaluate the change in fair value of this debt instrument. At September 30, 2000, the effect of a 10% change in market interest rates would be approximately \$0.2 million per annum. We do not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

COMMODITY

We buy tanned leather from various suppliers based upon fixed price purchase contracts that extend for periods up to six months. These purchases are not hedged with any derivative instrument. Due to the purchase contracts that are in place, we do not expect that a sudden short-term change in leather prices will have a significant effect on our operating results or cash flows. However, we use the sensitivity analysis technique to evaluate the change in fair value of the leather purchases based upon longer-term price trends. At September 30, 2000, we estimate that a 10% change in the underlying price of tanned leather would have a \$1.6 million effect on the cost of sales for the fiscal year ending June 30, 2001.

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

On June 29, 2000, Sara Lee Corporation, then our sole stockholder adopted a resolution in lieu of holding a special meeting approving: (i) 2000 Stock Incentive Plan, (ii) Performance-Based Annual Incentive Plan, (iii) Executive Deferred Compensation Plan, (iv) 2000 Non-Employee Director Stock Plan, (v) Non-Qualified Deferred Compensation Plan for Outside Directors, (vi) Severance Plan, and (vii) Severance Plan for A & B Players.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits (numbered in accordance with Item 601 of Regulation S-K)

EXHIBIT NO.	DESCRIPTION
2.1	Master Separation Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.2	Tax Sharing Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.3	General Assignment and Assumption Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.3 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.4	Employee Matters Agreement between Sara Lee and Coach filed herewith.
2.5	Real Estate Matters Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.5 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.6	Master Transitional Services Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.7	Indemnification and Insurance Matters Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.8	Revolving Note, which is incorporated herein by reference from Exhibit 2.8 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.9	Form of Substitute Note, which is incorporated herein by reference from Exhibit 2.9 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
2.10	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.10 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
3.1	Articles of Incorporation of Coach, which is incorporated herein by reference from Exhibit 3.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
3.2	Bylaws of Coach, which is incorporated herein by reference from Exhibit 3.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
4.1	Specimen Certificate for Common Stock, which is incorporated herein by reference from Exhibit 4.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).

- 10.1 Coach, Inc. 2000 Stock Incentive Plan, which is incorporated herein by reference from Exhibit 10.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.2 Coach, Inc. Executive Deferred Compensation Plan, which is incorporated herein by reference from Exhibit 10.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.3 Coach, Inc. Performance-Based Annual Incentive Plan, which is incorporated by reference from Exhibit 10.3 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.4 Coach, Inc. 2000 Non-Employee Director Stock Plan, which is incorporated by reference from Exhibit 10.4 to Coach's Registration Statement on Form S-1 (Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.5 Coach, Inc. Non-Employee Directors' Deferred Compensation Plan, which is incorporated by reference from Exhibit 10.5 to Coach's Registration Statement on Form S-1 (Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.6 Jacksonville, FL lease agreements, which is incorporated herein by reference from Exhibit 10.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 10.7 New York, NY lease agreements, which is incorporated herein by reference from Exhibit 10.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 24.1 Power of Attorney, which is incorporated herein by reference from Exhibit 24.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502).
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K

None

SIGNATURE

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

COACH, INC.
(Registrant)

By: /s/ Richard P. Randall

Name: Richard P. Randall
Title: Senior Vice President and
Chief Financial Officer

Dated: November 14, 2000

Employee Matters Agreement

between

SARA LEE CORPORATION

and

COACH, INC.

Effective as of the Effective Date

TABLE OF CONTENTS

	PAGE
ARTICLE I	GENERAL PRINCIPLES.....1
Section 1.1	Assumption of Coach Liabilities.....1
Section 1.2	Establishment of Coach Plans.....2
Section 1.3	Coach Under No Obligation to Maintain Plans.....2
Section 1.4	Coach's Participation in Sara Lee Plans.....2
Section 1.5	Terms of Participation by Coach Employees and Coach Transferred Employees in Coach Plans.....3
Section 1.6	Foreign Plans.....4
ARTICLE II	RETIREMENT PLANS.....4
Section 2.1	401(k) Plan.....4
Section 2.2	Pension Plan.....5
Section 2.3	ESOP.....5
Section 2.4	Puerto Rico Plans.....6
Section 2.5	Other Coach Retirement Plans.....7
ARTICLE III	NON-QUALIFIED PLANS.....7
Section 3.1	Deferred Compensation Plan.....7
Section 3.2	SERP.....7
ARTICLE IV	HEALTH AND WELFARE PLANS.....8
Section 4.1	Health Plans as of the Distribution Date.....8
Section 4.2	Health Plans from the Separation Date through the Distribution Date.....8
Section 4.3	Section 125 Plan.....9
Section 4.4	Severance Plans.....9
Section 4.5	Disability Plans.....10
Section 4.6	Business Travel Accident Insurance.....10
Section 4.7	Group Insurance Plan.....10
Section 4.8	Workers' Compensation Plan.....10
Section 4.9	Key Executive Plans.....10
ARTICLE V	EQUITY AND OTHER COMPENSATION.....11
Section 5.1	Coach Incentive Plans.....11
Section 5.2	Sara Lee Long-Term Incentive Plan.....11

TABLE OF CONTENTS
(CONTINUED)

	PAGE
Section 5.3	Executive Restricted Stock Plan.....11
Section 5.4	Sara Lee Options.....13
Section 5.5	Administrative Services.....15
Section 5.6	Certification of Ownership.....15
ARTICLE VI	FRINGE AND OTHER BENEFITS.....16
Section 6.1	Fringe Benefit Plans.....16
ARTICLE VII	ADMINISTRATIVE PROVISIONS.....16
Section 7.1	Intercompany Transitional Services.....16
Section 7.2	Payment of Liabilities, Plan Expenses and Related Matters.....16
Section 7.3	Sharing of Participant Information.....17
Section 7.4	Reporting and Disclosure Communications to Participants.....17
Section 7.5	Employee Identification Numbers.....18
Section 7.6	Beneficiary Designation.....18
Section 7.7	Requests for IRS and DOL Opinions.....18
Section 7.8	Fiduciary Matters.....18
Section 7.9	Consent of Third Parties.....18
Section 7.10	Tax Cooperation.....18
Section 7.11	Financial Reporting Cooperation.....18
ARTICLE VIII	EMPLOYMENT-RELATED MATTERS.....19
Section 8.1	Terms of Coach Employment.....19
Section 8.2	HR Data Support Systems.....19
Section 8.3	Employment of Employees with U.S. Work Visas.....19
Section 8.4	Confidentiality and Proprietary Information.....19
Section 8.5	Personnel Records.....19
Section 8.6	Medical Records.....20
Section 8.7	Unemployment Insurance Program.....20
Section 8.8	Non-Termination of Employment; No Third-Party Beneficiaries.....20
ARTICLE IX	GENERAL PROVISIONS.....20
Section 9.1	Effect if Separation, IPO and/or Distribution Does Not Occur.....20
Section 9.2	Relationship of Parties.....21

TABLE OF CONTENTS
(CONTINUED)

PAGE

Section 9.3	Affiliates.....	21
Section 9.4	Incorporation of Separation Agreement Provisions.....	21
Section 9.5	Notices.....	21
Section 9.6	Governing Law and Jurisdiction.....	22
Section 9.7	Assignment.....	22
Section 9.8	Severability.....	22
Section 9.9	Interpretation.....	22
Section 9.10	Amendment.....	23
Section 9.11	Termination.....	23
Section 9.12	Conflict.....	23
Section 9.13	Counterparts.....	23
ARTICLE X	DEFINITIONS.....	23
Section 10.1	401(k) Plan.....	24
Section 10.2	Affiliate.....	24
Section 10.3	Agreement.....	24
Section 10.4	Ancillary Agreements.....	24
Section 10.5	Assets.....	24
Section 10.6	Business Travel Accident Insurance.....	24
Section 10.7	Coach.....	24
Section 10.8	Coach Business.....	24
Section 10.9	Coach Claims.....	25
Section 10.10	Coach Employee.....	25
Section 10.11	Coach GIP.....	25
Section 10.12	Coach Group.....	25
Section 10.13	Coach Stock Value.....	25
Section 10.14	Coach Terminated Employee.....	25
Section 10.15	Coach Transferred Employee.....	26
Section 10.16	COBRA.....	26
Section 10.17	Code.....	26
Section 10.18	Deferred Compensation Plan.....	26

TABLE OF CONTENTS
(CONTINUED)

	PAGE
Section 10.19	Dispute.....27
Section 10.20	Disability Plans.....27
Section 10.21	Distribution.....27
Section 10.22	Distribution Date.....27
Section 10.23	DOL.....27
Section 10.24	Effective Date.....27
Section 10.25	Elective Option Assumption Ratio.....27
Section 10.26	ERISA.....27
Section 10.27	ESOP.....27
Section 10.28	Executive Bonus Plan.....27
Section 10.29	Executive Restricted Stock Plan.....27
Section 10.30	FMLA.....27
Section 10.31	Foreign Plan.....27
Section 10.32	Fringe Benefit Plans.....28
Section 10.33	FSA Plan.....28
Section 10.34	General Assignment and Assumption Agreement.....28
Section 10.35	Group Insurance Plan.....28
Section 10.36	HCFA.....28
Section 10.37	Health and Welfare Plans.....28
Section 10.38	Health Plans.....28
Section 10.39	HMO.....29
Section 10.40	IPO.....29
Section 10.41	IPO Closing Date.....29
Section 10.42	IPO Registration Statement.....29
Section 10.43	IRS.....29
Section 10.44	Key Executive Plans.....29
Section 10.45	Liabilities.....29
Section 10.46	Long-Term Incentive Plan.....29
Section 10.47	Master Transitional Services Agreement.....29
Section 10.48	NYSE.....29

TABLE OF CONTENTS
(CONTINUED)

	PAGE
Section 10.49	Option.....29
Section 10.50	Outsource.....30
Section 10.51	Participating Company.....30
Section 10.52	Pension Plan.....30
Section 10.53	Person.....30
Section 10.54	Plan.....30
Section 10.55	Post-Distribution Period.....30
Section 10.56	Premium Plan.....30
Section 10.57	Puerto Rico Plans.....30
Section 10.58	QDRO.....30
Section 10.59	QMCSO.....30
Section 10.60	Ratio.....31
Section 10.61	Record Date.....31
Section 10.62	Restricted Stock Unit.....31
Section 10.63	Revenue.....31
Section 10.64	Sara Lee.....31
Section 10.65	Sara Lee Employee.....31
Section 10.66	Sara Lee Group.....31
Section 10.67	Sara Lee Plans.....31
Section 10.68	Sara Lee Stock Value.....31
Section 10.69	Sara Lee Terminated Employee.....32
Section 10.70	SEC.....32
Section 10.71	Section 125 Plan.....32
Section 10.72	Separation.....32
Section 10.73	Separation Agreement.....32
Section 10.74	Separation Date.....32
Section 10.75	SERP.....32
Section 10.76	Severance Plans.....32
Section 10.77	Stock Plan.....32
Section 10.78	Subsidiary.....32

TABLE OF CONTENTS
(CONTINUED)

	PAGE
Section 10.79	Unemployment Insurance Program.....33
Section 10.80	Workers' Compensation Plan.....33
SCHEDULE 1.6	FOREIGN PLANS.....35
SCHEDULE 4.1(a)	COACH HEALTH PLANS.....36
SCHEDULE 4.2	SARA LEE HEALTH PLANS.....37
SCHEDULE 5.4	SARA LEE RESTRICTED STOCK HELD BY NON-U.S. COACH TRANSFERRED EMPLOYEES.....38

EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT is signed on August 24, 2000, to be effective on the Effective Date, between Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Coach, Inc., a Maryland corporation ("Coach"). Capitalized terms used herein (other than the formal names of Sara Lee Plans (as defined below) and related trusts of Sara Lee) and not otherwise defined, shall have the respective meanings assigned to them in Article X hereof.

WHEREAS, the Board of Directors of Sara Lee has determined that it is in the best interests of Sara Lee and its shareholders to disaggregate Sara Lee's existing Coach division into a wholly-owned Subsidiary; and

WHEREAS, in furtherance of the foregoing, Sara Lee and Coach have agreed to enter into this Agreement to allocate between them Assets, Liabilities and responsibilities with respect to certain employee compensation, benefit plans, programs and arrangements, and certain employment matters.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

GENERAL PRINCIPLES

Section 1.1 Assumption of Coach Liabilities. Except as specified otherwise in this Agreement or as mutually agreed upon by Coach and Sara Lee from time to time, Coach and the Coach Plans hereby assume and agree to pay, perform, fulfill and discharge, in accordance with their respective terms, all of the following: (a) effective as of the Separation Date with respect to the Coach Employees: (i) all Liabilities relating to, arising out of, or resulting from future, present or former employment with the Coach Business (including Liabilities relating to, arising out of, or resulting from Sara Lee Plans and Coach Plans); (ii) all Liabilities relating to, arising out of, or resulting from any other actual or alleged employment relationship with the Coach Group; and (iii) all other Liabilities relating to, arising out of, or resulting from obligations, liabilities and responsibilities expressly assumed or retained by the Coach Group, or a Coach Plan pursuant to this Agreement; and (b) effective as of the Distribution Date with respect to the Coach Transferred Employees: (i) all Liabilities relating to, arising out of, or resulting from future, present or former employment with the Coach Business (including Liabilities relating to, arising out of, or resulting from Sara Lee Plans and Coach Plans); (ii) all Liabilities relating to, arising out of, or resulting from any other actual or alleged employment relationship with the Coach Group; and (iii) all other Liabilities relating to, arising out of, or resulting from obligations, liabilities and responsibilities expressly assumed or retained by the Coach Group, or

a Coach Plan pursuant to this Agreement.

Section 1.2 Establishment of Coach Plans.

(a) Health and Welfare Plans and Fringe Benefit Plans.

Effective as of or before the Distribution Date, Coach shall adopt the Coach Health and Welfare Plans and the Coach Fringe Benefit Plans.

(b) 401(k) Plan. Effective as of or before the Distribution Date, Coach shall adopt the Coach 401(k) Plan.

(c) Equity and Other Compensation. Effective as of or before the IPO Closing Date, Coach shall adopt (i) the Coach Stock Plans and (ii) the Coach Executive Bonus Plan.

(d) Nonqualified Plan. Effective as of June 1, 2000, Coach adopted the Coach Deferred Compensation Plan.

(e) Assistance by Sara Lee. If Coach so elects, Sara Lee shall use its commercially reasonable best efforts for and on behalf of Coach to assist Coach in establishing the Coach Plans set forth herein and in procuring such contracts (including, but not limited to, trust agreements, insurance policies, service agreements, HMO agreements, vendor arrangements, funding arrangements, and investment arrangements), either via Sara Lee's existing relationships under the Sara Lee Plans or with suitable new parties, as is necessary or desirable for purposes of establishing and administering the Coach Plans.

Section 1.3 Coach Under No Obligation to Maintain Plans. Except as specified otherwise in this Agreement, nothing in this Agreement shall preclude Coach, at any time after Coach establishes any Plan, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Coach Plan, any benefit under any Coach Plan or any trust, insurance policy or funding vehicle related to any Coach Plans, or any employment or other service arrangement with Coach Employees, independent contractors or vendors (to the extent permitted by law).

Section 1.4 Coach's Participation in Sara Lee Plans.

(a) Participation in Sara Lee Plans. Except as specified otherwise in this Agreement, Coach shall, until the Distribution Date, continue to be a Participating Company in the Sara Lee Plans to the extent that Coach has not established a corresponding Plan.

(b) Sara Lee's General Obligations as Plan Sponsor. To the extent that Coach is a Participating Company in any Sara Lee Plan, Sara Lee shall continue to administer, or cause to be administered, in accordance with its terms and applicable law, such Sara Lee Plan, and shall have the sole and absolute discretion and authority to interpret the Sara Lee Plan, as set forth therein. Effective as of the Distribution Date or such earlier date as Coach establishes a corresponding Plan (as specified in Section 1.2 or otherwise in this Agreement), Coach shall automatically cease to be a Participating Company in the corresponding Sara Lee Plan (regardless of whether, prior to the Distribution Date, Coach terminates or otherwise modifies its Plans).

(c) Coach's General Obligations as Participating Company. Coach shall perform, with respect to its participation in the Sara Lee Plans, the duties of a Participating Company as set forth in each such Plan or any procedures adopted pursuant thereto, including (without limitation): (i) assistance in the administration of claims, to the extent requested by the claims administrator of the applicable Sara Lee Plan; (ii) full cooperation with Sara Lee Plan auditors, benefit personnel and benefit vendors; (iii) preservation of the confidentiality of all financial arrangements Sara Lee has or may have with any vendors, claims administrators, trustees, service providers or any other entity or individual with whom Sara Lee has entered into an agreement relating to the Sara Lee Plans; and (iv) preservation of the confidentiality of participant information (including, without limitation, health information in relation to FMLA leaves) to the extent not specified otherwise in this Agreement.

Section 1.5 Terms of Participation by Coach Employees and Coach Transferred Employees in Coach Plans.

(a) Non-Duplication of Benefits. Except as specified otherwise in this Agreement, as of the Separation Date, or other later date that applies to the particular Coach Plan established thereafter, the Coach Plans shall not provide benefits that duplicate benefits provided by the corresponding Sara Lee Plans. Sara Lee and Coach shall agree on methods and procedures, including amending the respective Plan documents, to prevent Coach Employees from receiving duplicate benefits from the Sara Lee Plans and the Coach Plans; provided, that nothing shall prevent Sara Lee from unilaterally amending the Sara Lee Plans to avoid any such duplication.

(b) Service Credit. Except as specified otherwise in this Agreement, with respect to Coach Transferred Employees, each Coach Plan shall provide that all service and compensation that, as of the Distribution Date, were recognized under the corresponding Sara Lee Plan shall, as of the Distribution Date, receive full recognition and credit and be taken into account under such Coach Plan to the same extent as if such items occurred under such Coach Plan, except to the extent that duplication of benefits would result. The service crediting provisions shall be subject to any respectively

applicable "service bridging," "break in service," "employment date," or "eligibility date" rules under the Coach Plans and the Sara Lee Plans.

Section 1.6 Foreign Plans. Coach and Sara Lee each intend that matters, issues, or Liabilities relating to, arising out of, or resulting from Foreign Plans and non-U.S.-related employment matters be handled in a manner that is consistent with comparable U.S. matters, issues, or Liabilities as reflected in this Agreement (to the extent permitted by applicable law or as otherwise specified in the applicable Section or Schedule thereto or Schedule 1.6). The Foreign Plans are to be listed in Schedule 1.6.

ARTICLE II

RETIREMENT PLANS

Section 2.1 401(k) Plan.

(a) 401(k) Plan Trust. Effective as of or before the Distribution Date, Coach shall establish, or cause to be established, a separate trust, which is intended to be tax-qualified under Code Section 401(a), to be exempt from taxation under Code Section 501(a)(1), and to form a part of the Coach 401(k) Plan. To the extent permitted by law, the Coach 401(k) Plan shall (i) accept rollover contributions that satisfy Section 402 of the Code from the Sara Lee ESOP, Sara Lee Pension Plan, and Sara Lee Puerto Rico Plans, and (ii) be capable of covering Puerto Rico employees.

(b) 401(k) Plan: Assumption of Liabilities and Transfer of Assets. Effective as of or before the Distribution Date: (i) the Coach 401(k) Plan shall assume and be solely responsible for all Liabilities relating to, arising out of, or resulting from Coach Transferred Employees under the Sara Lee 401(k) Plan including, without limitation, outstanding loans of Coach Transferred Employees; and (ii) Sara Lee shall cause the accounts of the Coach Transferred Employees under the Sara Lee 401(k) Plan that are held by its related trust, including promissory notes evidencing outstanding loans of Coach Transferred Employees, to be transferred to the Coach 401(k) Plan and its related trust in cash (or, if mutually agreed by Sara Lee and Coach, other property), and Coach shall cause such transferred accounts to be accepted by such Plan and its related trust. Coach and Sara Lee acknowledge and agree that such transfer of assets and liabilities comply with Sections 401(a)(12), 414(l) and 411(d)(6) of the Code and the regulations thereunder. Sara Lee shall take all actions necessary and appropriate to provide that all amounts credited to the accounts of Coach Transferred Employees participating in the Sara Lee 401(k) Plan (excluding employer matching contributions) shall be fully vested and nonforfeitable, effective as of the Distribution Date. Following the Distribution Date, Sara Lee shall retain sole responsibility for all benefit obligations under the Sara Lee 401(k) Plan, and Coach shall have no obligation with respect thereto.

(c) 401(k) Plan: Stock Considerations. As a result of the spin-off of the Sara Lee 401(k) Plan and the Distribution, participant accounts in each of the Sara Lee 401(k) Plan and the Coach 401(k) Plan may both contain, in part, Sara Lee and Coach employer securities. Coach and Sara Lee shall assume sole responsibility for ensuring that their respective company stock funds, and underlying employer securities held in each such fund, are maintained in compliance with all requirements of ERISA and applicable securities laws.

(d) No Distribution to Coach Transferred Employees. The Sara Lee 401(k) Plan and the Coach 401(k) Plan shall provide that no distribution of account balances shall be made to any Coach Transferred Employee solely on account of the Distribution.

(e) Administration of Coach 401(k) Plan. Prior to the Distribution Date, Coach shall contract with a third party administrator to administer the Coach 401(k) Plan, which contract shall include the administration of participant loans transferred from the Sara Lee 401(k) Plan to the Coach 401(k) Plan. Coach or such third party administrator shall provide Sara Lee with at least sixty (60) days written notice of the transfer of assets under Subsection 2.1(b).

Section 2.2 Pension Plan. Each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date shall be treated as terminating employment with Sara Lee on the Distribution Date for purposes of the Sara Lee Pension Plan; provided, that Sara Lee shall amend the Sara Lee Pension Plan to provide that for each Coach Transferred Employee who was actively employed by the Coach Companies on the IPO Closing Date, service with the Coach Companies after the Distribution Date shall be treated as vesting service under the Sara Lee Pension Plan.

Section 2.3 ESOP.

(a) Termination Under ESOP. Each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date shall be treated as terminating employment with Sara Lee on the Distribution Date for purposes of the Sara Lee ESOP.

(b) ESOP: Assumption of Liabilities and Transfer of Assets. Effective as of or before the Distribution Date: (i) the Coach 401(k) Plan (or such other defined contribution Plan established by Coach that is qualified under Section 401(a) of the Code) shall assume and be solely responsible for all Liabilities relating to, arising out of, or resulting from each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date under the Sara Lee ESOP; and (ii) Sara Lee shall cause the accounts of such Coach Transferred Employees under the Sara Lee ESOP that are held by its related trust to be transferred to the Coach 401(k) Plan (or such other defined contribution Plan established by Coach that is qualified under Section 401(a) of

the Code) and its related trust in cash (or, if mutually agreed by Sara Lee and Coach, other property), and Coach shall cause such transferred accounts to be accepted by such Plan and its related trust. Coach and Sara Lee acknowledge and agree that such transfer of assets and liabilities comply with Sections 401(a)(12), 414(l) and 411(d)(6) of the Code and the regulations thereunder. Coach shall take all actions necessary and appropriate to provide that all amounts transferred to the accounts of Coach Transferred Employees under this Subsection 2.3(b) shall continue to vest on and after the Distribution Date. Following the Distribution Date, Sara Lee shall retain sole responsibility for all benefit obligations under the Sara Lee ESOP, and Coach shall have no obligation with respect thereto. Coach shall provide Sara Lee with at least sixty (60) days written notice of the transfer of assets under this Subsection 2.3(b).

Section 2.4 Puerto Rico Plans.

(a) Termination Under Puerto Rico Plans. Each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date shall be treated as terminating employment with Sara Lee on the Distribution Date for purposes of the Sara Lee Puerto Rico Plans.

(b) Puerto Rico Plans: Assumption of Liabilities and Transfer of Assets. Effective as of or before the Distribution Date: (i) the Coach 401(k) Plan (or such other defined contribution Plan established by Coach that is qualified under Section 401(a) of the Code and satisfies the requirements of Puerto Rico law) shall assume and be solely responsible for all Liabilities relating to, arising out of, or resulting from each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date under the Sara Lee Puerto Rico Plans; and (ii) Sara Lee shall cause the accounts of such Coach Transferred Employees under the Sara Lee Puerto Rico Plans that are held by its related trust to be transferred to the Coach 401(k) Plan (or such other defined contribution Plan established by Coach that is qualified under Section 401(a) of the Code and satisfies the requirements of Puerto Rico law) and its related trust in cash (or, if mutually agreed by Sara Lee and Coach, other property), and Coach shall cause such transferred accounts to be accepted by such Plan and its related trust. Coach and Sara Lee acknowledge and agree that such transfer of assets and liabilities comply with Sections 401(a)(12), 414(l) and 411(d)(6) of the Code and the regulations thereunder and all other applicable requirements of Puerto Rico law. Coach shall take all actions necessary and appropriate to provide that all amounts transferred to the accounts of Coach Transferred Employees under this Subsection 2.4(b) shall continue to vest on and after the Distribution Date. Following the Distribution Date, Sara Lee shall retain sole responsibility for all benefit obligations under the Sara Lee Puerto Rico Plans, and Coach shall have no obligation with respect thereto. Coach shall provide Sara Lee with at least sixty (60) days written notice of the transfer of assets under this Subsection 2.4(b).

Section 2.5 Other Coach Retirement Plans. As of the Separation Date, Coach maintains the Coach Leatherware Company, Inc. Supplemental Pension Plan. On and after the Separation Date, Coach may continue to maintain the Coach Leatherware Company, Inc. Supplemental Pension Plan.

ARTICLE III

NON-QUALIFIED PLANS

Section 3.1 Deferred Compensation Plan.

(a) Elective Allocation of Assets and Assumption of Liabilities. As of the IPO Closing Date, Sara Lee shall determine the amount of Liabilities under the Sara Lee Deferred Compensation Plan attributable to Coach Employees who elect to transfer their account balances to the Coach Deferred Compensation Plan. As soon as administratively practicable thereafter, Sara Lee shall pay to Coach cash equal to such Liabilities. Coincident with the receipt of such transfer, Coach shall assume all responsibilities and obligations relating to, arising out of, or resulting from such Liabilities.

(b) Participation in Deferred Compensation Plan. Effective as of June 1, 2000, eligible Coach Employees may commence participation in the Coach Deferred Compensation Plan. Coach Employees who are currently participating in the Sara Lee Deferred Compensation Plan shall continue their participation in that Plan (according to its terms) unless and until either (i) such Coach Employees elect to transfer their account balances to the Coach Deferred Compensation Plan, or (ii) the Distribution Date. Coach Terminated Employees who are currently participating in the Sara Lee Deferred Compensation Plan shall continue their participation in that Plan (according to its terms).

(c) Mandatory Allocation of Assets and Assumption of Liabilities. As of the Distribution Date, Coach Transferred Employees shall cease all future participation in the Sara Lee Deferred Compensation Plan and Sara Lee shall determine the amount of Liabilities under the Sara Lee Deferred Compensation Plan attributable to Coach Transferred Employees who did not elect to transfer their account balances to the Coach Deferred Compensation Plan in accordance with Subsection 3.1(a). As soon as administratively practicable thereafter, Sara Lee shall pay to Coach cash equal to such Liabilities. Coincident with the receipt of such transfer, Coach shall assume all responsibilities and obligations relating to, arising out of, or resulting from such Liabilities.

Section 3.2 SERP. Each Coach Transferred Employee who is actively employed by the Coach Companies on the Distribution Date shall be treated as terminating employment with Sara Lee on the Distribution Date for purposes of the Sara Lee SERP; provided, that Sara Lee

shall amend the Sara Lee SERP to provide that for each Coach Transferred Employee who was actively employed by the Coach Companies on the IPO Closing Date, service with the Coach Companies after the Distribution Date shall be treated as vesting service under the Sara Lee SERP.

ARTICLE IV

HEALTH AND WELFARE PLANS

Section 4.1 Health Plans as of the Distribution Date.

(a) Coach Health Plans. As of or before the Distribution Date, Coach shall have established the Coach Health Plans listed on Schedule 4.1(a) and, correspondingly, Coach shall cease to be a Participating Company in the Sara Lee Health Plans with respect to Coach Transferred Employees and Coach Terminated Employees who are not receiving retiree medical coverage under the Sara Lee Health Plans. Sara Lee shall retain benefit obligations for Coach Transferred Employees and Coach Terminated Employees who are receiving retiree medical coverage under the Sara Lee Health Plans as of the earlier of the Distribution Date or the date the Coach Health Plans are established, subject to the terms of the Sara Lee Health Plans (including, without limitation, Sara Lee's right to amend and/or terminate the Sara Lee Health Plans; provided that Coach Employees and Coach Transferred Employees shall be treated consistently with other similarly situated participants in the event of any amendment and/or termination of the Sara Lee Health Plans). Coach shall be solely responsible for the administration of the Coach Health Plans, including the payment of all employer-related costs in establishing and maintaining the Coach Health Plans, and for the collection and remittance of participant contributions and premiums, subject to Section 7.2. Following the earlier of the Distribution Date or the date the Coach Health Plans are established, Sara Lee shall retain sole responsibility for all benefit obligations under the Sara Lee Health Plans (except as provided in Section 4.2), and Coach shall have no obligation (except as provided in Section 4.2) with respect thereto.

(b) HCFA. As of the earlier of (i) the Distribution Date or (ii) the date the Coach Health Plans are established pursuant to Subsection 4.1(a), Coach shall assume all liabilities relating to, arising out of, or resulting from claims, if any, under the HCFA data match reports that relate to Coach Transferred Employees or the Coach Terminated Employees who are not receiving retiree medical coverage under the Sara Lee Health Plans.

Section 4.2 Health Plans from the Separation Date through the Distribution Date.

(a) Coach Participating Company. Except as otherwise agreed by Sara Lee

and Coach, for the period beginning with the Separation Date and ending on the Distribution Date (or such earlier date that Coach establishes the Coach Health Plans), Coach shall be a Participating Company in the Sara Lee Health Plans listed on Schedule 4.2. Sara Lee shall administer claims incurred under the Sara Lee Health Plans by Coach Employees before the Distribution Date but only to the extent that Coach has not, before the Distribution Date, established and assumed administrative responsibility for a corresponding Health Plan. Any determination made or settlements entered into by Sara Lee with respect to such claims shall be final and binding. Coach shall retain financial and administrative ("run-out") liability and all related obligations and responsibilities for all claims incurred by Coach Transferred Employees and Coach Employees before the Distribution Date (or such earlier date that Coach establishes the Coach Health Plans), including any claims that were administered by Sara Lee as of, on, or after the Distribution Date. Any such run-out liability and all related claims, charges, and expenses shall be settled in a manner consistent with past practices and policies, including an interim accounting and a final accounting between Sara Lee and Coach.

(b) COBRA. Coach shall continue to be responsible through the Distribution Date (or, if earlier, the date that Coach establishes the Coach Health Plans) for compliance with the health care continuation coverage requirements of COBRA and the Sara Lee Health Plans with respect to Coach Employees, Coach Transferred Employees, Coach Terminated Employees and qualified beneficiaries (as such term is defined under COBRA). Effective as of the earlier of the date that Coach establishes the Coach Health Plans or the Distribution Date, Coach shall be solely responsible for compliance with the health care continuation coverage requirements of COBRA and the Coach Health Plans for Coach Transferred Employees and their qualified beneficiaries (as such term is defined under COBRA).

Section 4.3 Section 125 Plan. Through the Distribution Date, Coach shall remain a Participating Company in the Sara Lee Section 125 Plan. The existing elections for Coach Transferred Employees participating in the Sara Lee Section 125 Plan and for newly-eligible employees of Coach who elect to participate in the Sara Lee Section 125 Plan shall remain in effect through the end of the applicable Section 125 plan year in which the Distribution Date occurs. Effective on the Distribution Date (or, if earlier, such other date immediately following the date that Coach's participation in the Sara Lee Section 125 Plan terminates), Coach shall establish, or caused to be established, the Coach Section 125 Plan and Coach shall be solely responsible for the Coach Section 125 Plan. In the event that Coach establishes the Coach Section 125 Plan after the beginning of the Section 125 plan year under the Sara Lee FSA Plan, Sara Lee shall cause the accounts of Coach Transferred Employees who are participating in the Sara Lee FSA Plan to be transferred to the Coach Section 125 Plan.

Section 4.4 Severance Plans. Coach shall, until the earlier of the IPO Closing Date or the date Coach establishes the Coach Severance Plans, continue to be a Participating Company in

the Sara Lee Severance Plans.

Section 4.5 Disability Plans. As of the Separation Date, Coach was not a Participating Company in the Sara Lee Disability Plans. Accordingly, on and after the Separation Date, Coach shall not be eligible to become a Participating Company in the Sara Lee Disability Plans.

Section 4.6 Business Travel Accident Insurance. Through the Distribution Date, Coach shall remain a Participating Company in the Sara Lee Business Travel Accident Insurance policy. Sara Lee shall be responsible for administering or causing to be administered the Sara Lee Business Travel Accident Insurance policy with respect to Coach Employees. Effective as of the Distribution Date, Coach shall be solely responsible for maintaining its own Business Travel Accident Insurance policy.

Section 4.7 Group Insurance Plan. Coach shall, until the earlier of the Distribution Date or the date Coach establishes the Coach Group Insurance Plan, continue to be a Participating Company in the Sara Lee Group Insurance Plan.

Section 4.8 Workers' Compensation Plan.

(a) Participation in the Sara Lee Workers' Compensation Plan. Until the Distribution Date, Coach shall continue to be a Participating Company in the Sara Lee Workers' Compensation Plan. Sara Lee shall assume and be solely responsible for all Liabilities relating to, arising out of, or resulting from all claims by Coach Employees, Coach Terminated Employees and Coach Transferred Employees based on employment with the Coach Business ("Coach Claims") prior to the Distribution Date. Sara Lee shall continue to administer, or cause to be administered, the Sara Lee Workers' Compensation Plan in accordance with its terms and applicable law. Coach shall fully cooperate with Sara Lee and its insurance company in the administration and reporting of Coach Claims under the Sara Lee Workers' Compensation Plan. Any determination made, or settlement entered into, by or on behalf of Sara Lee or its insurance company with respect to Coach Claims under the Sara Lee Workers' Compensation Plan shall be final and binding. Until the Distribution Date, Coach shall continue to reimburse Sara Lee and its insurance company for all costs related to Coach's participation in the Sara Lee Workers' Compensation Plan.

(b) Establishment of the Coach Workers' Compensation Plan. As of the Distribution Date, Coach shall be responsible for complying with the workers' compensation requirements of the states in which the Coach Group conducts business and for obtaining and maintaining insurance programs for its risk of loss. Such insurance arrangements shall be separate and apart from the Sara Lee Workers' Compensation Plan.

Section 4.9 Key Executive Plans. As of the Distribution Date, Coach Transferred Employees who were participants in the Sara Lee Key Executive Plans shall cease participation

in such plans. Coach may establish plans for its key executives, in its sole discretion.

ARTICLE V

EQUITY AND OTHER COMPENSATION

Section 5.1 Coach Incentive Plans.

(a) Coach GIP. As of the Separation Date, Coach maintained the Coach GIP. The Coach GIP shall continue on and after the IPO Closing Date and any bonus that has been earned and finally determined under the Coach GIP for the benefit of, or that is allocable to, a Coach Employee shall be paid at such time and pursuant to the terms and conditions as specified in the Coach GIP.

(b) Coach Annual Incentive Plan. Effective as of June 29, 2000 Coach has established an annual incentive plan subject to the parameters of the Coach Executive Bonus Plan for Coach Employees.

Section 5.2 Sara Lee Long-Term Incentive Plan. Any performance shares that a Coach Employee has been awarded under the Sara Lee Long-Term Incentive Plan for a performance period beginning prior to the Distribution Date shall continue to vest and such Coach Employee shall continue to participate in the Sara Lee Long-Term Incentive Plan with respect to such performance shares through the end of the performance period pursuant to the terms and conditions of the award and the Sara Lee Long-Term Incentive Plan. Sara Lee shall charge Coach for the fair market value of awards earned by Coach Employees under the Sara Lee Long-Term Incentive Plan.

Section 5.3 Executive Restricted Stock Plan.

(a) Elective Restricted Stock Unit Conversion by Coach at IPO Pricing Date. Effective as of the date the IPO is priced (and subject to the IPO being consummated), Coach Employees shall cease all future participation in the Sara Lee Executive Restricted Stock Plan. As of the date the IPO is priced (and subject to the IPO being consummated), all Sara Lee Restricted Stock Units held by those officers and key employees of Coach identified by Coach and Sara Lee in writing shall be assumed by Coach to the extent that the individual (i) elects to have such Sara Lee Restricted Stock Units assumed and (ii) executes a release and waiver that satisfies Sara Lee. Subject to the specific provisions of the agreements governing the Restricted Stock Units, the Sara Lee Restricted Stock Units shall be converted to Coach Restricted Stock Units as of the date the IPO is priced for each individual who makes an election in accordance with this Subsection 5.3(a) by (1) multiplying (A) the number of such individual's Sara Lee Restricted Stock Units, and (B) the Sara Lee Stock Value, (2) dividing that number by the Coach Stock Value, and (3)

rounding down the resulting number to the nearest whole number of Coach Restricted Stock Units. As soon as administratively practicable thereafter, Sara Lee shall pay to Coach cash equal to the accrued value of such Sara Lee Restricted Stock Units that are assumed under this Subsection 5.3(a). Each Restricted Stock Unit so assumed by Coach shall be subject to the terms and conditions set forth in the Coach Stock Plan and as provided in the respective agreements governing such assumed Restricted Stock Units. All Restricted Stock Units held by each Coach Employee that are not assumed by Coach in accordance with the previous two sentences shall continue to vest in accordance with the provisions of the Sara Lee Executive Restricted Stock Plan.

(b) Restricted Stock Unit Conversion by Coach at Distribution Date. At the Distribution Date, each outstanding Sara Lee Restricted Stock Unit held by Coach Transferred Employees shall be assumed by Coach and mandatorily converted to Coach Restricted Stock Units. Subject to the specific provisions of the agreements governing the Restricted Stock Units, such outstanding Sara Lee Restricted Stock Units shall be converted to Coach Restricted Stock Units by (1) multiplying (A) the number of such Sara Lee Restricted Stock Units, and (B) the Sara Lee Stock Value, (2) dividing that number by the Coach Stock Value, and (3) rounding down the resulting number to the nearest whole number of Coach Restricted Stock Units. As soon as administratively practicable thereafter, Sara Lee shall pay to Coach cash equal to the accrued value of such assumed Sara Lee Restricted Stock Units. Each Sara Lee Restricted Stock Unit so assumed by Coach shall continue to have, and be subject to, substantially the same terms and conditions set forth in the Coach Stock Plan and as provided in the respective agreements governing such assumed Restricted Stock Units.

(c) Limitations on Release of Restricted Stock Unit Awards. The agreements under which any Coach Restricted Stock Units are granted shall provide that Coach common stock may not be released to satisfy the Coach Restricted Stock Unit award under any condition: (i) prior to the date that is six (6) months after the IPO Closing Date; (ii) prior to the date that is twelve (12) months after the IPO Closing Date unless, at the time of release, Sara Lee certifies to Coach that it no longer owns either (A) shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code), or (B) shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code; or (iii) on and after the date that is twelve (12) months after the IPO Closing Date unless, at the time of release, either (A) Sara Lee certifies to Coach that it no longer owns either (I) shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code), or (II) shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code, or (B) Coach demonstrates to the satisfaction of Sara Lee that it has purchased shares on the open market prior to the release in a number sufficient to cover the release. Notwithstanding the foregoing, prior to the Distribution Date, Coach agrees to take such actions as may be

required by Sara Lee to process Coach Restricted Stock Unit Awards, including purchasing shares of Coach common stock on the open market, to ensure that Sara Lee continues to hold either shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code) or shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code after each Option exercise. Coach further agrees that, to the extent it may legally do so, it shall promptly repurchase shares of Coach common stock on the open market to enable any Coach Transferred Employee who has satisfied the restrictions of Coach Restricted Stock Unit award to receive the number of shares of Coach common stock subject to such award.

Section 5.4 Sara Lee Options.

(a) Elective Option Assumption by Coach at IPO Pricing Date.

(i) As of the date the IPO is priced (and subject to the IPO being consummated), each outstanding Sara Lee Option held by those officers and key employees of Coach identified by Coach and Sara Lee in writing, whether vested or unvested, shall be assumed by Coach to the extent that such individual elects to have any such Option assumed and executes a release and waiver that satisfies Sara Lee. Each Sara Lee Option so assumed by Coach shall be subject to the terms and conditions set forth in the Coach Stock Plan and as provided in the respective option agreements governing such assumed Options. Subject to the specific provisions of the governing option agreements, (A) each assumed Option shall be exercisable for that number of whole shares of Coach common stock (rounded down to the nearest whole number of shares of Coach common stock) equal to the ratio of (I) the number of shares of Sara Lee common stock that were issuable upon exercise of such Sara Lee Option as of the date the IPO is priced, to (II) the Elective Option Assumption Ratio, and (B) the per share exercise price for the shares of Coach common stock issuable upon exercise of such assumed Sara Lee Option (rounded up to the nearest whole cent) shall be equal to the product of (I) the exercise price per share of Sara Lee common stock subject to such Sara Lee Option as of the date the IPO is priced, and (II) the Elective Option Assumption Ratio.

(ii) In the event that, as of the date the IPO is priced, the Coach Stock Value divided by the Sara Lee Stock Value is less than one (1) (and subject to the IPO being consummated), each individual who elects to have a Sara Lee Option assumed as provided in Subsection 5.4(a)(i) above, shall be eligible to receive an additional option to purchase that number of shares of Coach common stock as of the date the IPO is priced equal to (A) the ratio of (I) the number of shares of Sara Lee common stock that were subject to such Sara Lee Option, to (II) the Ratio,

minus (B) the number of whole shares of Coach common stock equal to the ratio of (I) the number of shares of Sara Lee common stock that were issuable upon exercise of such Sara Lee Option, to (II) the Elective Option Assumption Ratio. Each such additional option shall be granted as of the date the IPO is priced (subject to the IPO being consummated) and shall be subject to the terms and conditions of the Coach Stock Plan and the applicable option agreement. The exercise price per share of each such additional option shall be equal to the Coach Stock Value as of the date the IPO is priced.

Notwithstanding the foregoing, if the parties determine that the grant of additional options pursuant to this Subsection 5.4(a)(ii) would result in variable accounting treatment, or would otherwise cause Coach or Sara Lee to recognize an expense, with respect to such additional options, then Coach and Sara Lee agree (x) that such additional options will not be granted, and (y) to use their respective commercially reasonable best efforts, in good faith, to agree upon an alternative equity-based or other compensation method that provides to those individuals who otherwise would have received additional options under this Subsection 5.4(a)(ii) compensation that has substantially the same intrinsic value represented by the forgone options.

(b) Option Assumption by Coach at Distribution Date. At the Distribution Date, each outstanding Sara Lee Option held by Coach Transferred Employees, whether vested or unvested, shall be assumed by Coach and mandatorily converted to Coach Options. Subject to the specific provisions of the governing option agreements, each Sara Lee Option so assumed by Coach shall be subject to substantially the same terms and conditions set forth in the Sara Lee Stock Plans and as provided in the respective option agreements governing such Sara Lee Option as of the Distribution Date, except that (i) such Sara Lee Option shall be exercisable for that number of whole shares of Coach common stock (rounded down to the nearest whole number of shares of Coach common stock) equal to the ratio of (A) the number of shares of Sara Lee common stock that were subject to such Sara Lee Option as of the Distribution Date, to (B) the Ratio, and (ii) the per share exercise price for the shares of Coach common stock issuable upon exercise of such assumed Sara Lee Option (rounded up to the nearest whole cent) shall be equal to the product of (A) the exercise price per share of Sara Lee common stock subject to such Sara Lee Option as of the Distribution Date, and (B) the Ratio.

(c) Assumption Criteria. It is the intention of Sara Lee and Coach that the assumption of Sara Lee Options by Coach pursuant to Subsections (a) and (b) above and the issuance of Coach Options under this Section 5.4 meet the following criteria: (i) the aggregate intrinsic value of the assumed Sara Lee Options immediately after the assumption is not greater than such value immediately before the assumption; (ii) with respect to each such assumed Sara Lee Option, the ratio of the exercise price per share to the Coach Stock Value of the assumed Sara Lee Options immediately after the assumption is not less than the ratio of the exercise price per share to the Sara Lee Stock

Value immediately before the assumption; and (iii) the vesting and option term of the assumed Sara Lee Options shall not be changed.

(d) Restrictions on Exercise. The agreements under which Coach Options are granted shall provide that a Coach Option may not be exercised under any condition: (i) prior to the date that is six (6) months after the IPO Closing Date; (ii) prior to the date that is twelve (12) months after the IPO Closing Date unless, at the time of exercise, Sara Lee certifies to Coach that it no longer owns either (A) shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code), or (B) shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code; or (iii) on and after the date that is twelve (12) months after the IPO Closing Date unless, at the time of exercise, either (A) Sara Lee certifies to Coach that it no longer owns either (I) shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code), or (II) shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code, or (B) Coach demonstrates to the satisfaction of Sara Lee that it has purchased shares on the open market prior to the exercise in a number sufficient to cover the exercise.

Notwithstanding the foregoing, prior to the Distribution Date, Coach agrees to take such actions as may be required by Sara Lee to process Option exercises, including purchasing shares of Coach common stock on the open market, to ensure that Sara Lee continues to hold either shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code) or shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code after each Option exercise. Coach further agrees that, to the extent it may legally do so, it shall promptly repurchase shares of Coach common stock on the open market to enable any Coach Transferred Employee who has properly submitted an option exercise notice and satisfied the option exercise price to receive such number of shares of Coach common stock subject to such exercise.

Section 5.5 Administrative Services. Prior to the IPO Closing Date, Coach shall contract with a third party administrator, bank or stock transfer agent ("Outsource") to administer any awards granted under the Coach Stock Plan on or after the IPO Date. Until the Distribution Date, Sara Lee shall provide administrative assistance to Coach in connection with the administration of awards granted under the Coach Stock Plan in accordance with Section 4.17 of the Separation Agreement.

Section 5.6 Certification of Ownership. Sara Lee agrees that it will promptly certify to Coach its ownership of Coach common stock at such time as it no longer owns either (A) shares of Coach common stock representing "control" of Coach (within the meaning of Section 368(c) of the Code), or (B) shares of Coach common stock sufficient to satisfy the "80-percent voting and value test" described in Section 1504(a)(2) of the Code.

ARTICLE VI

FRINGE AND OTHER BENEFITS

Section 6.1 Fringe Benefit Plans. As of or before the Distribution Date, Coach shall adopt the Coach Fringe Benefit Plans.

ARTICLE VII

ADMINISTRATIVE PROVISIONS

Section 7.1 Intercompany Transitional Services. On the Separation Date, Sara Lee and Coach shall enter into a Master Transitional Services Agreement covering the provisions of interim services, including financial, accounting, legal, benefits-related and other services by Sara Lee to Coach or, in certain circumstances, vice versa. The provision of such interim services by each of Sara Lee and Coach is intended to be covered exclusively by the terms and conditions of the Master Transitional Services Agreement. Accordingly, Coach and Sara Lee shall each be responsible for their own internal fees, costs and expenses (e.g., salaries of personnel) incurred in connection with the provision of services under this Agreement.

Section 7.2 Payment of Liabilities, Plan Expenses and Related Matters.

(a) Expenses and Costs Chargeable to a Trust. Effective beginning on the Separation Date, Coach shall pay its share of any contributions made to any trust maintained in connection with a Sara Lee Plan while Coach is a Participating Company in that Sara Lee Plan.

(b) Expenses and Costs of Plan Not Chargeable to a Trust. Effective on and after the Separation Date, Coach shall be responsible for (through either direct payment or reimbursement to Sara Lee) Sara Lee's costs and expenses associated with Coach's participation in each Sara Lee Plan while Coach is a Participating Company in that Sara Lee Plan including, but not limited to, the cost of all claims incurred under the Sara Lee Health and Welfare Plans, the cost of all claims incurred under the Sara Lee Section 125 Plan (to the extent such claims are not reimbursed by payroll deduction), the cost of all claims incurred under the Sara Lee Workers' Compensation Plan, the cost of all payments or other distributions (including the fair market value of all Sara Lee securities issued by Sara Lee) made under the Sara Lee Long-Term Incentive Plan, the cost of all restricted stock awards made under the Sara Lee Executive Restricted Stock Plan, the cost of all payments or other distributions made under any other Sara Lee Stock Plan (excluding, for this purpose options exercised under any Sara Lee Stock Plan) and the cost of any other benefit provided or payment made under any Sara Lee Plan to the extent not otherwise specifically provided in this Agreement. Any such payment or

reimbursement shall be made within thirty (30) business days after Sara Lee provides Coach with notice of such expenses or costs.

(c) Contributions to Trusts. With respect to Sara Lee Plans to which Coach Employees and Coach Transferred Employees make contributions, Sara Lee shall use reasonable procedures to determine Coach Assets and Liabilities associated with each such Plan, taking into account such contributions, settlements, refunds and similar payments.

(d) Administrative Expenses Not Chargeable to a Trust. Effective as of the Separation Date, to the extent not covered by the Master Transitional Services Agreement (as contemplated by Section 7.1) or another Ancillary Agreement, and to the extent not otherwise agreed to in writing by Sara Lee and Coach, and to the extent not chargeable to a trust established in connection with a Sara Lee Plan (as provided in paragraph (a)), Coach shall be responsible, through either direct payment or reimbursement to Sara Lee, for its allocable share of actual third party and/or vendor costs and expenses incurred by Sara Lee and additional costs and expenses in the administration of (i) the Sara Lee Plans while Coach participates in such Sara Lee Plans, and (ii) the Coach Plans, to the extent Sara Lee procures, prepares, implements and/or administers such Coach Plans. Coach's allocable share of such costs and expenses will be determined in a manner consistent with the manner in which the allocable share of such costs and expenses were determined prior to the Separation Date.

Section 7.3 Sharing of Participant Information. Sara Lee and Coach shall share, or cause to be shared, all participant information that is necessary or appropriate for the efficient and accurate administration of each of the Sara Lee Plans and the Coach Plans during the respective periods applicable to such Plans. Sara Lee and Coach and their respective authorized agents shall, subject to applicable laws of confidentiality and data protection, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other party or its agents, to the extent necessary or appropriate for such administration.

Section 7.4 Reporting and Disclosure Communications to Participants. For any period Coach is a Participating Company in the Sara Lee Plans, Coach shall take, or cause to be taken, all actions necessary or appropriate to facilitate the distribution of all Sara Lee Plan-related communications and materials to employees, participants and beneficiaries, including (without limitation) summary plan descriptions and related summaries of material modification(s), summary annual reports, investment information, prospectuses, certificates of creditable coverage, notices and enrollment material for the Sara Lee Plans and Coach Plans. Coach shall assist Sara Lee in complying with all reporting and disclosure requirements of ERISA, including the preparation of Form Series 5500 annual reports for the Sara Lee Plans, where applicable.

Section 7.5 Employee Identification Numbers. Until the Distribution Date, Sara Lee and Coach shall not change any employee identification numbers assigned by Sara Lee. Sara Lee and Coach mutually agree to establish a policy pursuant to which employee identification numbers assigned to either employees of Sara Lee or Coach shall not be duplicated between Sara Lee and Coach.

Section 7.6 Beneficiary Designation. Subject to Section 7.10, all beneficiary designations made by Coach Employees and Coach Transferred Employees for the Sara Lee Plans shall be transferred to and be in full force and effect under the corresponding Coach Plans, in accordance with the terms of each such applicable Coach Plan and to the extent permissible under such Plan, until such beneficiary designations are replaced or revoked by the Coach Employees and Coach Transferred Employee who made the beneficiary designation.

Section 7.7 Requests for IRS and DOL Opinions. Sara Lee and Coach shall make such applications to regulatory agencies, including the IRS and DOL, as may be necessary or appropriate. Coach and Sara Lee shall cooperate fully with one another on any issue relating to the transactions contemplated by this Agreement for which Sara Lee and/or Coach elects to seek a determination letter or private letter ruling from the IRS or an advisory opinion from the DOL.

Section 7.8 Fiduciary Matters. Sara Lee and Coach each acknowledge that actions contemplated to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and that no party shall be deemed to be in violation of this Agreement if such party fails to comply with any provisions hereof based upon such party's good faith determination that to do so would violate such a fiduciary duty or standard.

Section 7.9 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, Sara Lee and Coach shall use their commercially reasonable best efforts to implement the applicable provisions of this Agreement. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, Sara Lee and Coach shall negotiate in good faith to implement the provision in a mutually satisfactory manner.

Section 7.10 Tax Cooperation. In connection with the interpretation and administration of this Agreement, Sara Lee and Coach shall comply with all agreements, covenants, procedures and policies established pursuant to the Separation Agreement and the other Ancillary Agreements (as defined below) and the parties' intent to qualify the Distribution as a tax-free reorganization under Code Sections 355 and 368(a)(1)(D).

Section 7.11 Financial Reporting Cooperation. Coach shall provide to Sara Lee such financial or other information as Sara Lee shall reasonably request to allow Sara Lee to satisfy its financial reporting obligations with respect to any period for which Coach impacts Sara Lee financial reporting.

ARTICLE VIII

EMPLOYMENT-RELATED MATTERS

Section 8.1 Terms of Coach Employment. All basic terms and conditions of employment for Coach Employees and Coach Transferred Employees including, without limitation, their pay and benefits in the aggregate shall, to the extent legally and practicably possible, remain substantially the same through the Distribution Date (other than reasonable raises and bonuses provided in the ordinary course of business and consistent with past practice) as the terms and conditions that were in place when the Coach Employee or Coach Transferred Employee was employed by the Sara Lee Group, as applicable. In addition, nothing in the Separation Agreement, this Agreement, or any Ancillary Agreement should be construed to change the at-will status of the employment of any of the employees of the Sara Lee Group or the Coach Group.

Section 8.2 HR Data Support Systems. Sara Lee shall provide human resources data support for Coach Employees and Coach Transferred Employees through the date that is ninety (90) days following the Distribution Date (the "Support Termination Date"). In the event that Sara Lee and Coach agree to extend the time period beyond the Support Termination Date, then the costs and expenses will be computed in accordance with Section 7.2; provided, however, that an additional ten percent (10%) charge will be incurred by Coach. Following the Support Termination Date, Sara Lee and Coach each reserves the right to discontinue Coach's access to any Sara Lee human resources data support systems with sixty (60) days notice.

Section 8.3 Employment of Employees with U.S. Work Visas. Coach Employees with U.S. work visas authorizing them to work for Coach will continue to hold work authorization for the Coach Group after the Separation Date. Coach will request amendments to the nonimmigrant visa status of Coach Employees and Coach Transferred Employees with U.S. work visas authorizing them to work for Sara Lee, excluding the Coach Group, to request authorization to work for Coach.

Section 8.4 Confidentiality and Proprietary Information. No provision of the Separation Agreement or any Ancillary Agreement shall be deemed to release any individual for any violation of the Sara Lee non-competition guideline or any agreement or policy pertaining to confidential or proprietary information of any member of the Sara Lee Group, or otherwise relieve any individual of his or her obligations under such non-competition guideline, agreement, or policy.

Section 8.5 Personnel Records. Subject to applicable laws on confidentiality and data protection, Sara Lee shall deliver to Coach prior to the Distribution Date, personnel records of Coach Employees and Coach Transferred Employees to the extent such records relate to Coach Employees' and Coach Transferred Employees' active employment by, leave of absence from, or

termination of employment with Coach.

Section 8.6 Medical Records. Subject to applicable laws on confidentiality and data protection, Sara Lee shall deliver to Coach prior to the Distribution Date, medical records of Coach Employees and Coach Transferred Employees to the extent such records (a) relate to Coach Employees' and Coach Transferred Employees' active employment by, leave of absence from, or termination of employment with Coach, and (b) are necessary to administer and maintain employee benefit plans, including Health Plans and Workers' Compensation Plan and for determining eligibility for paid and unpaid Leaves of Absence for medical reasons.

Section 8.7 Unemployment Insurance Program.

(a) Claims Administration Through Distribution Date. Unless otherwise directed by Coach, Sara Lee shall assist Coach in receiving service from Sara Lee's third party unemployment insurance administrator through the Distribution Date. Coach shall cooperate with the unemployment insurance administrator by providing any and all necessary or appropriate information reasonably available to Coach.

(b) Claim Administration Post-Distribution Date. As of the Distribution Date, Coach shall be responsible for complying with the unemployment insurance requirements of the states in which the Coach Group conducts business and for obtaining and maintaining third party insurance programs for its risk of loss.

Section 8.8 Non-Termination of Employment; No Third-Party Beneficiaries. No provision of this Agreement, the Separation Agreement, or any Ancillary Agreement shall be construed to create any right or accelerate entitlement to any compensation or benefit whatsoever on the part of any Coach Employee, Coach Transferred Employee or other former, present or future employee of Sara Lee or Coach under any Sara Lee Plan or Coach Plan or otherwise. Without limiting the generality of the foregoing: (a) neither the Distribution or Separation, nor the termination of the Participating Company status of Coach or any member of the Coach Group shall cause any employee to be deemed to have incurred a termination of employment (except for purposes of the Sara Lee Pension Plan, the Sara Lee ESOP, the Sara Lee Puerto Rico Plans and the Sara Lee SERP); and (b) no transfer of employment between Sara Lee and Coach before the Distribution Date shall be deemed a termination of employment for any purpose hereunder.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 Effect if Separation, IPO and/or Distribution Does Not Occur. Subject to Section 9.10, if the Separation, IPO and/or Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of the Separation Date,

IPO, and/or Distribution Date, or otherwise in connection with the Separation, IPO and/or Distribution, shall not be taken or occur except to the extent specifically agreed by Coach and Sara Lee.

Section 9.2 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, the understanding and agreement being that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

Section 9.3 Affiliates. Each of Sara Lee and Coach shall cause to be performed and hereby guarantee the performance of any and all actions of the Sara Lee Group or the Coach Group, respectively.

Section 9.4 Incorporation of Separation Agreement Provisions. The following provisions of the Separation Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein (references in this Section to an "Article" or "Section" shall mean Articles or Sections of the Separation Agreement, and, except as expressly set forth below, references within the material incorporated herein by reference shall be references to the Separation Agreement): Section 4.3 (relating to Agreement for Exchange of Information); Section 4.11 (relating to Dispute Resolution); Section 4.13 (relating to No Representation or Warranty); and Article IV (relating to Covenants and Other Matters).

Section 9.5 Notices. Notices, demands, offers requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses and facsimile numbers:

(a) if to Sara Lee:

Sara Lee Corporation
Three First National Plaza
70 West Madison
Chicago, Illinois 60602-4260
Attention: General Counsel
Facsimile No.: (312) 345-5706

(b) if to Coach:

Coach
516 West 34th Street
New York, New York 10001
Attention: General Counsel
Facsimile No.: (212) 629-2398

or to such other address or facsimile number as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by facsimile, confirmed by first class mail. All notices shall be deemed to have been given when received, if hand delivered; when transmitted, if transmitted by facsimile or similar electronic transmission method; one working day after it is sent, if sent by recognized overnight courier; and three days after it is postmarked, if mailed first class mail or certified mail, return receipt requested, with postage prepaid.

Section 9.6 Governing Law and Jurisdiction. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Section 4.11 of the Separation Agreement, and nonexclusive jurisdiction over any action for enforcement of an arbitral award.

Section 9.7 Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Sara Lee Group and each member of the Coach Group. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assignment shall be void; provided, however, either party may assign this Agreement to a successor entity in conjunction with such party's reincorporation.

Section 9.8 Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible and in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest possible extent.

Section 9.9 Interpretation. The headings contained in this Agreement or any Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall

not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article, Section or Schedule, such reference shall be to an Article of, Section of, or Schedule to this Agreement unless otherwise indicated.

Section 9.10 Amendment. The Board of Directors of Coach and Sara Lee may mutually agree to amend the provisions of this Agreement at any time or times, for any reason, either prospectively or retroactively, to such extent and in such manner as the Boards mutually deem advisable. Each Board (or the Sara Lee Corporation Employee Benefits Administrative Committee) may delegate its amendment power, in whole or in part, to one or more Persons or committees as it deems advisable. The Senior Vice President, Human Resources of Sara Lee and the Senior Vice President, Human Resources of Coach have full power and authority to mutually adopt an amendment to this Agreement; provided that if such amendment requires a Plan amendment, an individual or entity with the authority to amend the Plan must consent to such amendment of the Agreement. No change or amendment will be made to this Agreement, except by an instrument in writing signed by authorized individuals.

Section 9.11 Termination. This Agreement may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection therewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termination pursuant to this Section 9.11, no party shall have any liability of any kind to the other party.

Section 9.12 Conflict. In the event of any conflict between the provisions of this Agreement and the Separation Agreement, any Ancillary Agreement, or Plan, the provisions of this Agreement shall control.

Section 9.13 Counterparts. This Agreement, including the Schedules hereto and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

ARTICLE X

DEFINITIONS

Wherever used in this Agreement, the following terms shall have the meanings indicated below, unless a different meaning is plainly required by the context. The singular shall include the plural, unless the context indicates otherwise. Headings of sections are used for convenience of reference only, and in case of conflict, the text of this Agreement, rather than such headings, shall control:

Section 10.1 401(k) Plan. "401(k) Plan," when immediately preceded by "Sara Lee," means the Sara Lee Corporation 401(k) Supplemental Savings Plan, a defined contribution plan. When immediately preceded by "Coach," "401(k) Plan" means the defined contribution plan to be established by Coach pursuant to Section 1.2 and Article II.

Section 10.2 Affiliate. "Affiliate" means, with respect to any specified Person, means any entity that Controls, is Controlled by, or is under common Control with such Person. For this purpose, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by control, or otherwise.

Section 10.3 Agreement. "Agreement" means this Employee Matters Agreement, including all the Schedules hereto, and all amendments made hereto from time to time.

Section 10.4 Ancillary Agreements. "Ancillary Agreements" means all of the underlying agreements, documents and instruments referred to, contemplated by, or made a part of the Separation Agreement.

Section 10.5 Assets. "Assets" is has the meaning set forth in the General Assignment and Assumption Agreement.

Section 10.6 Business Travel Accident Insurance. "Business Travel Accident Insurance," when immediately preceded by "Sara Lee," means the policy or policies covering Sara Lee Business Travel Accident Insurance in the U.S. and to the extent applicable, outside the U.S. When immediately preceded by "Coach," "Business Travel Accident Insurance" means the policy or policies covering the business travel accident insurance to be established by Coach pursuant to Sections 1.2 and 4.6.

Section 10.7 Coach. "Coach" means Coach, Inc., a Maryland corporation. In all such instances in which Coach is referred to in this Agreement, it shall also be deemed to include a reference to each member of the Coach Group, unless it specifically provides otherwise; Coach shall be solely responsible to Sara Lee for ensuring that each member of the Coach Group complies with the applicable terms of this Agreement.

Section 10.8 Coach Business. "Coach Business" means the business of producing lifestyle branded handbags, accessories, business cases, luggage and travel accessories, time management products, outerwear, gloves and scarves, watches footwear, eyewear, home furnishings and furniture as described in the IPO Registration Statement.

Section 10.9 Coach Claims. "Coach Claims" has the meaning set forth in Subsection 4.8(a).

Section 10.10 Coach Employee. "Coach Employee" means any individual who is: (a)

either actively employed by, or on leave of absence from, the Coach Group on the Separation Date; (b) either actively employed by, or on leave of absence from, the Sara Lee Group as either part of a work group or organization, or common support function that, at any time after the Separation Date and before the Distribution Date, moves to the employ of the Coach Group from the employ of the Sara Lee Group; (c) a Coach Terminated Employee; (d) designated as a Coach Employee (as of the specified date) by Sara Lee and Coach by mutual agreement; or (e) an alternate payee under a QDRO, alternate recipient under a QMCSO, beneficiary, covered dependent, or qualified beneficiary (as such term is defined under COBRA), in each case, of an employee or former employee, described in Subsections 10.10(a) through (d) with respect to that employee's or former employee's benefit under the applicable Plan(s) (unless specified otherwise in this Agreement, such an alternate payee, alternate recipient, beneficiary, covered dependent, or qualified beneficiary shall not otherwise be considered a Coach Employee with respect to any benefits he or she accrues or accrued under any applicable Plan(s), unless he or she is a Coach Employee by virtue of Subsections 10.10(a) through (d)).

Section 10.11 Coach GIP. "Coach GIP" means the Coach Growth Incentive Plan.

Section 10.12 Coach Group. "Coach Group" means Coach and each Subsidiary and Affiliate of Coach immediately after the Separation Date, or that is contemplated to be a Subsidiary or Affiliate of Coach and each Person that becomes a Subsidiary or Affiliate of Coach after the Separation Date.

Section 10.13 Coach Stock Value. "Coach Stock Value" means (a) from the date the IPO is priced through the IPO Closing Date, the initial per-share public offering price of Coach common stock, and (b) after the IPO Closing Date, the average of the highest and lowest per-share sale prices of Coach common stock on the NYSE Composite Transactions Tape on the five (5) trading days preceding the date of determination; provided, that if there should be no sales of Coach common stock on any of the five (5) trading days preceding the date of determination, the Coach Stock Value shall be the average of the highest and lowest per-share sale prices of Coach common stock on such Composite Tape for the last preceding date on which sales of Coach common stock were reported.

Section 10.14 Coach Terminated Employee. "Coach Terminated Employee" means any individual who is: (a) a former employee of the Sara Lee Group who was terminated from the Coach Business on or before the Separation Date; or (b) a former employee of the Coach Group; or (c) an alternate payee under a QDRO, alternate recipient under a QMCSO, beneficiary, covered dependent, or qualified beneficiary (as such term is defined under COBRA), in each case, of a former employee, described in Subsections 10.14(a) or (b) with respect to that former employee's benefit under the applicable Plan(s). Notwithstanding the foregoing, "Coach Terminated Employee" shall not, unless otherwise expressly provided to the contrary in this Agreement, include: (a) an individual who is a Sara Lee Employee or a Coach Transferred Employee at the Distribution Date; or (b) an individual who is otherwise a Coach Terminated

Employee, but who is subsequently employed by the Sara Lee Group or the Coach Group prior to the Distribution Date.

Section 10.15 Coach Transferred Employee. "Coach Transferred Employee" means any individual who, as of the Distribution Date, is: (a) either actively employed by, or on a leave of absence from, the Coach Group; (b) an employee or a member of a group of employees designated by Sara Lee and Coach, by mutual agreement, as Coach Transferred Employees; or (c) an alternate payee under a QDRO, alternate recipient under a QMCSO, beneficiary, covered dependent, or qualified beneficiary (as such term is defined under COBRA), in each case, of an employee, described in Subsections 10.15(a) or (b) with respect to that employee's or former employee's benefit under the applicable Plan(s) (unless specified otherwise in this Agreement, such an alternate payee, alternate recipient, beneficiary, covered dependent, or qualified beneficiary shall not otherwise be considered a Coach Transferred Employee with respect to any benefits he or she accrues or accrued under any applicable Plan(s), unless he or she is a Coach Transferred Employee by virtue of Subsections 10.15(a) and (b)); provided, that a "Coach Transferred Employee" shall include, with respect to a Coach Plan established prior to the Distribution Date, an individual who would constitute a Coach Transferred Employee under Subsections 10.15(a), (b) or (c) above if the date such Plan was established was the Distribution Date. An employee may be a Coach Transferred Employee pursuant to this Section regardless of whether such employee is, as of the Distribution Date, actively employed, on a temporary leave of absence from active employment, on layoff, or on any other type of employment relative to a Sara Lee Plan, and regardless of whether, as of the Distribution Date, such employee is then receiving any coverage under or benefits from a Sara Lee Plan. Where the context permits, a Coach Transferred Employee shall also mean an employee hired by Coach after the Distribution Date.

Section 10.16 COBRA. "COBRA" means the continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time, and as codified in Code Section 4980B and ERISA Sections 601 through 608.

Section 10.17 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 10.18 Deferred Compensation Plan. "Deferred Compensation Plan," when immediately preceded by "Sara Lee," means the Sara Lee Executive Deferred Compensation Plan. When immediately preceded by "Coach," "Deferred Compensation Plan" means the deferred compensation plan that was established by Coach effective June 1, 2000.

Section 10.19 Dispute. "Dispute" means any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof.

Section 10.20 Disability Plans. "Disability Plan," means the Sara Lee short term disability program and the Sara Lee Long Term Disability Plan.

Section 10.21 Distribution. "Distribution" means the distribution by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee after the IPO Closing Date, which divestiture may be effectuated by Sara Lee as a dividend, an exchange with existing Sara Lee stockholders for shares of Coach capital stock, a spin-off or otherwise; provided, that such distribution results in Coach no longer constituting a member of the Sara Lee controlled group, as determined in accordance with Code Sections 414(b), 414(c) and 414(m).

Section 10.22 Distribution Date. "Distribution Date" means the date that the Distribution is effective.

Section 10.23 DOL. "DOL" means the United States Department of Labor.

Section 10.24 Effective Date. "Effective Date" means the date that is two (2) days prior to the date that the registration statement relating to the IPO is declared effective.

Section 10.25 Elective Option Assumption Ratio. "Elective Option Assumption Ratio" means the ratio determined by dividing the Coach Stock Value as of the date the IPO is priced by the Sara Lee Stock Value as of that date; provided, that the Elective Option Assumption Ratio shall never be less than one (1.0).

Section 10.26 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

Section 10.27 ESOP. "ESOP" means the Sara Lee Employee Stock Ownership Plan.

Section 10.28 Executive Bonus Plan. "Executive Bonus Plan" means the Coach Annual Performance-Based Incentive Plan to be established by Coach pursuant to Sections 1.2 and 5.1.

Section 10.29 Executive Restricted Stock Plan. "Executive Restricted Stock Plan" means the Sara Lee Long-Term Restricted Stock Plan.

Section 10.30 FMLA. "FMLA" means the Family and Medical Leave Act of 1993, as amended from time to time.

Section 10.31 Foreign Plan. "Foreign Plan," when immediately preceded by "Sara Lee," means a Plan maintained by the Sara Lee Group for the benefit of its employees outside the U.S. When immediately preceded by "Coach," "Foreign Plan" means a Plan to be established by Coach for the benefit of its employees outside the U.S.

Section 10.32 Fringe Benefit Plans. "Fringe Benefit Plans," when immediately preceded

by "Sara Lee," means the Sara Lee Employee Assistance Program, the Sara Lee Educational Assistance Plan and other fringe benefit plans, programs and arrangements, sponsored and maintained by Sara Lee. When immediately preceded by "Coach," "Fringe Benefit Plans" means the fringe benefit plans, programs and arrangements to be established by Coach pursuant to Section 1.2 and Article VI.

Section 10.33 FSA Plan. "FSA Plan," when immediately preceded by "Sara Lee," means the Sara Lee Flexible Spending Account Plan. When immediately preceded by "Coach," "FSA Plan" means the flexible spending account plan to be established by Coach pursuant to Sections 1.2 and 4.3.

Section 10.34 General Assignment and Assumption Agreement. "General Assignment and Assumption Agreement" means the Ancillary Agreement which is Exhibit C to the Separation Agreement.

Section 10.35 Group Insurance Plan. "Group Insurance Plan," when immediately preceded by "Sara Lee," means the Sara Lee Group Insurance Plan. When immediately preceded by "Coach," "Group Insurance Plan" means the group insurance plan to be established by Coach pursuant to Section 1.2.

Section 10.36 HCFA. "HCFA" means the United States Health Care Financing Administration.

Section 10.37 Health and Welfare Plans. "Health and Welfare Plans," when immediately preceded by "Sara Lee," means the Sara Lee Health Plans, the Sara Lee Section 125 Plan, the Sara Lee Business Travel Accident Insurance program, the Sara Lee Group Insurance Plan, the Sara Lee Workers' Compensation Plan and the health and welfare plans established and maintained by Sara Lee for the benefit of eligible employees of the Sara Lee Group, and such other welfare plans or programs as may apply to such employees as of the Distribution Date. When immediately preceded by "Coach," "Health and Welfare Plans" means the Coach Health Plans, the Coach Section 125 Plan, and the health and welfare plans to be established by Coach pursuant to Section 1.2 and Article IV.

Section 10.38 Health Plans. "Health Plans," when immediately preceded by "Sara Lee," means the Sara Lee Employee Health Benefit Plan, any other medical, HMO, vision, and dental plans and any similar or successor Plans. When immediately preceded by "Coach," "Health Plans" means the medical, HMO, vision and dental plans to be established by Coach pursuant to Section 1.2 and Article IV.

Section 10.39 HMO. "HMO" means a health maintenance organization that provides benefits under the Sara Lee Health Plans or the Coach Health Plans.

Section 10.40 IPO. "IPO" means the initial public offering of Coach common stock

pursuant to a registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended.

Section 10.41 IPO Closing Date. "IPO Closing Date" means the date on which the IPO is consummated.

Section 10.42 IPO Registration Statement. "IPO Registration Statement" means the registration statement on Form S-1 pursuant to the Securities Act of 1933 as amended, to be filed with the SEC registering the shares of common stock of Coach to be issued in the IPO, together with all amendments thereto.

Section 10.43 IRS. "IRS" means the United States Internal Revenue Service.

Section 10.44 Key Executive Plans. "Key Executive Plans" means the welfare plans maintained by Sara Lee on behalf of its key executives.

Section 10.45 Liabilities. "Liabilities" means all debts, liabilities, guarantees, assurances, commitments, and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any Contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted accounting principles to be reflected in financial statements or disclosed in the notes thereto. For this purpose, "Contract" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

Section 10.46 Long-Term Incentive Plan. "Long-Term Incentive Plan" means the Sara Lee Long-Term Performance Incentive Plan.

Section 10.47 Master Transitional Services Agreement. "Master Transitional Services Agreement" means the Ancillary Agreement which is Exhibit F to the Separation Agreement.

Section 10.48 NYSE. "NYSE" means the New York Stock Exchange.

Section 10.49 Option. "Option," when immediately preceded by "Sara Lee," means an option to purchase Sara Lee common stock pursuant to a Stock Plan; provided, that for purposes of Subsection 5.4(a), "Option" does not include any options to purchase Sara Lee common stock pursuant to the Sara Lee Share 2000 Plan. When immediately preceded by "Coach," "Option" means an option to purchase Coach common stock pursuant to a Stock Plan.

Section 10.50 Outsource. "Outsource" is defined in Section 5.5.

Section 10.51 Participating Company. "Participating Company" means: (a) Sara Lee;

(b) any Person (other than an individual) that Sara Lee has approved for participation in, has accepted participation in, and which is participating in, a Plan sponsored by Sara Lee; and (c) any Person (other than an individual) which, by the terms of such Plan, participates in such Plan or any employees of which, by the terms of such Plan, participate in or are covered by such Plan.

Section 10.52 Pension Plan. "Pension Plan" when immediately preceded by "Sara Lee," means the Sara Lee Consolidated Pension and Retirement Plan.

Section 10.53 Person. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, and a governmental entity or any department, agency or political subdivision thereof.

Section 10.54 Plan. "Plan" means any plan, policy, program, payroll practice, arrangement, contract, trust, insurance policy, or any agreement or funding vehicle providing compensation or benefits to employees, former employees, directors or consultants of Sara Lee or Coach.

Section 10.55 Post-Distribution Period. "Post-Distribution Period" means, for each designated Plan, the period beginning as of the Distribution Date and ending on the date that no member of the Coach Group is using Sara Lee benefit delivery and administrative services with respect to that Plan.

Section 10.56 Premium Plan. "Premium Plan," when immediately preceded by "Sara Lee," means the Sara Lee Flexible Compensation Plan, the vehicle by which employees participating in the Sara Lee Health and Welfare Plans can contribute their portion of the premium payments with pre-tax dollars. When immediately preceded by "Coach," "Premium Plan" means the medical/dental pre-tax premium plan to be established by Coach pursuant to Sections 1.2 and 4.3.

Section 10.57 Puerto Rico Plans. "Puerto Rico Plans" when immediately preceded by "Sara Lee," means the Sara Lee Personal Products Retirement Savings Plan of Puerto Rico and the Sara Lee Personal Products Hourly Retirement Plan of Puerto Rico.

Section 10.58 QDRO. "QDRO" means a domestic relations order which qualifies under Code Section 414(p) and ERISA Section 206(d) and which creates or recognizes an alternate payee's right to, or assigns to an alternate payee, all or a portion of the benefits payable to a participant under the Sara Lee 401(k) Plan, the Sara Lee Pension Plan or the Sara Lee ESOP.

Section 10.59 QMCSO. "QMCSO" means a medical child support order which qualifies under ERISA Section 609(a) and which creates or recognizes the existence of an alternate recipient's right to, or assigns to an alternate recipient the right to, receive benefits for which a participant or beneficiary is eligible under any of the Health Plans.

Section 10.60 Ratio. "Ratio" means the ratio determined by dividing the Coach Stock Value by the Sara Lee Stock Value.

Section 10.61 Record Date. "Record Date" means the close of business on the date to be determined by the Board of Directors of Sara Lee as the record date for determining the stockholders of Sara Lee entitled to receive shares of common stock of Coach in the Distribution

Section 10.62 Restricted Stock Unit. "Restricted Stock Unit," when immediately preceded by "Sara Lee," means a right to receive shares of Sara Lee common stock that are subject to transfer restrictions or to employment and/or performance vesting conditions, pursuant to a Sara Lee Stock Plan. When immediately preceded by "Coach," "Restricted Stock Unit" means a right to receive shares of Coach common stock that are subject to transfer restrictions or to employment and/or performance vesting conditions, pursuant to a Coach Stock Plan.

Section 10.63 Revenue. "Revenue" means net revenue as determined in accordance with generally accepted accounting principles.

Section 10.64 Sara Lee. "Sara Lee" means Sara Lee Corporation, a Maryland corporation. In all such instances in which Sara Lee is referenced in this Agreement, it shall also be deemed to include a reference to each member of the Sara Lee Group, unless it specifically provides otherwise; Sara Lee shall be solely responsible to Coach for ensuring that each member of the Sara Lee Group complies with the applicable terms of this Agreement.

Section 10.65 Sara Lee Employee. "Sara Lee Employee" means an individual who, on the Distribution Date, is: (a) either actively employed by, or on leave of absence from, the Sara Lee Group; (b) a Sara Lee Terminated Employee; or (c) an employee or group of employees designated as Sara Lee Employees by Sara Lee and Coach, by mutual agreement.

Section 10.66 Sara Lee Group. "Sara Lee Group" means Sara Lee and each Subsidiary and Affiliate of Sara Lee (or any predecessor organization thereof).

Section 10.67 Sara Lee Plans. "Sara Lee Plans" means the Plans maintained by Sara Lee and shall include the Sara Lee Pension Plan, Sara Lee ESOP, Sara Lee 401(k) Plan, Sara Lee Health and Welfare Plans, Sara Lee Group Insurance Plan, Sara Lee Severance Plans, Sara Lee Fringe Benefit Plans, and the Sara Lee Puerto Rico Plans.

Section 10.68 Sara Lee Stock Value. "Sara Lee Stock Value" means the average of the highest and lowest per-share sale prices of Sara Lee common stock on the NYSE Composite Transactions Tape on the five (5) trading days preceding the date of determination.

Section 10.69 Sara Lee Terminated Employee. "Sara Lee Terminated Employee" means any individual who is a former employee of the Sara Lee Group and who, on the Distribution Date, is not a Coach Transferred Employee.

Section 10.70 SEC. "SEC" means the United States Securities and Exchange Commission.

Section 10.71 Section 125 Plan. "Section 125 Plan," when immediately preceded by "Sara Lee," means the Sara Lee Premium Plan and the Sara Lee FSA Plan. When immediately preceded by "Coach," "Section 125 Plan" means the Coach Premium Plan and the Coach FSA Plan to be established by Coach pursuant to Sections 1.2 and 4.3.

Section 10.72 Separation. "Separation" means the contribution and transfer from Sara Lee to Coach, and Coach's receipt and assumption of, directly or indirectly, substantially all of the Assets and Liabilities currently associated with the Coach Business and the stock, investments or similar interests currently held by Sara Lee in subsidiaries and other entities that conduct such business.

Section 10.73 Separation Agreement. "Separation Agreement" means the Master Separation and Distribution Agreement of which this is Exhibit D thereto.

Section 10.74 Separation Date. "Separation Date" means the effective date and time of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation and/or such other date(s) as may be fixed by the Board of Directors of Sara Lee.

Section 10.75 SERP. "SERP," when immediately preceded by "Sara Lee," means the Sara Lee Supplemental Benefit Plan.

Section 10.76 Severance Plans. "Severance Plans," when immediately preceded by "Sara Lee," means the Sara Lee Severance Pay Plan and the Sara Lee Severance Pay Plan for A&B Players. When immediately preceded by "Coach," "Severance Plans" means the severance plans to be established by Coach pursuant to Sections 1.2 and 4.4.

Section 10.77 Stock Plan. "Stock Plan," when immediately preceded by "Sara Lee," means any plan, program, or arrangement pursuant to which employees and other service providers hold Options, Sara Lee Restricted Stock Units, or other Sara Lee equity incentives. When immediately preceded by "Coach," "Stock Plan" means the Coach 2000 Stock Incentive Plan to be established by Coach pursuant to Section 1.2.

Section 10.78 Subsidiary. "Subsidiary" of any person means a corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interest having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however that no Person that is not directly or indirectly wholly-owned by any other

Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control that Person. Unless the context otherwise requires, reference to Sara Lee and its Subsidiaries shall not include the subsidiaries of Sara Lee that will be transferred to Coach after giving effect to the Separation.

Section 10.79 Unemployment Insurance Program. "Unemployment Insurance Program," when immediately preceded by "Sara Lee," means the group unemployment insurance policies purchased by Sara Lee from time to time. When immediately preceded by "Coach," "Unemployment Insurance Program" means any group unemployment insurance program to be established by Coach pursuant to Section 8.7.

Section 10.80 Workers' Compensation Plan. "Workers' Compensation Plan" when immediately preceded by "Sara Lee" means the Sara Lee Workers' Compensation Plan, comprised of the various arrangements established by a member of the Sara Lee Group to comply with the workers' compensation requirements of the states in which the Sara Lee Group conducts business. When immediately preceded by "Coach," "Workers' Compensation Plan" means the workers' compensation program to be established by Coach pursuant to Section 4.8.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, each of the parties have caused this Agreement to be executed on its behalf by its officers thereunto duly authorized on the day and year first above written.

SARA LEE CORPORATION

By: _____
Name:
Title:

COACH, INC.

By: _____
Name:
Title:

SCHEDULE 1.6
FOREIGN PLANS

[TO BE INSERTED.]

SCHEDULE 4.1(a)
COACH HEALTH PLANS

Coach Employee Health Plan

SCHEDULE 4.2
SARA LEE HEALTH PLANS

Sara Lee Corporation Employee Health Benefit Plan
Sara Lee Corporation Flexible Compensation Plan
Sara Lee Corporation Flexible Spending Account Plan

SCHEDULE 5.4
SARA LEE RESTRICTED STOCK HELD BY
NON-U.S. COACH TRANSFERRED EMPLOYEES

DELETE SCHEDULE UNLESS APPLICABLE.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF INCOME AND CONSOLIDATED AND COMBINED BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	
JUN-30-2001	SEP-30-2000
	164
	0
31,161	
6,306	
119,397	
161,463	181,444
115,130	
261,495	
99,066	3,735
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	0
	156,536
261,495	133,983
134,552	49,564
	49,564
49,564	
72,700	
496	
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7,591	
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	7,591
	0.17
	0.17