AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 15, 2000

REGISTRATION NO. 333-39502

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COACH, INC.

(Exact Name of Registrant as Specified in Its Charter)

MARYLAND	3171	52-2242751
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

COACH, INC.
516 WEST 34TH STREET
NEW YORK, NY 10001
(212) 594-1850

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

CAROLE P. SADLER, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
COACH, INC.
516 WEST 34TH STREET
NEW YORK, NY 10001
(212) 594-1850

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

COPIES TO:

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SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS)	KIRKLAND & ELLIS
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CHICAGO, IL 60606	CHICAGO, IL 60601
(312) 407-0700	(312) 861-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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SUBJECT TO COMPLETION. DATED SEPTEMBER 15, 2000.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

7,380,000 Shares

[LOGO]

Common Stock

This is an initial public offering of shares of common stock of Coach, Inc. All of the shares of common stock are being sold by Coach.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $14.00 and $16.00. An application has been made to list the common stock on the New York Stock Exchange under the symbol "COH."

SEE "RISK FACTORS" ON PAGE 7 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Coach	$	$

To the extent that the underwriters sell more than 7,380,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,107,000 shares from Coach at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares in New York, New York on , 2000.

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

PRUDENTIAL SECURITIES

Prospectus dated , 2000.

DESCRIPTION OF ARTWORK

Inside front cover

Headline: COACH EST. NEW YORK CITY 1941

Illustration: A piece of machinery is shown, along with the operator's hands, which has just stamped a piece of leather with the Coach symbol and a product number.

Bi-fold first page in Prospectus

Illustration: The following pictures appear from left to right across three rows: appearing across the first row, (1) an interior staircase in a Coach store, (2) a Coach watch, (3) the exterior of a Coach store, (4) a Coach boot, (5) a Coach leather handbag, and (6) four Coach leather belts; appearing across the second row, (1) a Coach cellular phone case and a personal computing device case, (2) a close-up view of a sewing machine, (3) a Coach leather chair, (4) a model with a Coach purse over her shoulder, (5) a pair of Coach sunglasses, and (6) a Coach leather handbag; appearing across the third row, (1) a mixed-material Coach handbag, (2) two Coach picture frames, (3) three puppies and an adult dog, all wearing Coach blanket dog jackets, (4) a Coach briefcase, (5) a Coach advertisement appearing on a building, and (6) a Coach wallet.

PROSPECTUS SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION REGARDING OUR COMPANY AND THE COMMON STOCK BEING SOLD IN THIS OFFERING AND OUR HISTORICAL FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OUR BUSINESS

We are a designer, producer and marketer of high-quality, modern, American classic accessories that complement the diverse lifestyles of discerning women and men. Founded in 1941, we believe that Coach is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. We attribute the prominence of the Coach brand to the unique combination of our original American attitude and design, our heritage in fine leather products, our superior product quality and durability and our commitment to customer service. For fiscal year 2000, net sales were $548.9 million and operating income before reorganization costs was $56.0 million.

Our primary product offerings include handbags, men's and women's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves. Together with our licensing partners, we also offer watches, footwear, furniture and eyewear with the Coach brand name. Our products are sold through a number of direct to consumer channels, including our:

- 106 U.S. retail stores;
- direct mail catalogs;
- e-commerce website, COACH.COM; and
- 63 U.S. factory stores.

Our direct to consumer business represented approximately 64% of our total sales in fiscal year 2000. Our remaining sales were generated through a number of indirect channels, including:

- approximately 1,400 department store and specialty retailer locations in the U.S.;
- approximately 175 international department store, retail store and duty free shop locations in 18 countries; and
- our corporate sales programs.

Our net sales grew at a compound annual growth rate of approximately 32%, from $19.0 million in 1985, when we were acquired by Sara Lee Corporation, to $540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming a part of Sara Lee. These declines were primarily the result of changes in consumer preferences from leather to mixed material and non-leather products, which some of our competitors offered, and diminished demand for our products due to the economic downturn in Asia. During fiscal years 1997 through 1999, we also experienced reduced profitability.

During this period, we embarked on a fundamental transformation of the Coach brand. We built upon our popular core categories by introducing new products in a broader array of materials and styles and we introduced new product categories. In 1999, we began renovating Coach retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase our new product assortments and reinforce a consistent brand position. Over the last three years, we also have been implementing a flexible, cost-effective sourcing and

manufacturing model that allows us to bring our broader range of products to market more rapidly and efficiently.

Primarily as a result of our repositioning initiatives, our sales increased 8.1% and our operating income before reorganization costs increased 110.7% in fiscal year 2000, compared with fiscal year 1999.

OUR COMPETITIVE ADVANTAGES

We have developed a number of strengths that we believe create significant competitive advantages. These include:

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;

- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;

- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;

- a well-developed multi-channel presence, allowing us to serve our customers wherever they choose to shop; and

- recognition as a desirable resource for both personal and business gift-giving occasions.

However, to remain competitive in our industry, we must also accurately anticipate consumer trends and tastes. For more information regarding the risks associated with our business, see "Risk Factors" beginning on page 7.

OUR STRATEGIES

Based on our established strengths, we are pursuing the following strategies for future growth:

ACCELERATE NEW PRODUCT DEVELOPMENT. We are accelerating the development of new products, styles and product categories by:

- introducing seasonal variations of successful styles in fashionable colors and fabrics;

- updating our core collections; and

- launching new collections, product additions, line extensions and product categories.

MODERNIZE RETAIL PRESENTATION. We are modernizing our brand image by remodeling all Coach retail stores, key international locations and select U.S. department store locations to create a distinctive environment showcasing our new product assortments. Our renovated retail stores have demonstrated significantly higher comparable store sales growth relative to unrenovated stores. We expect that all of our retail stores will reflect the new store design by June 2003.

INCREASE U.S. RETAIL STORE OPENINGS. We opened eight new U.S. retail stores in fiscal year 2000. Over the next three years, we plan to expand our network of 106 retail stores by opening approximately 50 new stores located primarily in high volume markets.

FURTHER PENETRATE INTERNATIONAL MARKETS. We are increasing our international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities for us.

IMPROVE OPERATIONAL EFFICIENCIES. We intend to continue to increase efficiencies in our operations through initiatives that include:

- streamlining product introduction;

- implementing a new product development process and timeline;

- integrating computer-assisted design into the design and development process; and

- expanding our East Asian independent manufacturing capabilities.

PROMOTE GIFT PURCHASES OF OUR PRODUCTS. We are further promoting Coach as an appealing resource for gift-giving occasions by developing new products well-suited for gift selection. In addition, our advertising, catalog mailings and outbound e-mails are timed to reach consumers before important holidays throughout the year.

CAPITALIZE ON GROWING INTEREST IN E-COMMERCE. We believe we are well-positioned to execute our e-commerce strategy through our recently-launched on-line store, COACH.COM, given our 20 years of experience in order fulfillment and remote retailing through our direct mail catalogs.

OUR RELATIONSHIP WITH SARA LEE

We were founded in 1941, and have been owned by Sara Lee Corporation since 1985. After the completion of this offering, Sara Lee will own approximately 82.6% of the outstanding shares of our common stock, or approximately 80.5% if the underwriters fully exercise their option to purchase additional shares. Sara Lee plans to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock in a tax-free split-off within 12 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other method. Sara Lee is not obligated to complete any distribution and we cannot assure you as to whether, when or how it will occur.

We have entered into agreements with Sara Lee related to the separation of our business operations from those of Sara Lee, which will occur before the completion of this offering. Under these agreements, Sara Lee will transfer to us the assets and liabilities which relate to our business, including our allocable portion of Sara Lee indebtedness in the form of a note payable to a Sara Lee subsidiary. The agreements will provide for various interim and ongoing relationships between us and Sara Lee.

The agreements regarding the separation of our business operations from those of Sara Lee are described more fully in the section entitled "Certain Relationships and Related Transactions" included elsewhere in this prospectus. All of these agreements were negotiated in the context of a parent-subsidiary relationship. We believe that these agreements are on terms that, overall, are no more favorable to us than if they had been negotiated with unaffiliated third parties. The assets and liabilities to be transferred to us are described more fully in our financial statements and notes to those statements that are also included elsewhere in this prospectus.

THE OFFERING

Common stock offered	7,380,000 shares
Common stock to be outstanding immediately after this offering	42,406,333 shares
Common stock to be held by Sara Lee immediately after this offering	35,026,333 shares
Use of proceeds	The estimated net proceeds from this offering of approximately $99 million will be used to repay a portion of the note payable to a subsidiary of Sara Lee to be assumed by us in connection with our separation from Sara Lee.
Proposed New York Stock Exchange symbol	COH

This information is based on 35,026,333 shares outstanding immediately prior to this offering, all of which are owned by Sara Lee. Unless we specifically state otherwise, the information in this prospectus does not take into account the issuance of up to 1,107,000 shares of common stock that the underwriters have the option to purchase from us. If the underwriters fully exercise their option to purchase additional shares, 43,513,333 shares of common stock will be outstanding after this offering.

The number of shares of our common stock to be outstanding immediately after this offering does not take into account approximately 5,385,605 shares of our common stock reserved for issuance under our stock plans. At the time of the offering, we intend to grant options to purchase up to approximately 3,628,092 shares of our common stock at the offering price to some of our officers and employees and up to approximately 15,000 shares of our common stock at the offering price to our non-employee directors. In addition to the common stock reserved for issuance under our stock plans, we intend to offer (1) options to purchase up to an aggregate of 1,589,441 shares of our common stock to 59 employees, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock, and (2) up to an aggregate of 29,500 service-based restricted stock units to seven employees, subject to the surrender and cancellation of previously granted Sara Lee service-based restricted stock units.

We incorporated in Maryland on June 1, 2000 as Coach, Inc. Our executive offices are located at 516 West 34th Street, New York, New York 10001; our telephone number is (212) 594-1850 and our facsimile number is (212) 594-1682. We also maintain an Internet site at WWW.COACH.COM. Our website and the information contained on or connected to our website are not part of this prospectus or the registration statement of which this prospectus forms a part.

In this prospectus, "Coach," "we," "us," and "our" each refers to Coach and not to the underwriters or Sara Lee. "Sara Lee" refers to Sara Lee and its subsidiaries, not including Coach.

SUMMARY FINANCIAL DATA

The following tables present our summary financial data. The data presented in these tables are from "Selected Financial Data," "Unaudited Pro Forma Financial Information," and our historical financial statements and notes to those statements that are included elsewhere in this prospectus. You should read those sections and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further explanation of the financial data summarized here. The historical financial information may not be indicative of our future performance and may not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

	FISCAL YEAR ENDED				
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				
CONSOLIDATED AND COMBINED STATEMENT OF INCOME DATA: (1)					
Net sales	$512,645	$540,366	$522,220	$507,781	$548,918
Gross profit	300,668	313,280	286,708	281,591	328,833
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816
Unusual items(2)	--	--	--	7,108	--
Operating income	62,047	44,269	25,013	19,475	56,017
Net income	42,860	32,037	20,663	16,715	38,603
UNAUDITED PRO FORMA STATEMENT OF INCOME DATA (3):					
Unaudited pro forma as adjusted net income					$ 35,112
Unaudited pro forma as adjusted basic net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share					42,406
Unaudited pro forma as adjusted diluted net income per share					$ 0.82
Shares used in computing unaudited pro forma as adjusted diluted income per share					42,583

	FISCAL YEAR ENDED					PRO FORMA
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JULY 1, 2000 (3)
	(UNAUDITED)	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				(UNAUDITED)
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:						
Working capital	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 54,110
Total assets	237,234	252,929	257,710	282,088	296,653	232,870
Inventory	92,814	102,209	132,400	101,395	102,097	102,097
Receivable from Sara Lee (4)	--	--	--	54,150	63,783	--
Payable to Sara Lee	6,541	8,300	11,088	--	--	--
Long term debt	3,845	3,845	3,845	3,810	3,775	94,775
Stockholders' net investment (4)	131,961	165,361	186,859	203,162	212,808	58,046

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(1) Our fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 1996, 1997, 1998, and 2000 were 52-week years.

(2) During 1999, we committed to and completed a reorganization plan involving the closure of our Carlstadt, New Jersey warehouse and distribution center; the closure of our Italian manufacturing operation; and the reorganization of our Jacksonville, Florida manufacturing facility. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all of our distribution functions at the Jacksonville, Florida distribution center.

(3) The unaudited pro forma consolidated and combined financial information reflects the following adjustments relating to the creation of a new legal entity, Coach, Inc., and Sara Lee's contribution of the assets and liabilities of our business:

- our assumption of $190 million of indebtedness to a subsidiary of Sara Lee prior to this offering;

- our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share;

- our use of the net offering proceeds to repay a portion of the assumed indebtedness; and

- operating adjustments, including interest expense and other costs from the assumed indebtedness, increased fees and expenses related to our separation from Sara Lee and tax benefits related to these items.

For a detailed description of the pro forma adjustments, see "Unaudited Pro Forma Financial Information."

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

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW AND OTHER INFORMATION IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMMON STOCK.

RISKS RELATED TO OUR BUSINESS

IF WE ARE UNABLE TO SUCCESSFULLY IMPLEMENT OUR GROWTH STRATEGIES OR MANAGE OUR GROWING BUSINESS, OUR FUTURE OPERATING RESULTS WILL SUFFER.

In fiscal years 1998 and 1999, we experienced a decline in sales as compared to prior years of 3.4% and 2.8%, respectively. In fiscal years 1997 through 1999, we also experienced reduced profitability. In response to these declines, we implemented a number of strategic initiatives to increase demand for our products and recently we have accelerated these initiatives. The success of each of these initiatives, alone or collectively, will depend on various factors, including the appeal of our new designs, products and retail presentation to consumers, competitive conditions and domestic and international economic conditions. If we are unsuccessful at implementing some or all of our strategies or initiatives, our future operating results may be adversely affected.

Successful implementation of our strategies and initiatives will require us to manage our growth. To manage our growth effectively, we will need to continue to increase production while maintaining strict quality control. We will also need to continue to improve our operating systems to respond to any increased demand. We could suffer a loss of consumer goodwill and a decline in sales if our products do not continue to meet our quality control standards or if we are unable to adequately respond to increases in consumer demand for our products.

OUR INABILITY TO RESPOND TO CHANGES IN CONSUMER DEMANDS AND FASHION TRENDS IN A TIMELY MANNER COULD ADVERSELY AFFECT OUR SALES.

Our success depends on our ability to identify, originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure you that we will be able to continue to develop appealing styles or meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. In addition, because we place orders for products with our manufacturers before we receive our wholesale customers' orders, we could experience higher excess inventories if our wholesale customers order fewer products than we anticipated.

COMPETITION IN THE MARKETS IN WHICH WE COMPETE IS INTENSE AND OUR COMPETITORS MAY DEVELOP PRODUCTS MORE POPULAR WITH CONSUMERS.

We face intense competition in the product lines and markets in which we compete. Our products compete with other brands of products within their product category and with private label products sold by retailers, including some of our wholesale customers. In our wholesale business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of these products to the consumer. Moreover, the general availability of contract manufacturing allows new entrants easy access to the markets in which we compete, which may increase the number of our competitors and adversely affect our competitive position and our business. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than we have.

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

Many factors affect the level of consumer spending in the handbag and accessories industry, including, among others, general business conditions, interest rates, the availability of consumer credit, taxation and consumer confidence in future economic conditions. Consumer purchases of discretionary items, such as our products, tend to decline during recessionary periods when disposable income is lower. A downturn in the economies in which we sell our products, such as the economic downturn in Asia in 1997, may adversely affect our sales.

IF WE LOSE KEY MANAGEMENT OR DESIGN PERSONNEL OR ARE UNABLE TO ATTRACT AND RETAIN THE TALENT REQUIRED FOR OUR BUSINESS, OUR OPERATING RESULTS COULD SUFFER.

Our performance depends largely on the efforts and abilities of our senior management and design teams. These executives and employees have substantial experience and expertise in our business and have made significant contributions to our growth and success. We do not have employment agreements with any of our key executives or design personnel. The unexpected loss of services of one or more of these individuals could have an adverse effect on our business. As our business grows, we will need to attract and retain additional qualified personnel and develop, train and manage an increasing number of management-level, sales and other employees. We cannot assure you that we will be able to attract and retain personnel as needed in the future.

OUR OPERATING RESULTS ARE SUBJECT TO SEASONAL AND QUARTERLY FLUCTUATIONS, WHICH COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

Because our products are frequently given as gifts, we have experienced, and expect to continue to experience, substantial seasonal fluctuations in our sales and operating results. Over the past two fiscal years, approximately 35% of our annual sales and between 73% and 146% of our operating income were recognized in our second fiscal quarter, which includes the holiday months of November and December. In anticipation of increased sales activity during the second quarter we incur significant additional expenses. If, for any reason, we miscalculate the demand for our products during November and December, we could have significant excess inventory, which would have an adverse affect on our financial performance. In addition, because a substantial portion of our operating income is derived from our second quarter sales, a significant shortfall in expected second quarter sales could have an adverse impact on our annual operating results. We have sometimes experienced and may continue to experience net losses in any or all of our first, third or fourth fiscal quarters.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things:

- the timing of new store openings;
- net sales and profits contributed by new stores;
- increases or decreases in comparable store sales;
- shifts in the timing of holidays;
- changes in our merchandise mix; and
- the timing of new catalog releases and new product introductions.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future

performance. Any seasonal or quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the trading price of our common stock to fluctuate significantly.

WE MAY BE UNABLE TO OBTAIN OUR PRODUCTS FROM OR SELL OUR PRODUCTS IN OTHER COUNTRIES DUE TO ADVERSE INTERNATIONAL EVENTS THAT ARE BEYOND OUR CONTROL.

Approximately 66% of our fiscal year 2000 non-licensed product needs, measured as a percentage of total units produced, were supplied by over 49 independent non-U.S. manufacturers in countries such as China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. Independent manufacturers in China accounted for 20% of our product needs for fiscal year 2000. Our international manufacturers are subject to many risks, including foreign governmental regulations, political unrest, disruptions or delays in shipments, changes in local economic conditions and trade issues. These factors, among others, could influence the ability of our independent manufacturers to make or export our products cost-effectively or at all or to procure some of the materials used in our products. The violation of labor or other laws by any of our independent manufacturers, or the divergence of an independent manufacturer's labor practices from those generally accepted as ethical by us or others in the U.S., could damage our reputation and force us to locate alternative manufacturing sources. Currency exchange rate fluctuations could also make raw materials more expensive for our independent manufacturers, and they could pass these increased costs along to us, resulting in higher costs and decreased margins for our products. If any of these factors were to render a particular country undesirable or impractical as a source of supply, there could be an adverse effect on our business.

Approximately 11% of our fiscal year 2000 sales were generated through international channels and we plan to increase our international sales efforts. International sales are subject to many risks, including foreign governmental regulations, foreign consumer preferences, political unrest, disruptions or delays in shipments to other nations and changes in local economic conditions. These factors, among others, could influence our ability to sell products successfully in international markets. We generally purchase raw materials and our products from international manufacturers in U.S. dollars and sell our products in the U.S. and to our international wholesale customers in U.S. dollars. However, our international wholesale customers sell our products in the relevant local currencies, and currency exchange rate fluctuations could adversely affect the retail prices of our products and result in decreased international consumer demand.

OUR TRADEMARK AND OTHER PROPRIETARY RIGHTS COULD POTENTIALLY CONFLICT WITH THE RIGHTS OF OTHERS AND WE MAY BE INHIBITED FROM SELLING SOME OF OUR PRODUCTS. IF WE ARE UNABLE TO PROTECT OUR TRADEMARKS AND OTHER PROPRIETARY RIGHTS, OTHERS MAY SELL IMITATION BRAND PRODUCTS.

We believe that our registered and common law trademarks and design patents have significant value and are important to our ability to create and sustain demand for our products. Although we have not been inhibited from selling our products in connection with trademark, patent or trade dress disputes, we cannot assure you that obstacles will not arise as we expand our product line and the geographic scope of our marketing. We also cannot assure you that the actions taken by us to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products or infringement of our trademarks and proprietary rights by others. The laws of some foreign countries may not protect proprietary rights to the same extent as do the laws of the U.S. and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in these countries.

RISKS RELATED TO OUR RELATIONSHIP WITH SARA LEE

WE WILL BE CONTROLLED BY SARA LEE AS LONG AS IT OWNS A MAJORITY OF OUR COMMON STOCK, WHICH MAY LEAD TO CONFLICTS OF INTEREST.

After the completion of this offering, Sara Lee will own approximately 82.6% of the outstanding shares of our common stock, or approximately 80.5% if the underwriters fully exercise their option to purchase additional shares. Investors in this offering will not be able to affect the outcome of any stockholder vote at least for so long as Sara Lee owns a majority of our outstanding common stock. As a result, Sara Lee will control all matters affecting us, including:

- the composition of our entire board of directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;
- our acquisition or disposition of assets;
- our financing;
- changes to the agreements providing for our separation from Sara Lee;
- the payment of dividends on our common stock; and
- determinations with respect to our tax returns.

Conflicts of interest may arise between Sara Lee and us in a number of areas relating to our past and ongoing relationships as a result of our separation from Sara Lee and Sara Lee's continued controlling interest in us. These may include:

- the nature and quality of transitional services rendered by Sara Lee to us;
- how various tax and employee benefit matters are resolved or how responsibilities are allocated;
- disputes over our and Sara Lee's respective indemnification obligations;
- the allocation of any insurance proceeds;
- the structure and timing of transfers or distributions by Sara Lee of all or any portion of its ownership interest in us; and
- Sara Lee's ability to control our management and affairs.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

BECAUSE OF THE LIMITED LIQUIDITY OF OUR SHARES IN THE MARKET, RELATIVELY SMALL TRADES OF OUR STOCK MAY HAVE A DISPROPORTIONATE EFFECT ON OUR STOCK PRICE.

Until Sara Lee consummates a distribution of our common stock, the liquidity of our shares in the market may be constrained because of the limited number of shares that will be held in public hands. Because of this limited liquidity, relatively small trades of our stock may have a disproportionate effect on our stock price.

THE SALE OR POTENTIAL SALE BY SARA LEE OF OUR STOCK COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR STOCK.

After the offering, Sara Lee will own over 80% of our outstanding capital stock. Sara Lee is not contractually prohibited from transferring our common stock to an unaffiliated third party following the 180-day lock-up period after the offering. Sara Lee may also transfer its shares prior to the expiration of the 180-day lock-up period with the consent of the representatives of the underwriters, in their sole discretion. If Sara Lee were to propose a transfer or transfer a controlling interest in us to a third party, the third party would not have any obligation to dispose of its controlling interest in us, which may have an adverse affect on the market price of our stock. The significant increase in the volume of our freely-tradeable shares upon Sara Lee's distribution of its controlling interest in us could also have an adverse effect on the market price of our stock.

WE MAY BE PREVENTED FROM ISSUING STOCK INCENTIVES TO MEMBERS OF OUR MANAGEMENT AND BOARD OF DIRECTORS AND FROM RAISING CAPITAL UNTIL SARA LEE COMPLETES A DISTRIBUTION OF OUR STOCK.

Sara Lee must own 80% or more of our outstanding capital stock to continue to consolidate our business with its other businesses for tax purposes and to preserve the tax-free status of any distribution of its remaining shares of our stock. As a result, under the terms of our master separation agreement with Sara Lee, Sara Lee may prevent us from issuing additional equity securities for purposes such as providing management or director incentives or raising capital through equity issuances if the issuance would result in Sara Lee owning less than 80% of our outstanding capital stock.

OUR HISTORICAL FINANCIAL INFORMATION MAY NOT BE REPRESENTATIVE OF WHAT OUR ACTUAL RESULTS WOULD HAVE BEEN IF WE WERE AN INDEPENDENT COMPANY OR INDICATIVE OF WHAT OUR FUTURE RESULTS MAY BE.

Our financial statements have been created from the financial statements of Sara Lee using the historical results of operations and historical bases of the assets and liabilities of the Coach division that we comprised. Accordingly, the historical financial information we have included in this prospectus does not necessarily reflect what our financial position, results of operations and cash flows would have been had we been a separate, stand-alone entity during the periods presented. Sara Lee did not account for us, and we were not operated, as a separate, stand-alone entity for the periods presented. The historical financial information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future and does not reflect many significant changes that will occur in the capital structure, funding and operations of Coach as a result of our separation from Sara Lee. For example, we may face increased costs for store leases, insurance, employee benefits and financing as a stand-alone entity.

SARA LEE WILL NOT INDEMNIFY US FOR DEFECTS IN THE ASSETS OR TITLE TO THE ASSETS TRANSFERRED TO US IN CONNECTION WITH OUR SEPARATION FROM SARA LEE.

All of the assets related to our business will be transferred to us by Sara Lee when we separate our business from the business of Sara Lee, Sara Lee will not make any representations or warranties to us with respect to any of the assets to be transferred. If we subsequently discover defects in the title to or condition of the assets transferred to us by Sara Lee, we will not be able to obtain damages from Sara Lee, unless we can establish that the defects resulted from Sara Lee's fraudulent conduct.

WE WILL INDEMNIFY SARA LEE FOR ANY LIABILITIES RELATING TO THE MAJORITY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS.

Under the terms of our indemnification and insurance matters agreement with Sara Lee, we will agree to indemnify Sara Lee for any liabilities, other than those specifically allocated to Sara Lee, relating to, arising out of or resulting from any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated in this prospectus or necessary to make the statements in this prospectus not misleading. Sara Lee will agree to indemnify us only with respect to information in this prospectus to the extent such information relates exclusively to:

- Sara Lee or its affiliates or subsidiaries;

- Sara Lee's business;

- Sara Lee's intentions with respect to any distribution of our stock; and

- the terms of any distribution by Sara Lee of our stock, including the form, structure and terms of any transaction to effect any distribution and the timing of and conditions to the consummation of any distribution.

RISKS RELATED TO THE SECURITIES MARKETS AND OWNERSHIP OF OUR COMMON STOCK

OUR SECURITIES HAVE NO PRIOR MARKET, AND WE CANNOT ASSURE YOU THAT OUR STOCK PRICE WILL NOT DECLINE AFTER THE OFFERING.

Before this offering, there has not been a public market for our common stock, and an active public market for our common stock may not develop or be sustained after this offering. The market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;

- changes in our sales or earnings estimates or the publication of research reports by analysts;

- speculation about our business in the press or the investment community;

- strategic actions by us or our competitors, such as acquisitions or restructurings;

- actions by institutional stockholders or by Sara Lee prior to its distribution of our stock;

- general market conditions; and

- domestic and international economic factors unrelated to our business actions.

In particular, we cannot assure you that you will be able to resell our shares at or above the initial public offering price. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us.

PROVISIONS IN OUR CHARTER AND BYLAWS AND MARYLAND LAW MAY DELAY OR PREVENT AN ACQUISITION OF US BY A THIRD PARTY.

Our charter and bylaws and Maryland law contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions have little significance while we are controlled by Sara Lee, but could have considerable significance in the future. Our charter permits our board of directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our board of directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Although our board of directors has no intention to do so at the present time, it could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our bylaws can only be amended by our board of directors. Our bylaws also provide that nominations of persons for election to our board of directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by our board of directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. So long as Sara Lee or its affiliates own a majority of our outstanding common stock, Sara Lee is not required to comply with these advance notice requirements. Also, under Maryland law, business combinations, including issuances of equity securities, between us and any person who beneficially owns 10% or more of our common stock or an affiliate of such person are prohibited for a five-year period unless exempted by the statute. After this period, a combination of this type must be approved by two super-majority stockholder votes, unless some conditions are met or the business combination is exempted by our board of directors. Our board has exempted any business combination with Sara Lee or any of its affiliates from the five-year prohibition and the super-majority vote requirements.

These and other provisions of Maryland law or our charter and bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions to identify these forward-looking statements. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections in this prospectus entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this prospectus.

This prospectus also contains forward-looking statements attributed to third-parties relating to their estimates regarding the growth of our market. These market data projections are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, our market may not grow at the rate projected by these data projections, or at all. The failure of our market to grow at the projected rate may have a material adverse effect on our business, results of operations and financial condition and the market price of our common stock.

OUR SEPARATION FROM SARA LEE

OVERVIEW

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 includes the initial public offering of up to 19.5% of our common stock, to be followed by a distribution of our common stock by Sara Lee. We will complete the separation of our business from Sara Lee, including the transfer of related assets and liabilities, before the completion of this offering. Until the completion of this offering, we will be a wholly-owned subsidiary of Sara Lee.

BENEFITS OF THE SEPARATION

We believe that we will realize benefits from our separation from Sara Lee, including the following:

GREATER STRATEGIC FOCUS. We expect to have a sharper focus on our business and strategic opportunities for growth as a result of having our own board of directors which will concentrate on our business.

INCREASED SPEED AND RESPONSIVENESS. As a company smaller in size than Sara Lee, we expect to be able to make decisions more quickly, deploy resources more rapidly and efficiently and operate with more agility than we could as a part of a larger organization. In addition, we expect to increase our responsiveness to customers and others.

BETTER INCENTIVES FOR EXECUTIVES AND EMPLOYEES. We expect that the motivation of our executives and employees and the focus of our management will be strengthened by the addition of incentive compensation programs tied to the market performance of our common stock. The separation will enable us to offer our employees compensation directly linked to our performance, which we expect will enhance our ability to attract and retain qualified personnel.

SEPARATION AND TRANSITIONAL ARRANGEMENTS

We have entered into agreements with Sara Lee providing for the separation of our business from Sara Lee, which will occur before the completion of this offering. These agreements provide for, among other things, the transfer from Sara Lee to us of assets and the assumption by us of liabilities relating to our business and various interim and ongoing relationships between us and Sara Lee.

DISTRIBUTION BY SARA LEE OF OUR COMMON STOCK

After completion of this offering, Sara Lee will own approximately 82.6% of the outstanding shares of our common stock, or approximately 80.5% if the underwriters fully exercise their option to purchase additional shares from us. Sara Lee plans to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock, in a tax-free split-off within 12 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other method. Sara Lee is not obligated to complete any distribution, and we cannot assure you as to whether, when or how it will occur. Sara Lee, in its sole and absolute discretion, will determine the date of any distribution and its timing, terms and conditions. Sara Lee's decision whether to proceed with any distribution is subject to various considerations, including the taxable or tax-free nature of the distribution, future market conditions and other circumstances that may cause Sara Lee's board of directors to conclude that a distribution would not be in the interests of Sara Lee's stockholders. We have agreed to take all actions reasonably requested by Sara Lee to facilitate the distribution.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $99 million, based on an assumed initial public offering price of $15.00 per share and after deducting an assumed underwriting discount and the estimated offering expenses payable by us. We intend to use the proceeds of this offering to repay a portion of an intercompany note payable to a subsidiary of Sara Lee. We will assume the note in connection with our separation from Sara Lee. The note represents our allocable portion of indebtedness of Sara Lee. The note will have an initial aggregate principal amount of $190 million and will mature on September 30, 2002. The note will be subject to mandatory prepayment out of our excess cash flow after payment of all amounts outstanding under our revolving credit facility with Sara Lee. The note will bear interest at a rate based on one month LIBOR plus 30 basis points, for as long as Sara Lee owns a majority of our outstanding stock, and one month LIBOR plus 250 basis points thereafter.

DIVIDEND POLICY

We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not anticipate paying any cash dividends in the foreseeable future.

Under Maryland law, our board of directors decides whether and when to declare dividends. The declaration of future dividends, if any, will depend upon our net income and current and anticipated cash needs. As long as Sara Lee owns a majority of our outstanding common stock, it will control the composition of our board of directors and thereby control decisions regarding our payment of dividends.

On July 2, 2000, we entered into a revolving credit facility with Sara Lee under which we may borrow up to $75 million. The terms of the credit facility prohibit us from paying any dividends on our capital stock while our revolving credit facility with Sara Lee is in place. Any subsequent revolving credit facility with another party may contain similar restrictions. Prior to this offering, we will assume a note in the principal amount of $190 million from Sara Lee payable to a subsidiary of Sara Lee. The terms of the note will also prohibit us from paying any dividends on our capital stock while the note remains outstanding.

CAPITALIZATION

The following table sets forth our capitalization as of July 1, 2000. Our capitalization is presented:

- on an actual basis;
- on a pro forma basis to reflect the transactions related to our separation from Sara Lee; and
- on a pro forma as adjusted basis to reflect our sale of 7,380,000 shares of common stock in this offering and the application of the estimated net proceeds to repay a portion of the indebtedness which will be assumed by us in connection with our separation from Sara Lee.

You should read the information set forth below together with "Selected Financial Data," "Unaudited Pro Forma Financial Information," our historical financial statements and the notes to those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	JULY 1, 2000		
	ACTUAL	PRO FORMA (UNAUDITED)	PRO FORMA AS ADJUSTED (UNAUDITED)
	(IN THOUSANDS)		
Receivable from Sara Lee(1)	$(63,783)	$ --	$ --
Note payable to a Sara Lee subsidiary(2)	--	$190,000	$ 91,000
Other debt	$ 4,286	4,286	4,286
Total debt	4,286	194,286	95,286
Preferred stock: (authorized 25,000,000 shares; $.01 par value) None issued	--	--	--
Common stock: (authorized 100,000,000 shares; $.01 par value) 1,000 shares issued and outstanding, on an actual basis; 35,026,333 shares issued and outstanding, on a pro forma basis; 42,406,333 shares issued and outstanding, on a pro forma as adjusted basis	--	350	424
Capital surplus	--	(41,009)	57,917
Sara Lee Corporation equity(1)	213,103	--	--
Accumulated other comprehensive loss	(295)	(295)	(295)
Total equity	212,808	(40,954)	58,046
Total capitalization	$217,094	$153,332	$153,332

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(1) The receivable from Sara Lee was capitalized on July 2, 2000 into Sara Lee Corporation equity.

(2) We intend to use all of the estimated net proceeds of this offering to repay a portion of the $190 million intercompany note payable to a subsidiary of Sara Lee. Approximately $91 million in principal amount will remain outstanding under the note after our payment, or approximately $76 million if the underwriters' option to purchase additional shares is exercised in full.

DILUTION

Our net tangible book value at July 1, 2000 was approximately $198 million. Pro forma net tangible book value per share is determined by dividing our pro forma tangible net worth, which is total tangible assets less total liabilities, by the number of shares of common stock outstanding immediately before this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at July 1, 2000 would have been approximately $42.8 million, or $1.01 per share. This represents an immediate increase in pro forma net tangible book value of $2.62 per share to our existing stockholder and an immediate dilution in pro forma net tangible book value of $13.99 per share to new investors purchasing shares of common stock in this offering.

The following table illustrates the per share dilution:

Assumed initial public offering price per share		$ 15.00
Pro forma net tangible book value per share as of July 1, 2000	$ (1.61)	
Increase in pro forma book value per share attributable to new investors	2.62	
Pro forma, as adjusted, net tangible book value per share after this offering		1.01
Dilution in pro forma net tangible book value per share to new investors		$ 13.99

The discussion and table above assume no exercise of options outstanding under our stock plans and no issuance of shares reserved for future issuance under our stock plans. Approximately 5.4 million shares of our common stock are reserved for issuance under our stock plans. At the time of this offering, we intend to grant options to purchase up to approximately 3,643,092 shares of our common stock at the offering price to some of our directors, officers and employees. In addition to the common stock reserved for issuance under our stock plans, we intend to offer (1) up to an aggregate of 1,589,441 shares of our common stock to 59 employees, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock and (2) up to an aggregate of 29,500 service-based restricted stock units to seven employees, subject to the surrender and cancellation of previously granted Sara Lee service-based restricted stock units. There will be further dilution to new investors to the extent that any options to purchase our common stock are granted and exercised or any restricted stock units are granted and vested.

The following table sets forth, as of July 1, 2000 on the pro forma as adjusted basis described above, the differences between the number of shares of common stock purchased from us, the total price paid and average price per share paid by our existing stockholder and by the new investors in this offering at an assumed initial public offering price of $15.00 per share, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	SHARES PURCHASED		TOTAL CONSIDERATION	
	NUMBER	PERCENTAGE	AMOUNT	PERCENTAGE
Existing stockholder	35,026,333	82.6%	$ 31,591,000	22.2%
New investors	7,380,000	17.4	110,700,000	77.8
Total	42,406,333	100.0%	$142,291,000	100.0%

If the underwriters' option to purchase additional shares is exercised in full, the following will occur:

- the number of shares of common stock held by our existing stockholder will decrease to approximately 80.5% of the total number of shares of common stock outstanding; and
- the number of shares held by new investors will be increased to 8,487,000 shares or approximately 19.5% of the total number of shares of our common stock outstanding after this offering.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated and combined financial information reflects the following adjustments relating to the creation of a new legal entity, Coach, Inc. and Sara Lee's contribution of the assets and liabilities of our business:

- our assumption of $190 million of indebtedness to a subsidiary of Sara Lee prior to this offering;

- our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share;

- our use of the total offering proceeds to repay a portion of the assumed indebtedness; and

- operating adjustments, including interest expense and other costs from the assumed indebtedness, increased fees and expenses related to our separation from Sara Lee and tax benefits related to these items.

The unaudited pro forma consolidated and combined statement of income for the year ended July 1, 2000, set forth below, illustrate capital structure adjustments relating to our separation from Sara Lee, including increased interest amounts, and operating structure adjustments reflecting increased costs resulting from the separation.

The unaudited pro forma consolidated and combined balance sheet as of July 1, 2000, set forth below, illustrates capital structure adjustments relating to our separation from Sara Lee, including the capitalization of the receivable by Sara Lee, the assumption of $190 million of indebtedness to a subsidiary of Sara Lee, and the use of the net offering proceeds of approximately $99 million to repay a portion of that indebtedness.

This pro forma financial information is based upon available information and assumptions we believe are reasonable. The pro forma consolidated and combined statements of operations do not purport to represent what our results of operations would actually have been or to project our results of operations for any future period.

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME

	FISCAL YEAR ENDED JULY 1, 2000			
	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	OPERATING STRUCTURE ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Net sales	$ 548,918	$ --	$ --	$ 548,918
Cost of sales	220,085			220,085
Gross profit	328,833	--	--	328,833
Selling, general and administrative expenses	272,816		165 (4)	272,981
Operating income	56,017	--	(165)	55,852
Interest income	33	1,806 (1)		1,839
Interest expense	(420)	(6,671)(2)		(7,091)
Income before income taxes	55,630	(4,865)	(165)	50,600
Income taxes	17,027	(1,489)(3)	(50)(3)	15,488
Net income	$ 38,603	$(3,376)	$ (115)	$ 35,112
Unaudited pro forma as adjusted basic net income per share (5)				$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share				42,406,333
Unaudited pro forma as adjusted diluted net income per share (5)				$ 0.82
Shares used in computing unaudited pro forma as adjusted diluted net income per share				42,583,004

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME FOOTNOTES

(1) Interest income was calculated in accordance with the separation agreements between us and Sara Lee. Under these agreements all excess cash from operations is required to be deposited with Sara Lee earning interest at a rate equal to LIBOR minus 20 basis points. Using the cash deposits that we would have had with Sara Lee during fiscal 2000 based upon actual operating and investing cash flows, interest income was calculated using an annual interest rate of 6.42%, resulting in interest income of $1.8 million. The interest rate was calculated based on the LIBOR rate at September 13, 2000, minus 20 basis points.

(2) Prior to the offering and in accordance with the separation agreements, we will assume $190 million of indebtedness to a subsidiary of Sara Lee, resulting in a corresponding reduction in equity. Our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share, after deducting an assumed underwriting discount and estimated offering expenses payable by us, will result in net offering proceeds of approximately $99 million. These proceeds will be used to repay a portion of the assumed indebtedness, resulting in a net $91 million of indebtedness. In accordance with the separation agreements, the net resulting indebtedness will accrue interest at the rate of LIBOR plus 30 basis points. Interest expense is calculated using the LIBOR rate at September 13,

2000 resulting in an assumed annual rate of 6.92% and interest expense of $6.3 million in fiscal 2000.

Also in accordance with the separation agreements, we will accrue interest expense for borrowings under the revolving credit facility at a rate of LIBOR plus 30 basis points. Using the cash borrowings that we would have had under this credit facility with Sara Lee during fiscal 2000 based upon actual operating and investing cash flows, interest income was calculated based on the LIBOR rate at September 13, 2000 plus 30 basis points, resulting in an annual interest rate of 6.92% and interest expense of $0.3 million.

Under the revolving credit facility, we will pay a commitment fee of 0.1% on any unborrowed amounts. Using the actual cash borrowings that we would have had under this credit facility in fiscal 2000 based upon actual operating and investing cash flows, $0.07 million of expense was calculated.

(3) The effect of taxes from the pro forma adjustments has been recorded using the fiscal 2000 effective tax rate of 30.6%.

(4) Under the Master Transitional Services Agreement, we will pay Sara Lee $1.0 million per year for the various services provided by Sara Lee under the agreement. Included in the historical financial results are $0.835 million of costs related to these services. A pro forma adjustment for an additional $0.165 million has been made to reflect the $1.0 million.

(5) During fiscal 2000, we operated as a division of Sara Lee and did not have shares outstanding. Unaudited pro forma as adjusted basic net income per share is computed using unaudited pro forma as adjusted net income divided by the assumed number of shares outstanding of 42.406 million. This share amount is calculated assuming that prior to the offering, a 35,025.333 to 1.0 common stock dividend occurs, resulting in 35,026,333 shares outstanding and the offering results in the sale of 7,380,000 shares.

Unaudited pro forma as adjusted diluted net income per share is computed using unaudited pro forma as adjusted net income divided by the assumed number of shares outstanding of 42,583,333. This share amount is calculated assuming that prior to the offering 35,026,333 shares are outstanding, the offering results in the sale of 7,380,000 shares, and the dilutive effect of employee stock option and stock award plans is 177,000 shares upon completion of the offering.

Under the Real Estate Matters Agreement, Sara Lee will assign to us all of the leases relating to the retail stores and other properties used by us in our business; however, Sara Lee may remain liable under certain leases after they are transferred to us. Upon Sara Lee's distribution of our stock, the Lease Indemnification and Reimbursement Agreement requires us to obtain a letter of credit for the benefit of Sara Lee, until Sara Lee's liability under the transferred leases decreases to $2.0 million. A more detailed description of the terms and conditions of this agreement are described in the section entitled "Certain Relationships and Related Transactions" contained elswhere in this prospectus. At this time, we cannot estimate the amount or timing of the costs of this letter of credit.

Upon Sara Lee's planned distribution of our stock, we will no longer be permitted to participate in Sara Lee's benefit plans, insurance plans and working capital funding arrangements. Following this offering and Sara Lee's distribution of our stock, we may incur transition costs and increased costs for these and other items. At this time, we cannot estimate the amount or timing of these costs and, accordingly, we have not included this amount in the pro forma as adjusted amounts.

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET

	AS OF JULY 1, 2000				
	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	PUBLIC OFFERING ADJUSTMENTS	POST OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS)				
ASSETS					
Total current assets	$133,688	--	$ 99,000(4)	$(99,000)(6)	$133,688
Receivable from Sara Lee	63,783	$ (63,783)(1)			--
Trademark and other assets	10,590				10,590
Property, net	65,184	--	--	--	65,184
Deferred income taxes	18,189	--	--	--	18,189
Goodwill, net	5,219				5,219
Total assets	$296,653	$ (63,783)	$ 99,000	$(99,000)	$232,870
LIABILITIES AND STOCKHOLDERS' EQUITY					
Total current liabilities	$ 79,599	--	--	(21)(5)	$ 79,578
Long-term debt	3,735	$ 190,000(2)	--	(99,000)(6)	94,735
Other Liabilities	511				511
Preferred stock (authorized 25,000,000 shares; $.01 par value) None issued	--				--
Common stock (authorized 100,000,000 shares; $.01 par value) issued--1,000 shares on an actual basis, 42,406,333 on a pro forma as adjusted basis	--	350(3)	$ 74(4)	--	424
Capital surplus	--	(41,030)(2)(3)	98,926(4)	21(5)	57,917
Sara Lee Corporation equity	213,103	(213,103)(1)(2)(3)			--
Accumulated other comprehensive loss	(295)				(295)
Total equity	212,808	(253,783)	99,000	21	58,046
Total liabilities and common stockholders' equity	$296,653	$ (63,783)	$ 99,000	$(99,000)	$232,870

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET FOOTNOTES

(1) In accordance with the Master Separation Agreement between us and Sara Lee, the receivable from Sara Lee in the amount of $63.8 million was capitalized into Sara Lee Corporation equity.

(2) We will assume, prior to the offering, $190 million of indebtedness to a subsidiary of Sara Lee resulting in a reduction in equity.

(3) Prior to the offering, we will declare a 35,025.333 to 1.0 common stock dividend that will result in 35,026,333 shares of common stock outstanding after the dividend.

(4) Our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share after deducting an assumed underwriting discount and estimated offering expenses payable by us will result in net offering proceeds of $99 million.

(5) Coach employees with the title of "Director" or above will be given the opportunity to convert any Sara Lee option into an equivalent Coach option upon the completion of the offering using a conversion ratio of Coach's stock price to Sara Lee's stock price with a conversion ratio floor of 1.0. It is assumed that employees will convert approximately 1.6 million Sara Lee options, all options eligible for conversion, into 1.6 million Coach options. Sara Lee options which are converted into Coach options will result in an expense equal to the amount, if any, by which the Coach stock price exceeds the exercise price of the options on the date of conversion. The assumed initial public offering price of $15.00 and the Sara Lee stock price on September 13,

2000 of $20.375 are the assumed prices on the conversion date. Using these assumptions, an expense of $0.067 million will result, creating a tax benefit of $0.021 million using the fiscal 2000 effective tax rate of 30.6%.

(6) The offering proceeds will be used to repay a portion of the indebtedness to a subsidiary of Sara Lee resulting in a net liability of $91 million.

Under the Real Estate Matters Agreement, Sara Lee will also assign to us all of the leases relating to the retail stores and other properties used by us in our business; however, Sara Lee may remain liable under certain leases after they are transferred to us. Upon Sara Lee's distribution of our stock, the Lease Indemnification and Reimbursement Agreement requires us to obtain a letter of credit for the benefit of Sara Lee, until Sara Lee's liability under the transferred leases decreases to $2.0 million. The terms and conditions of this agreement are described in the section entitled "Certain Relationships and Related Transactions" contained elsewhere in this prospectus. At this time, we cannot estimate the amount or timing of the costs of this letter of credit.

Upon Sara Lee's planned distribution of our stock, we will no longer be permitted to participate in Sara Lee's benefit plans, insurance plans and working capital funding arrangements. Following this offering and Sara Lee's distribution of our stock, we may incur transition costs and increased costs for these and other items. At this time, we cannot estimate the amount or timing of these costs and, accordingly, we have not included this amount in the pro forma as adjusted amounts.

SELECTED FINANCIAL DATA

The following tables present our selected financial data. The information set forth below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes to those statements. Our statements of operations set forth below for the years ended June 28, 1997, June 27, 1998, July 3, 1999 and July 1, 2000 and balance sheet data at June 27, 1998, July 3, 1999 and July 1, 2000 are derived from our historical financial statements which have been audited by Arthur Andersen LLP, independent auditors, whose report is included in this prospectus. The statements of operations data for the year ended June 29, 1996 are derived from our unaudited financial data that is not included in this prospectus.

The historical financial information may not be indicative of our future performance and may not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

	FISCAL YEAR ENDED				
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				
STATEMENT OF OPERATIONS DATA: (1)					
Net sales	$512,645	$540,366	$522,220	$507,781	$548,918
Cost of sales	211,977	227,086	235,512	226,190	220,085
Gross profit	300,668	313,280	286,708	281,591	328,833
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816
Unusual items (2)	--	--	--	7,108	--
Operating income	62,047	44,269	25,013	19,475	56,017
Net interest expense	247	492	236	414	387
Minority interest	--	95	(66)	--	--
Income before income taxes	61,800	43,682	24,843	19,061	55,630
Income taxes	18,940	11,645	4,180	2,346	17,027
Net income	$ 42,860	$ 32,037	$ 20,663	$ 16,715	$ 38,603
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA: (3)					
Unaudited pro forma as adjusted net income					$ 35,112
Unaudited pro forma as adjusted basic net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share					42,406
Unaudited pro forma as adjusted diluted net income per share					$ 0.82
Shares used in computing unaudited pro forma as adjusted diluted net income per share					42,583

	FISCAL YEAR ENDED					PRO FORMA
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JULY 1, 2000 (3)
	(UNAUDITED)	(UNAUDITED)	(DOLLARS IN THOUSANDS)			(UNAUDITED)
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:						
Working capital.....	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 54,110
Total assets.....	237,234	252,929	257,710	282,088	296,653	232,870
Inventory.....	92,814	102,209	132,400	101,395	102,097	102,097
Receivable from Sara Lee (4).....	--	--	--	54,150	63,783	--
Payable to Sara Lee..	6,541	8,300	11,088	--	--	--
Long term debt.....	3,845	3,845	3,845	3,810	3,775	94,775
Stockholders' net investment (4).....	131,961	165,361	186,859	203,162	212,808	58,046

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(1) Our fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 1996, 1997, 1998, and 2000 were 52-week years.

(2) During 1999, we committed to and completed a reorganization plan involving the closure of our Carlstadt, New Jersey warehouse and distribution center, the closure of our Italian manufacturing operation, and the reorganization of our Jacksonville, Florida manufacturing facility. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all of our distribution functions at the Jacksonville, Florida distribution center.

(3) The unaudited pro forma consolidated and combined financial information reflects the following adjustments relating to the creation of a new legal entity, Coach, Inc., and Sara Lee's contribution of the assets and liabilities of our business:

- our assumption of $190 million of indebtedness to a subsidiary of Sara Lee prior to this offering;

- our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share;

- our use of the net offering proceeds to repay a portion of the assumed indebtedness; and

- operating adjustments, including interest expense and other costs from the assumed indebtedness, increased fees and expenses related to our separation from Sara Lee and tax benefits related to these items.

For a detailed description of the pro forma adjustments, see "Unaudited Pro Forma Financial Information."

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ TOGETHER WITH OUR FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

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

Coach generates sales by selling its products directly to consumers and to wholesale customers and by licensing its brand name to select manufacturers. Direct to consumer sales consist of sales of Coach products through our 106 company-operated U.S. retail stores, our direct mail catalogs, our e-commerce website, COACH.COM, and our 63 company-operated U.S. factory stores. Wholesale sales consist of sales of Coach products to approximately 1,400 department store and specialty retailer locations in the U.S., and approximately 175 international department store, retail store and duty free shop locations in 18 countries. In the U.S., Coach generates additional wholesale sales through business-to-business programs, in which companies purchase Coach products to use as gifts or incentive rewards. Licensing revenues consist of royalties paid to Coach under licensing arrangements with select manufacturers for the sale of Coach branded watches, footwear, furniture and eyewear.

Our net sales grew at a compound annual growth rate of approximately 32% from $19.0 million in 1985, when we were acquired by Sara Lee, to $540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming part of Sara Lee. While Coach remained a leader in classically styled leather goods, handbags and accessories, consumers began to demand more fashion-oriented products using lighter-weight materials, which some of our competitors offered. At the same time, the economic downturn in Asia significantly curtailed tourism and consumer spending, and thus adversely affected our sales to Japanese consumers, our most important international consumer group. During fiscal years 1997 through 1999, we also experienced reduced profitability due to lower gross profits associated with slowing and declining sales coupled with additional costs related to investments in new stores, design talent, advertising and company-wide systems.

During this period, we implemented these and other initiatives to reorganize our business and to enable us to deliver new products in a broader array of materials and styles. Both domestic and international sales increased substantially during fiscal 2000, primarily as a result of demand for our new product assortments and new store openings, as well as the economic recovery in Asia. The increase in sales, combined with a lower manufacturing cost structure, improved our profitability during this period.

Our cost of sales consists of the costs associated with manufacturing our products. Our gross profit is dependent upon a variety of factors and may fluctuate from quarter to quarter. These factors include changes in the mix of products we sell, fluctuations in cost of materials and changes in the relative sales mix among our distribution channels. Direct to consumer sales generate higher gross margins than wholesale sales, because we earn both the wholesale margin and the retail margin on these sales. International sales generate higher gross margins than U.S. wholesale sales because international retail prices are higher.

Selling, general and administrative, or SG&A, expenses are comprised of four categories of expenses: (1) selling; (2) advertising, marketing and design; (3) distribution and customer service and (4) administration and information services. Selling expenses are comprised of store employee

compensation, store occupancy costs, store supply costs, wholesale account administration compensation, international wholesale account rebates and mail order costs. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design sample costs as well as public relations and market research expenses. Distribution and customer services expenses are comprised of warehousing, order fulfillment, customer service and bag repair costs. Administration and information services expenses are comprised of compensation costs for the information systems, executive, finance, human resources and legal departments as well as consulting and software expenses. SG&A expenses are affected by the number of stores we operate in any fiscal period and the relative proportions of retail and wholesale sales. SG&A expenses increase as we operate more stores, although an increase in the number of stores generally enables us to spread the fixed portion of our SG&A expenses over a larger sales base.

In fiscal year 1998, we discontinued our Mark Cross product line, which consisted of women's and men's leather accessories and gifts, due to poor performance and to allow us to focus our attention and resources on the Coach brand. In that year we also discontinued our Coach men's apparel line and converted our footwear business model. Previously, we purchased footwear from an independent manufacturer and sold the products to wholesale accounts and retail consumers. Our new model is a licensing relationship, where a third party manufactures the product and sells it under the Coach brand name to wholesale accounts, as well as to select Coach direct to consumer venues. The cost incurred in fiscal year 1998 to discontinue the Mark Cross product line was $5.7 million, including the cost of closing its seven retail stores. We also incurred approximately $1.3 million in severance expense in connection with the discontinuation of our men's apparel line and the conversion of our footwear relationship.

As part of the transformation of our business, we consolidated our distribution operations into our Jacksonville, Florida distribution facility in fiscal year 1999 to reduce costs and provide capacity for future unit growth. In addition, we significantly reduced manufacturing operations in our Carlstadt, New Jersey facility and transferred production to lower cost independent manufacturers, primarily outside the U.S. We continue to manufacture prototypes at the Carlstadt facility. The total cost of the reorganization of our distribution and manufacturing operations in fiscal year 1999 was $7.1 million, comprised of $5.7 million associated with the Carlstadt shutdown, $1.1 million associated with manufacturing reductions in Medley, Florida and $0.3 million associated with manufacturing reductions in Florence, Italy.

Our fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 consisted of 53 weeks and fiscal years 1997, 1998 and 2000 each consisted of 52 weeks.

SALES

The following discussion and table provides further information regarding our two distribution channels and our net sales by region.

	FISCAL YEAR ENDED			
	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000
	(DOLLARS IN MILLIONS)			
NET SALES				
By Channel:				
Direct to Consumer	$331.0	$333.5	$336.5	$352.0
Wholesale	209.4	188.7	171.3	196.9
	$540.4	$522.2	$507.8	$548.9
By Region:				
United States	$485.4	$478.6	$463.0	$488.8
International	55.0	43.6	44.8	60.1
	$540.4	$522.2	$507.8	$548.9

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(1) Includes net sales of our discontinued Mark Cross product line of $16.4 million and $6.5 million for fiscal years 1997 and 1998, respectively.

(2) 53 week fiscal year.

	FISCAL YEAR ENDED			
	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(PERCENTAGE OF TOTAL)			
NET SALES				
By Channel:				
Direct to Consumer	61.3%	63.9%	66.3%	64.1%
Wholesale	38.7%	36.1%	33.7%	35.9%
	100.0%	100.0%	100.0%	100.0%
By Region:				
United States	89.8%	91.7%	91.2%	89.1%
International	10.2%	8.3%	8.8%	10.9%
	100.0%	100.0%	100.0%	100.0%

Direct to consumer net sales increased from $331.0 million, or 61.3% of total net sales, in fiscal year 1997 to $352.0 million, or 64.1% of total net sales, in fiscal year 2000. The growth in direct to consumer net sales was primarily attributable to an increase in the number of our stores throughout the U.S. Since the beginning of 1997, we have opened 25 retail stores and 21 factory stores, while closing 11 retail stores and four factory stores.

Wholesale net sales decreased from $209.4 million in fiscal year 1997 to $196.9 million in fiscal year 2000. This decrease was primarily the result of a decline in shipments to U.S. department stores and third-party international distributors, partially offset by growth in sales in our business to business programs.

RESULTS OF OPERATIONS

The following tables set forth, for the periods indicated, actual results and the percentage relationship to total net sales of selected items in our combined statements of income:

	FISCAL YEAR ENDED			
	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000
	(DOLLARS IN MILLIONS)			
Net sales	$540.4	$521.9	$507.0	$547.1
Licensing revenue	--	0.3	0.8	1.8
Total net sales	540.4	522.2	507.8	548.9
Gross profit	313.3	286.7	281.6	328.8
Selling, general and administrative expenses	269.0	261.7	255.0	272.8
Operating income before reorganization costs	44.3	25.0	26.6	56.0
Reorganization costs	--	--	7.1	--
Operating income	44.3	25.0	19.5	56.0
Net interest expense	(0.5)	(0.2)	(0.4)	(0.4)
Minority interest	(0.1)	0.1	--	--
Income before income taxes	43.7	24.9	19.1	55.6
Income taxes	11.7	4.2	2.4	17.0
Net income	$ 32.0	$ 20.7	$ 16.7	$ 38.6

	FISCAL YEAR ENDED			
	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000
	(PERCENTAGE OF NET SALES)			
Total net sales	100.0%	100.0%	100.0%	100.0%
Gross margin	58.0	54.9	55.4	59.9
Selling, general and administrative expenses	49.8	50.1	50.2	49.7
Operating income before reorganization costs	8.2	4.8	5.2	10.2
Reorganization costs	0.0	0.0	1.4	0.0
Operating income	8.2	4.8	3.8	10.2
Net interest expense	(0.1)	--	--	(0.1)
Minority interest	--	--	--	--
Income before income taxes	8.1	4.8	3.8	10.1
Income taxes	2.2	0.8	0.5	3.1
Net income	5.9%	4.0%	3.3%	7.0%

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(1) Includes net sales of our discontinued Mark Cross product line of $16.4 million and $6.5 million for fiscal years 1997 and 1998, respectively.

(2) 53 week fiscal year.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

We have experienced, and expect to continue to experience, fluctuations in our quarterly operating results. Although there are numerous factors that can contribute to these fluctuations, the principal factor is seasonality.

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, net losses in any or all of our first, third or fourth fiscal 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 more sales, resulting in greater operating profits 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.

OTHER FACTORS. Our quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including:

- the timing of new store openings;

- net sales and profits contributed by new stores;

- shifts in the timing of holidays;

- changes in our merchandise mix; and

- the timing of new catalog releases and new product introductions.

QUARTERLY OPERATING RESULTS

The following tables set forth for the periods indicated, actual results and the proportion of total year results, for selected items in our combined statements of income. The financial information for these quarterly periods is unaudited and includes adjustments consisting only of normal and recurring accruals that management considered necessary for a fair presentation of our operating results.

	FISCAL YEAR ENDED JULY 3, 1999				
	Q1	Q2	Q3	Q4(1)	TOTAL(1)
	(UNAUDITED)				
	(DOLLARS IN MILLIONS)				
Total net sales.....	$109.6	$177.9	$102.0	$118.3	$507.8
Gross profit.....	59.1	101.1	55.5	65.9	281.6
Selling, general and administrative expenses.....	55.2	72.6	58.3	68.9	255.0
Reorganization costs.....	7.1	--	--	--	7.1
Operating income.....	(3.2)	28.5	(2.8)	(3.0)	19.5
Net income.....	$ (2.9)	$ 24.9	$ (2.5)	$ (2.8)	$ 16.7

	FISCAL YEAR ENDED JULY 1, 2000				
	Q1	Q2	Q3	Q4	TOTAL
	(UNAUDITED)				
	(DOLLARS IN MILLIONS)				
Total net sales.....	$118.0	$194.1	$115.1	$121.7	$548.9
Gross profit.....	63.3	120.5	70.2	74.8	328.8
Selling, general and administrative expenses.....	60.3	79.7	65.7	67.1	272.8
Reorganization costs.....	--	--	--	--	--
Operating income.....	3.0	40.8	4.5	7.7	56.0
Net income.....	$ 2.0	$ 28.3	$ 3.0	$ 5.3	$ 38.6

	FISCAL YEAR ENDED JULY 3, 1999				
	Q1	Q2	Q3	Q4(1)	TOTAL(1)
	(PERCENTAGE OF TOTAL YEAR)				
Total net sales.....	21.6 %	35.0%	20.1 %	23.3 %	100.0%
Gross profit.....	21.0	35.9	19.7	23.4	100.0
Selling, general and administrative expenses.....	21.7	28.4	22.9	27.0	100.0
Reorganization costs.....	100.0	0.0	0.0	0.0	100.0
Operating income.....	(16.5)	146.3	(14.2)	(15.6)	100.0
Net income.....	(17.5)%	149.0%	(15.1)%	(16.4)%	100.0%

	FISCAL YEAR ENDED JULY 1, 2000				
	Q1	Q2	Q3	Q4	TOTAL
	(PERCENTAGE OF TOTAL YEAR)				
Total net sales.....	21.5%	35.3%	21.0%	22.2%	100.0%
Gross profit.....	19.3	36.6	21.4	22.7	100.0
Selling, general and administrative expenses.....	22.1	29.2	24.1	24.6	100.0
Reorganization costs.....	--	--	--	--	--
Operating income.....	5.4	72.9	8.0	13.7	100.0
Net income.....	5.3%	73.2%	7.9%	13.6%	100.0%

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(1) Includes 53rd week in fiscal year 1999.

FISCAL YEAR 2000 COMPARED TO FISCAL YEAR 1999

NET SALES

Net sales increased by 8.1% to $548.9 million in fiscal 2000 from $507.8 million during fiscal 1999. These results reflect increased volume in the wholesale channels and, to a lesser extent, in the direct to consumer channel.

DIRECT TO CONSUMER. Net sales increased 4.6% to $352.0 million in fiscal 2000 from $336.5 million during fiscal 1999. This sales growth was primarily attributable to comparable store sales growth of 7.5% and the opening of eight new retail stores and two new factory stores. Comparable store sales growth for retail stores and factory stores open for one full year was 11.7% and 3.4%, respectively. We renovated 23 retail stores during fiscal 2000, which generated incremental sales growth after their renovation. This growth was partially offset by a $7.3 million reduction of warehouse sales events and employee sales, the closing of three retail stores and one factory store and the temporary closure of some stores for renovations.

WHOLESALE. Net sales increased 14.9% to $196.9 million in fiscal 2000 from $171.3 million during fiscal 1999. This increase resulted from increased demand for our new product assortments and the economic recovery in Asia. Licensing revenue increased 138% to $1.8 million in fiscal 2000. This increase reflects the full year impact of the Coach footwear licensing arrangement and the introduction of the furniture licensing arrangement in July 1999.

GROSS PROFIT

Gross profit increased 16.8% to $328.8 million in fiscal 2000 from $281.6 million in fiscal 1999. Gross margin increased to 59.9% in fiscal 2000 from 55.4% in fiscal 1999. This increase in gross margin was primarily due to manufacturing and sourcing cost reductions realized during fiscal 2000 from our reorganization that commenced in 1999, as well as increased sales at our retail stores and increased shipments to international distributors. In fiscal 2000, approximately 65% of our total units produced were manufactured by independent manufacturers, compared to approximately 48% in fiscal 1999. Gross profit also increased as a result of the reduction of warehouse sales events and the reduction in employee sales, which have lower gross margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased 7.0% to $272.8 million in fiscal 2000 from $255.0 million in fiscal 1999. As a percentage of net sales, SG&A expenses were 49.7%, compared to 50.2% in fiscal 1999. SG&A expenses in fiscal 2000 increased in dollars but decreased as a percentage of net sales.

Selling expenses increased by $3.4 million in fiscal 2000 primarily because of $2.5 million in operating costs associated with eight new retail store and two new factory store openings and six store expansions.

Advertising, marketing and design costs increased by $6.5 million in fiscal 2000 primarily as a result of increased staffing expenses of $2.9 million and advertising expenses of $3.2 million.

Distribution and customer service costs declined by $1.4 million, reflecting the first full year impact of the consolidation of all of our distribution operations into the Jacksonville, Florida facility.

Administrative expenses increased by $9.3 million in fiscal 2000. The increase in administrative expenses was the result of $11.3 million of incremental performance-based compensation versus fiscal 1999 due to improvements in operating income. Performance-based compensation is calculated against preset financial targets. The compensation increase was partially offset by a $2.3 million reduction in salaries and consulting fees.

OPERATING INCOME

Operating income increased 187.2% to $56.0 million in fiscal 2000 from $19.5 million in fiscal 1999. Before the impact of reorganization costs in fiscal 1999, operating income increased 110.5% to $56.0 million in fiscal 2000 from $26.6 million in fiscal 1999. This increase resulted from the overall increase in sales and improved gross margin in fiscal 2000, which was partially offset by an increase in SG&A expenses.

INCOME TAXES

Our effective tax rate increased to 30.6% in fiscal 2000 from 12.3% during fiscal 1999, due to a lower percentage of income attributable to off-shore manufacturing that is taxed at lower rates.

NET INCOME

Net income increased 131.1% to $38.6 million in fiscal 2000 from $16.7 million during fiscal 1999. This increase was the result of increased operating income partially offset by a higher provision for taxes.

FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 1998

NET SALES

Net sales decreased 2.8% to $507.8 million in fiscal 1999 from $522.2 million in fiscal 1998. These results reflect lower volume within the wholesale business being partially offset by increased direct to consumer sales and the fact that 1999 was a 53-week year.

DIRECT TO CONSUMER. Net sales increased 0.9% to $336.5 million in 1999 from $333.5 million in fiscal 1998. This increase was due to the inclusion of $5.3 million of sales in week 53 of fiscal 1999 and sales generated by four new retail stores and two new factory stores. During this same period, we closed three retail stores and two factory stores. Overall, comparable store sales decreased 3.0%. Comparable store sales for the retail stores and factory stores open for one full year increased 1.8% and decreased 7.5%, respectively, in fiscal 1999. The increase in net sales was offset by a $4.7 million decrease in net sales attributable to the discontinuation of the Mark Cross product line and by lower catalog sales.

WHOLESALE. Sales decreased 9.2% to $171.3 million in fiscal 1999 from $188.7 million in fiscal 1998. These results were primarily due to increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products. These declines in shipments were partially offset by improvements in product returns. Coach improved its product assortment, production planning and mix of inventory at Coach's wholesale customers. As a result of these actions product returns were dramatically reduced in fiscal 1999 versus fiscal 1998. Discontinuation of the Mark Cross product line reduced wholesale shipments by $1.8 million. Fiscal 1999 wholesale results include $1.8 million of sales in week 53. Licensing revenue increased 167% to $0.8 million in fiscal 1999 from $0.3 million in fiscal 1998. This increase reflects the full year impact of the Coach watch licensing arrangement.

GROSS PROFIT

Gross profit decreased 1.8% to $281.6 million in fiscal 1999 from $286.7 million in fiscal 1998 primarily as a result of lower sales. Gross margin increased to 55.4% in fiscal 1999 from 54.9% in fiscal 1998. This increase in gross margin was primarily due to the increase in net sales of Coach's higher margin direct to consumer sales as a percentage of total net sales, as well as decreased manufacturing costs realized during fiscal 1999, resulting primarily from our manufacturing and sourcing reorganization that commenced in 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.6% to $255.0 million in fiscal 1999 from $261.7 million in fiscal 1998. As a percentage of net sales, SG&A expenses increased to 50.2% in fiscal 1999 as compared to 50.1% in fiscal 1998.

Selling expenses increased by $1.7 million in fiscal 1999. This increase was primarily due to new store operating costs for four new retail and two new factory stores of $2.7 million and store closure costs of $4.2 million. Fiscal 1999 benefited by the non-recurrence of the fiscal 1998 charge of $7.0 million for the shutdown of our Mark Cross stores and the discontinuation of the men's apparel line along with the conversion of our footwear business.

Administrative and information services costs decreased by $8.7 million in fiscal 1999, primarily as the result of lower development and training costs following the 1997 implementation of our enterprise resource planning software system.

REORGANIZATION COSTS

In fiscal 1999, we reorganized and consolidated our manufacturing and distribution operations, which resulted in reorganization costs of $7.1 million. This reorganization included the closure of

the Carlstadt, New Jersey warehouse and distribution center; the closure of the Italian manufacturing operation; and the reorganization of the Florida manufacturing facility. The reorganization plan included the elimination of 737 employee positions. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all distribution functions at the Jacksonville, Florida distribution center.

The restructuring charge consisted of $5.9 million of workers' separation costs and $1.2 million in lease termination fees.

These actions were undertaken to reduce product cost and distribution expense. Savings realized from all of these actions were approximately $4 million in fiscal 1999 and $10 million in fiscal 2000.

During 1999, we closed the Carlstadt, New Jersey warehouse and distribution center and the Italian manufacturing operation. As contemplated in the original plan, a portion of the Carlstadt facility remains in use for product development. At July 1, 2000, all these reorganization actions were complete. Remaining workers' separation costs relate to unpaid costs for terminated employees, which will be paid by December 2000.

OPERATING INCOME

Operating income decreased 22.1% to $19.5 million in fiscal 1999 from $25.0 million in fiscal 1998. Operating income before reorganization costs increased 6.3% to $26.6 million in fiscal 1999 from $25.0 million in fiscal 1998, as a result of improved gross margins and a reduction in SG&A expenses, partially offset by decreased sales.

INCOME TAXES

Our effective tax rate decreased to 12.3% in fiscal 1999 from 16.8% in fiscal 1998, primarily due to tax benefits associated with product donations to charitable organizations. The relatively low effective tax rate for both 1999 and 1998 was attributable to off-shore manufacturing income that is taxed at lower rates.

NET INCOME

Net income declined 19.1% to $16.7 million in fiscal 1999 from $20.7 million in fiscal 1998. This decrease was the result of decreased operating income partially offset by a lower provision for taxes.

FISCAL YEAR 1998 COMPARED TO FISCAL YEAR 1997

NET SALES

Net sales decreased 3.4% to $522.2 million in fiscal 1998 from $540.4 million in fiscal 1997. This decrease was the result of discontinuing the Mark Cross product line, increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products.

DIRECT TO CONSUMER. Net sales increased 0.8% to $333.5 million in fiscal 1998 from $331.0 million in fiscal 1997. Sales increased $9.1 million due to the opening of eight new retail stores and nine new factory stores in fiscal 1998, while closing five retail stores and one factory store. However, this increase was offset by a 5.0% decline in comparable store sales for retail stores open for one full year while comparable store sales for factory stores open for one full year were flat. Overall, comparable store sales decreased 2.5%. The sales increases were offset by a decrease of $9.0 million due to discontinuing the Mark Cross product line and a decrease of $3.9 million due to fewer employee sales.

WHOLESALE. Net sales decreased 9.9% to $188.7 million in fiscal 1998 from $209.4 million in fiscal 1997. This decrease was attributable to a decline in shipments to international distributors as a result of the economic downturn in Asia and declining U.S. wholesale shipments because of our product assortment. Royalties of $0.3 million were generated by the Coach watch licensing arrangement.

GROSS PROFIT

Gross profit decreased 8.5% to $286.7 million in fiscal 1998 from $313.3 million in fiscal 1997. Gross margin decreased to 54.9% in fiscal 1998 from 58.0% in fiscal 1997. This decrease in gross margin resulted from increased markdowns to move excess inventory, supply chain bottlenecks related to the introduction of new product categories and increased overhead costs in anticipation of increased production requirements that did not materialize.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.7% to $261.7 million in fiscal 1998 from $269.0 million in fiscal 1997. As a percentage of net sales, SG&A expenses increased to 50.1% in fiscal 1998 from 49.8% fiscal 1997.

Selling costs increased by $2.4 million in fiscal 1998 primarily due to increased operating costs of $2.3 million associated with eight new retail stores and nine new factory stores. Additionally, the shutdown of the Mark Cross stores and the men's apparel line along with the conversion of our footwear business to a licensing arrangement resulted in one-time costs of $7.0 million. These shutdown costs were offset by $7.8 million of associated annual cost savings. The one-time costs were comprised of the following:

	(DOLLARS IN MILLIONS)
Mark Cross shut down costs	
Store operating losses	$2.6
Asset write-off	2.2
Severance (66 employees)	0.9
	$5.7
Men's apparel staff severance (5 employees)	0.4
Footwear staff severance (7 employees)	0.5
Other staff severance (23 employees)	0.4
Total one-time costs	$7.0

During 1998, management committed to a plan to close these stores and businesses, announced the closure of the stores and terminated the affected staff. All stores were closed, all fixed assets were written-off and all inventory was disposed of by the end of fiscal 1998. The $2.2 million in costs associated with store asset write-offs were determined by reducing the net book value of store leasehold improvements and furniture/fixtures to their net realizable value. The $2.6 million of store operating losses represent the net loss of Mark Cross stores closed in 1998 and were recognized in results of operations as they were incurred.

Advertising, marketing and design costs increased $4.8 million in fiscal 1998 primarily due to a $4.1 million increase in media space and production costs.

Administrative and information systems expenses decreased by $13.6 million in fiscal 1998. This decrease was partially the result of $6.0 million in lower development and training costs following the 1997 implementation of the enterprise resource planning software system. Administration expenses were lower primarily as a result of lower year-end bonus amounts due to lower than planned operating earnings.

OPERATING INCOME

Operating income decreased 43.5% to $25.0 million in fiscal 1998 from $44.3 million in fiscal 1997. This decrease was primarily a result of reduced comparable store sales, declining wholesale sales and lower gross margins, as well as increased costs to discontinue some of our product lines partially offset by a reduction in SG&A expenses.

INCOME TAXES

Our effective tax rate decreased to 16.8% in fiscal 1998 from 26.7% in fiscal 1997, due to a higher percentage of income attributable to off-shore manufacturing that is taxed at lower rates.

NET INCOME

Net income declined 35.5% to $20.7 million in fiscal 1998 from $32.0 million in fiscal 1997. This decrease was the result of decreased operating income partially offset by a lower provision for taxes.

LIQUIDITY AND CAPITAL RESOURCES

Historically, Sara Lee has managed 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 will transfer to us the assets and liabilities which relate to our business on the separation date, including an intercompany note payable to a Sara Lee subsidiary. The net proceeds of this offering will be used to repay a portion of this note.

Cash provided by operating activities, defined as net income plus depreciation and amortization and the change in working capital, was $84.0 million for fiscal 2000. Cash provided by operating activities was $97.7 million in fiscal 1999 and $42.5 million in fiscal 1998.

We had capital expenditures of $26.1 million in fiscal 2000, $13.5 million in fiscal 1999 and $15.2 million in fiscal 1998. Capital expenditures in fiscal 2000 consisted of $18.9 million for investments in retail stores, $1.2 million primarily for the renovation of wholesale locations and $6.0 million for corporate activities, including the purchase of computer equipment.

Our future capital requirements will depend on the timing and rate of expansion of our businesses, new store openings, 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. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds more than 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. We also will assume $190 million of indebtedness in the form of a term note which matures on September 30, 2002, which will be partially repaid with the net proceeds of the offering. The revolving credit facility contains, and the term note will contain, covenants requiring us to maintain an interest coverage ratio of at least 1.75 to 1.0, and 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. We are required to repay these borrowings from cash flows from operations as reduced by capital expenditures.

We intend to open 50 new retail stores over the next three years. We plan to open 15 of these stores in fiscal year 2001, 15 in 2002, and 20 in 2003. We also expect to complete our store renovation program over that time period. We expect that capital expenditures for new retail stores will be approximately $10 million to $12 million per year and that capital expenditures for store renovations will be approximately $11 million per year. We intend to finance these investments from

internally generated cash flow or by drawing down 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 anticipate purchasing $70 million of inventory which will be funded by operating cash flow and by borrowings under our revolving credit facility. We expect to repay those borrowings 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 next 12 months.

Until Sara Lee effects a distribution of its Coach stock, we have agreed to not cause Sara Lee's ownership of our outstanding capital stock to fall below 80%. As a result, we will be required to repurchase shares of our common stock on the open market as options are exercised and use the repurchased shares to satisfy option exercises 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.

SEPARATION AGREEMENTS WITH SARA LEE

We have entered into various agreements with Sara Lee which govern the separation of our business from, and our ongoing business relationship with, Sara Lee. These agreements are described in detail in the section of this prospectus entitled "Certain Relationships and Related Transactions."

Under the Master Transitional Services Agreement, Sara Lee will continue to provide accounting, treasury, internal audit, information and other administrative services to us for up to two years after this offering, for a fee of $1.0 million per year. The incremental cost of this fee, as compared to the costs that Sara Lee charged us for these services in fiscal year 2000, is $0.165 million and we have reflected this amount in the unaudited pro forma financial information contained elsewhere in this prospectus.

Under the Employee Matters Agreement and the Insurance and Indemnification Agreement, we will continue to participate in Sara Lee's employee benefit and pension programs, health benefit program and group insurance plans, and we will be covered by Sara Lee's insurance policies, until the earlier of the date Sara Lee is no longer allowed to consolidate our results of operations and financial position or the date we establish our own plans. We may incur increased costs for the plans and programs we establish after this offering, however, the timing and future costs of these plans and programs cannot currently be determined.

The Lease Indemnification and Reimbursement Agreement relates to the transfer of leases to us from Sara Lee. Currently, Sara Lee is a guarantor or a party to virtually all of our store leases. We have agreed to make efforts to remove Sara Lee from all of our existing leases and, with a few exceptions, 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. 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. Since the timing and amount of the letter of credit

will not be known until Sara Lee no longer is allowed to consolidate our results of operations and financial position, and the terms of the letter of credit will not be negotiated until that time, an estimate of the fees we will incur for this letter of credit cannot currently be made and are not reflected in the pro forma financial information contained in this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

FOREIGN EXCHANGE

Approximately 66% of our fiscal year 2000 non-licensed product needs are 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

Historically, Sara Lee has made all of our cash management and short term investment decisions. 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 the end of 2000, the effect of a 10% change in market interest rates was approximately $0.2 million. 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 the end of 2000, a 10% change in the underlying price of tanned leather would have had a $7.1 million effect on cost of sales.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." These statements outline the accounting treatment for all derivative activity. Since we do not use derivative instruments, these accounting statements will not have an effect on us.

In May 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board ("EITF") announced that it reached a conclusion on Issue 00-14 "Accounting for Certain Sales Incentives." Issue 00-14 establishes requirements for the recognition and display of sales incentives such as discounts, coupons and rebates within the financial statements. The EITF conclusions on this issue will become effective for reporting periods beginning July 1, 2000. We have not historically offered discount coupons or rebates to customers. Any product discounts offered to customers are reflected as a reduction in the selling price of the product recorded in net sales. Therefore, this new rule will not have a material effect on our reported results or financial position.

In July 2000, the EITF announced that it reached a conclusion on Issue 00-10 "Accounting for Shipping and Handling Fees and Costs." Issue 00-10 indicates that all amounts billed to customers

as part of a sale transaction related to shipping and handling represent revenue and should be recorded in net sales. Because of the timing of the release of these conclusions, we have not yet fully assessed the effect of this statement on our results of operations. Based upon available information, it is likely that the implementation of these standards will result in the reclassification of shipping and handling fees from selling, general and administrative expense to net sales. At this time, we do not believe that the adoption of this statement will impact our operating income, income before income taxes, net income or financial position. The EITF conclusions on this issue will become effective for reporting periods beginning no later than April 1, 2001.

REORGANIZATION COSTS

In the first quarter of fiscal 2001, management of Sara Lee and Coach committed to and announced a plan to close the Medley, Florida manufacturing facility by December 2000. This reorganization plan 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. We will record a reorganization cost of approximately $6.3 million in the first quarter of fiscal year 2001. The reorganization cost includes $3.8 million for worker separation costs, $1.1 million for lease termination costs, and $1.4 million for the write down of long-lived assets to net realizable value.

OVERVIEW

We are a designer, producer and marketer of high-quality, modern, American classic accessories that complement the diverse lifestyles of discerning women and men. We believe that Coach is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. We attribute the prominence of the Coach brand to the unique combination of our original American attitude and design, our heritage in fine leather products, our superior product quality and durability and our commitment to customer service. For fiscal year 2000, net sales were $548.9 million and operating income before reorganization costs was $56.0 million.

Our primary product offerings include handbags, men's and women's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves. Together with our licensing partners, we also offer watches, footwear, furniture and eyewear with the Coach brand name. Our products are sold through a number of direct to consumer channels, including our:

- 106 U.S. retail stores;
- direct mail catalogs;
- e-commerce website, COACH.COM; and
- 63 U.S. factory stores.

Our direct to consumer business represented approximately 64% of our total sales in fiscal year 2000. Our remaining sales were generated from products sold through a number of indirect channels, including:

- approximately 1,400 department store and specialty retailer locations in the U.S.;
- approximately 175 international department store, retail store and duty free shop locations in 18 countries; and
- corporate sales programs.

Founded in 1941, we have grown from a family-run workshop in a Manhattan loft to a premier accessories marketer in the U.S. We developed our initial expertise in the small-scale production of classic, high-quality leather goods constructed from "glove-tanned" leather with close attention to detail. By the 1980s, we had grown into a niche maker and marketer of traditionally styled, high-quality leather goods with expanding national brand recognition, selling our products through upscale department and specialty stores, our own retail stores and our first direct mail catalog. Sara Lee acquired the Coach Leatherware Company, our predecessor, in 1985. Since then, we have built upon our national brand awareness, expanded into international sales, particularly in Japan and East Asia, diversified our product offerings beyond handbags, further developed our multi-channel distribution strategy and licensed products with the Coach brand name.

Our net sales grew at a compound annual growth rate of approximately 32%, from $19.0 million in 1985, when we were acquired by Sara Lee, to $540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming a part of Sara Lee. These declines were primarily the result of changes in consumer preferences from leather to mixed material and non-leather products, which some of our competitors offered, and diminished demand for our products due to the economic downturn in Asia. During fiscal years 1997 through 1999, we also experienced reduced profitability.

During this period, we embarked on a fundamental transformation of the Coach brand. We repositioned Coach's image in a modern, fashionable direction to make it more appealing to consumers. We built upon our popular core categories by introducing new products in a broader array of materials and styles to respond to consumers' demands for both fashion and function and we introduced new product categories. In 1999, we began renovating Coach retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase our new product assortments and reinforce a consistent brand position. Over the last three years, we also have been implementing a flexible, cost-effective manufacturing model where independent manufacturers supply the majority of our products that allows us to bring our broader range of products to market more rapidly and efficiently.

We believe that these strategic initiatives have succeeded in repositioning Coach as a modern lifestyle accessories brand. Primarily as a result of our repositioning initiatives, our sales increased 8.1% and our earnings from operations before reorganization costs increased 110.7% in fiscal year 2000, compared with fiscal year 1999.

We have developed a number of strengths that we believe create significant competitive advantages. These include:

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;

- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;

- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;

- a well-developed multi-channel presence allowing us to serve our customers wherever they choose to shop; and

- recognition as a desirable resource for both personal and business gift-giving occasions.

However, to remain competitive in our industry, we must also accurately anticipate consumer trends and tastes.

GROWTH STRATEGIES

Based on our established strengths, we are pursuing the following strategies for future growth:

ACCELERATE NEW PRODUCT DEVELOPMENT. We are accelerating the development of new products, styles and product categories that support our image as a broader lifestyle accessories brand through:

- seasonal variations of successful styles in new colors, leathers and fabrics that reflect current fashion trends;

- new collections, product additions and line extensions that add to our existing product portfolio, such as the recently-launched Coach Hamptons collection of handbags and accessories, which introduce new shapes, fabrics and detailing to our existing handbag and accessories portfolio;

- new categories of product offerings, such as electronic accessories and products for the home and for pets;

- continual updates to our core collections, such as a classic briefcase in a new, lightweight travel twill; and

- licensed products with the Coach brand name, such as watches, footwear, furniture and eyewear, and our participation in co-marketing ventures with companies such as Toyota, Lexus, Palm and Motorola.

During fiscal year 2000, approximately 50% of our net sales were generated from products introduced within the fiscal year. Approximately 47% of our fiscal year 1999 net sales were comprised of products introduced within the fiscal year, including new product categories and line extensions.

MODERNIZE RETAIL PRESENTATION. We are modernizing our brand image by remodeling all Coach retail stores to create a distinctive environment to showcase our new product assortments and reinforce a consistent brand position. Our renovated retail stores have demonstrated significantly higher comparable store sales growth relative to unrenovated stores. For example, the 16 stores that were renovated by November 1999 experienced comparable store sales growth of approximately 16% for the period from November 1999 through May 2000, compared to the same period in the prior fiscal year. Comparable store sales growth for unrenovated stores during the same period was 7%. We have recently expanded and rebuilt our New York and San Francisco flagship stores in our modern format. We expect that:

- 23 Coach retail stores were renovated to reflect the new store design in fiscal year 2000, with the remaining stores to be renovated by June 2003;

- approximately 80 key international locations will be converted to the new store design by June 2001;

- 28 of our leading U.S. department store locations will be remodeled by December 2000 and approximately 50 additional locations will be remodeled by December 2002; and

- approximately 15 key Coach retail locations will be expanded over the next three years.

INCREASE U.S. RETAIL STORE OPENINGS. We opened eight new U.S. retail stores in fiscal year 2000. Over the next three years, we plan to expand our network of 106 retail sores by opening 50 new stores located primarily in high volume markets. We believe that we have a successful retail store format that reinforces our brand image, generates strong sales per square foot and can be readily adapted to different location requirements. It generally takes four to six months from the time we take possession of a store to open it.

FURTHER PENETRATE INTERNATIONAL MARKETS. We are increasing our international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities for us. Our current network of international distributors serve markets in Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. We have significant opportunities to increase sales through existing and new international distribution channels. We believe Japanese consumers represent a major growth opportunity because they spend substantially more on handbags than U.S. consumers on a per capita basis.

IMPROVE OPERATIONAL EFFICIENCIES. We upgraded and reorganized our manufacturing, distribution and information systems over the past four years to allow us to bring new and existing products to market more efficiently. While maintaining our quality control standards, we have shifted the majority of our manufacturing processes from owned domestic factories to independent manufacturers in lower cost markets. As a result, we have increased our flexibility and lowered our costs. In fiscal year 2000, our gross margin increased to 59.9% from 55.4% during fiscal year 1999.

We intend to continue to increase efficiencies in our sourcing, manufacturing and distribution processes by:

- strengthening the coordination of design, merchandising, product development and manufacturing to streamline product introduction;

- implementing a new product development process and timeline;

- improving time to market capabilities and efficiencies;

- integrating computer-assisted design into the product design and development process;

- establishing product development capabilities to test new materials and new design functionality;

- expanding our organization to improve our East Asian independent manufacturing capabilities;

- introducing new business systems that use sales information and demographic data to tailor the mix of product offerings at different retail locations to consumer preferences at such locations;

- shortening product lead times to improve inventory management; and

- continuing implementation of a comprehensive supply chain management strategy.

PROMOTE GIFT PURCHASES OF OUR PRODUCTS. We believe that a substantial amount of our U.S. sales are gift purchases because of our higher sales during the holiday season. We intend to further promote Coach as an appealing resource for gift-giving occasions by developing new products well-suited for gift selection, such as coin purses, mirrors, notepad holders and card cases in new styles and designs. In addition, our marketing communication efforts, including advertising, catalog mailings and outbound e-mails, are timed to reach consumers before important holidays throughout the year.

CAPITALIZE ON GROWING INTEREST IN E-COMMERCE. Through September 1, 2000, our on-line store, COACH.COM, has generated over $5 million in net sales since its launch in October 1999. Our 20 years of Coach catalog experience gives us expertise in order fulfillment and remote retailing that, we believe, leads to superior customer service and, consequently, high repeat traffic. Our website meets growing consumer demand for the flexibility and convenience of shopping over the Internet by offering a selective array of our products.

OUR PRODUCTS

HANDBAGS. Our original business was the design, manufacture and distribution of fine handbags, which today still accounts for approximately 56% of our net sales. We believe women's handbags, as a category, enjoys the highest level of annual expenditures within the accessories market excluding fashion jewelry. Consumers in the U.S. spent approximately $5.0 billion on handbags and accessories in 1998.

We believe we are recognized in the global marketplace for our design innovation in handbags. We have quarterly offerings, featuring classically inspired designs as well as fashion trend designs. Typically, there are three to four collections per quarter and four to seven styles per collection, depending on concept and opportunity. We name our collections based on the attitude and design inspiration. Our handbag retail prices generally range from $120 to $350.

THE ORIGINAL CLASSICS. Inspired by the original Coach designs, our classic handbag collections are all "glove-tanned" leather and include the Legacy, Signature and Voyager lines. These collections feature bound edge construction and turn lock closures and represent approximately 45% of our full price handbag net sales. Classic "icon" styles include the Willis, Station Bag, Patricia's Legacy and the Day Pack Backpack.

CLASSIC FASHION. The classic fashion collections are modern updates of the original classics and represent approximately 22% of our handbag net sales. These collections are developed with variations of materials, construction, stitch details, hardware, handle and strap materials. Materials include "glove-tanned," suede, and other leathers.

FASHION. Premier and exotic leathers, fabric and seasonal product anchor this category, which represents approximately 33% of our full price handbag net sales. Mercer nylon and Hamptons twill are the current principal collections.

ACCESSORIES. Women's accessories represent approximately 11% of our net sales and consists of wallets, cosmetic cases, key fobs, belts and hair accessories. We recently completed a comprehensive updating of the design of the small leather goods collections to coordinate them with our popular handbag collections. Men's accessories also represent approximately 12% of our net sales and consist of belts, leather gift boxes and other small leather goods, of which electronics cases and business organizers are most popular. Our extensive assortment of small leather goods and accessories sell at retail prices that generally range from $30 to $300.

BUSINESS CASES. Business cases represent approximately 7% of our net sales and generally range from $160 to $700 at retail. We have recently introduced two new collections, Wall Street and our first nylon and leather collection, Express. Both Wall Street and Express include computer bags. A collection geared especially to women, Hamptons Business, will be introduced in the Fall.

LUGGAGE AND TRAVEL ACCESSORIES. The Coach luggage collection is comprised of cabin bags, duffels, suitcases, garment bags and a comprehensive collection of travel accessories. The collections are Travel Leather, the lightweight Express and Hamptons Twill. We intend to launch a new leather collection, Hamptons Leather, in Fall of this year. Luggage and travel accessories represent approximately 5% of our net sales. Travel accessories generally range in price from $90 to $250, while luggage generally starts at $290 and reaches approximately $700 at retail.

PERSONAL PLANNING PRODUCTS. A complement to our business cases and handbag collections, our personal planning assortment includes folios, planners and desk agendas in burnished water buffalo, bridle, nubuck and novelty fabrics like denim, hair calf, tartan and vachetta. The category represents approximately 3% of our net sales, and generally retails in the $100 to $230 price range.

OUTERWEAR, GLOVES AND SCARVES. Primarily a cold weather category, the assortment is approximately 53% women's and contains a fashion assortment in all three categories. In total, this category represents approximately 2% of our net sales. Our line of outerwear generally sells at a range of retail prices from $250 to $890.

WATCHES. Movado Group, Inc. has been our watch licensee since 1998 and has developed a distinctive collection of watches inspired by both our men's and women's collections. Our watches are manufactured in Switzerland and are branded with the Coach name and logo. They generally retail from $195 to $995. The collection has over 35 styles ranging from the Classic and Legacy to the Mercer diamond bangle and our pinnacle men's watch, the Morgan.

FOOTWEAR. Jimlar Corporation became our footwear licensee in 1998 after a three year relationship whereby we previously purchased Coach shoes manufactured by Jimlar Corporation for sale. Our footwear is developed and manufactured in Italy and is distributed through more than 60 locations in the U.S. Jimlar plans to expand distribution to over 250 locations by June 2001. Approximately 74% of the business is in women's footwear. The collections coordinate with our handbags and employ fine materials including calf and suede. Patent, pearlized, hair calf and exotic leathers are also used for quality, styling and comfort. Footwear, including boots, generally retails between $130 to $350 a pair.

FURNITURE AND HOME FURNISHINGS. Furniture was launched in the Fall of 1999 with Baker Knapp & Tubbs, Inc. as the licensee. The furniture collection is comprised of a range of leather and suede sofas, chairs and benches and includes our distinctive ebony wood and leather field chairs and ottomans. The collection is sold through Baker Knapp & Tubbs showrooms and select dealers across the U.S. The home furnishings collection was developed for Coach retail stores with an assortment of leather frames, mirrors, boxes, trays and pillows. This category sells at a broad range of retail prices, from $30 on the low end of the home furnishings collection to $6,400 at the high end of the furniture line.

EYEWEAR. Our newest licensed product line, Coach Eyewear, was launched in April 2000. Our licensing partner in this venture is Signature Eyewear, Inc. Sunglasses from the Coach Eyewear collection are available in Coach retail stores and in selected U.S. wholesale locations. Eyeglasses and sunglasses will also be available through approximately 1,150 selected prescription eyewear locations throughout the U.S. Eyewear generally sells for $120 to $210 at retail.

In some of our categories, select core products and watches made from exotic skins and precious metals are offered in limited quantities and are sold at retail prices that range from approximately $300 to $15,000.

DESIGN AND MERCHANDISING

Coach's New York-based design team, led by our executive creative director, is responsible for conceptualizing and directing the design of all Coach products. Designers have access to our extensive archives of product designs created over the past 50 years, which are a valuable resource for new product concepts. Coach designers are also supported by a strong merchandising team that analyzes sales, market trends and consumer preferences to identify business opportunities that help guide each season's design process. Merchandisers also analyze all products and edit, add and delete styles with the objective of maximizing profitable sales across channels. Three teams, each comprised of design, merchandising/product development and manufacturing specialists, help us execute well-defined design concepts that are consistent with the brand's strategic direction.

Working under the same creative leadership, our store design and point-of-sale merchandising group creates and oversees implementation of our store environments. From Coach shop-within-shop locations in major department stores to our own retail and factory stores, we continue the consistent communication of the Coach lifestyle image. Through our program to renovate all retail store locations, which started in 1999 and is targeted for completion by June 2003, we are introducing a contemporary environment in which to showcase our new product assortments. Our modernized store environment, as exemplified by our flagship store at 57th Street and Madison Avenue in Manhattan, has an open, loft-like feeling, with crisp white brick walls, ebony-stained wood floors and a timeless, uncluttered look.

Our merchandising team works in close collaboration with our licensing partners to ensure that our licensed products, such as watches, footwear, furniture and eyewear, are conceptualized and designed to address the intended market opportunity and convey the distinctive perspective and lifestyle associated with our brand. While our licensing partners employ their own designers, we oversee the development of their collection concepts and the design of licensed products. Licensed products are also subject to our quality control standards and we exercise final approval for all new licensed products prior to their sale.

MARKETING

Our marketing strategy is to deliver a consistent message every time the consumer comes in contact with our brand, through all of our communications and visual merchandising. Our image is

created and executed internally by our creative marketing, visual merchandising and public relations teams, which helps ensure the consistency of the message.

In the U.S., we currently spend approximately $14 million annually for national, regional and local advertising, primarily print and outdoor advertising, in support of our major selling seasons. In Japan, we currently spend approximately $1 million annually for advertising, primarily outdoor advertising at strategic locations, print advertising and advertorials all of which is funded by our distributors. Coach catalogs and COACH.COM also serve as effective brand communications vehicles, driving store traffic as well as direct to consumer sales. Our co-branding partners including Toyota, Lexus, Palm and Motorola, have together spent over $24 million in advertising relating to our brand over the past four years, and through their programs have strengthened the Coach brand cachet. Advertising by our co-branding partners provides important additional exposure of our brand, although the revenues generated from the purchase of our products by our co-branding partners are not material to our business. Our licensees spend an additional $4 million annually as part of an integrated campaign, which we control both in concept design and execution. In conjunction with promoting a consistent global image, we use our extensive customer database and consumer knowledge to target specific products and communications to specific consumers to efficiently stimulate sales across all distribution channels.

In addition to our advertising budget, we engage in a wide range of direct marketing activities, including catalogs and brochures, targeted to stimulate sales to consumers in their preferred shopping venue. As part of our direct marketing strategy, we use our database consisting of approximately seven million U.S. households. Catalogs are the principal means of communication and are sent to selected households to stimulate consumer purchases and build brand awareness. In addition, the growing number of visitors to our COACH.COM online store provides an opportunity to increase the size of our database and to communicate with consumers to increase on-line and physical store sales and build brand awareness. Our on-line store, like our catalogs and brochures, provides a showcase environment where consumers can browse through a strategic offering of our latest styles and colors.

We also have a sophisticated consumer and market research capability, which helps us assess consumer attitudes and trends and gauge likelihood of success in the marketplace prior to product introduction. We currently spend approximately $2 million annually on consumer research and related expenses.

CHANNELS OF DISTRIBUTION

DIRECT TO CONSUMER

Over the past 20 years, we have augmented our wholesale business with the addition of significant direct to consumer distribution channels. We now have four different channels that provide us with immediate, controlled access to consumers: retail stores, e-commerce, direct mail and factory stores. Our direct to consumer business represents approximately 64% of our total sales in fiscal year 2000, with the balance generated through our wholesale distribution channel.

RETAIL STORES. Our retail stores establish, reinforce and capitalize on the image of the Coach brand. We own and operate 106 retail stores in the U.S. that are located in upscale regional shopping centers and metropolitan areas. We operate six flagship stores, which offer the broadest assortment of our products, in high-visibility locations such as New York and San Francisco. Our

average store size is approximately 1,900 square feet. The following table shows the number of our retail stores and their total square footage:

	AT END OF FISCAL YEAR		
	1998	1999	2000
Retail Stores	100	101	106
Retail Square Footage	190,503	193,994	201,744

Depending on their size and location, the stores present product lines that include handbags, business cases, wallets, footwear, watches, travel and related accessories. By June 2003, we expect to have remodeled all retail stores to our modern design, which creates a distinctive environment that showcases our various products. Store associates are trained to maintain high standards of visual presentation, merchandising and customer service. The result is a complete statement at the retail level of our modern American style.

E-COMMERCE. We launched our e-commerce website, COACH.COM, in early October 1999 in anticipation of the holiday season. Although this business is relatively new, approximately 2.0 million consumers have already visited the site, generating over $5 million in net sales through September 1, 2000. We believe we are positioned to support strong near-term growth, with a simple, clean user interface and, based upon our direct mail expertise, excellent order fulfillment capabilities. Like our catalogs and brochures, our on-line store provides a showcase environment where consumers can browse through a selected offering of our latest styles and colors.

DIRECT MAIL. We mailed our first Coach catalog in 1980. In the last fiscal year, we mailed at least one of our catalogs to 3.5 million strategically-selected households, primarily from our database. While direct mail sales comprise a small portion of our net sales, we view our catalogs as a key communications vehicle for the brand that also promotes store traffic. As an integral component of our communications strategy, the graphics, models and photography are upscale and modern and present the product in an environment consistent with our brand position. Our catalogs highlight selected products and serve as a reference for customers, whether ordering through the catalog, making in-store purchases or purchasing over the Internet.

FACTORY STORES. Our 63 factory stores serve as an efficient means to sell discontinued and irregular inventory outside our retail channels. These stores operate under the Coach Factory name and are geographically positioned in established centers that are usually greater than 100 miles from major markets. Our average store size is approximately 2,850 square feet. The following table shows the number of our factory stores and their total square footage:

	AT END OF FISCAL YEAR		
	1998	1999	2000
Factory Stores	62	62	63
Factory Square Footage	173,628	175,588	180,570

Coach's factory store design, visual presentations and customer service levels support and reinforce the brand's image. Prices are discounted from 15% to 50% below full retail prices. Through our factory stores, we primarily target value oriented customers who would not otherwise buy our brand.

INDIRECT CHANNELS

We began as a wholesaler to department and specialty retail stores. This distribution channel remains very important to our overall consumer reach. We have grown our wholesale business by working closely with our customers, both domestic and international, to ensure a clear and consistent product presentation. As part of our business transformation, selected shop-within-shop

locations in major department stores are being renovated to achieve the same modern look and feel of our Coach retail stores. By the end of 2000, we expect to have renovated 28 U.S. department store locations. We completed the renovation of approximately 21 international locations as of August 2000.

U.S. WHOLESALE. Our products are currently sold in the U.S. at more than 1,400 wholesale locations. This channel represents approximately 15% of our total sales. Recognizing the continued importance of U.S. department and specialty stores as a distribution channel for premier accessories, we are strengthening our longstanding relationships with these key customers through our new products and styles and our renovation program. This channel offers access to Coach customers who prefer shopping at department and specialty stores or who live in geographic areas that are not large enough to support a Coach retail store. We occupy either the number one or two position in handbags, expressed in dollar share, for most of our U.S. wholesale customers. Our more significant U.S. wholesale customers include Dayton's, Dillard's, Federated (including Macy's, Bloomingdale's, Rich's/Lazarus, Burdine's, Bon Marche and Stern's), May Co. (including Lord & Taylor, Foley's, Hecht's, Kaufman's, Robinson's/May, Famous Barr, Filene's and Meier Frank), Nordstrom and Saks Inc.

INTERNATIONAL WHOLESALE. Our international business, which represents approximately 11% of total sales, is generated almost entirely through wholesale distributors and authorized retailers. We have developed relationships with a select group of distributors who market our products through specialty retailers, department stores, travel shopping locations, and freestanding Coach stores in 18 countries. Our current network of international distributors serves markets such as Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. We have created image enhancing environments in these locations to increase brand appeal and stimulate growth. Within the international arena, our primary focus continues to be the Japanese consumer. We target this consumer in Japan and in areas with significant levels of Japanese tourism. The importance of Japanese consumers is illustrated by a comparison of consumption levels: per capita spending on handbags in Japan is substantially greater than in the U.S. Our more significant international wholesale customers include Dickson Concepts, Inc., Duty Free Shops, J. Osawa, Mitsukoshi and Unisia. The following table shows the number of international retail stores, international department store locations and other international locations at which our products are sold:

	AT END OF FISCAL YEAR		
	1998	1999	2000
International Retail Stores	17	14	16
International Department Store Locations	132	136	130
Other International Locations	20	22	26

BUSINESS TO BUSINESS. As part of the wholesale channel of distribution, we sell some of our products in selected military locations and through corporate incentive and gift-giving programs.

LICENSING. In our licensing relationships, we take an active role in the design process and control the marketing and distribution of products under the Coach brand. Our current licensing relationships are as follows:

CATEGORY	LICENSING PARTNER	INTRODUCTION DATE	TERRITORY	LICENSE EXPIRATION DATE
Watches	Movado	Spring '98	U.S. and Japan	2006
Footwear	Jimlar	Spring '99	U.S.	2008
Furniture	Baker	Spring '99	U.S. and Canada	2008
Eyewear	Signature	Spring '00	U.S. and Canada	2009

Products made under license are sold through all of the channels listed above and, with our approval, our licensees have the right to distribute Coach brand products selectively through several other channels: shoes in department store shoe salons, furniture through Baker's own showrooms, watches in jewelry stores and eyewear through selected prescription eyewear providers. Our licensing partners pay us royalties on their sales of Coach branded products. However, such royalties currently comprise less than 1% of our revenues and are not material to our business. Our licensing agreements generally give us the right to terminate the license if specified sales targets are not achieved. These new venues provide additional, yet controlled, exposure of our brand.

MANUFACTURING

We have refined our production capabilities in coordination with the repositioning of our brand. By shifting our production from owned domestic facilities to independent manufacturers in lower-cost markets, we can support a broader mix of product types, materials and a seasonal influx of new, more fashion-oriented styles. During fiscal year 2000, approximately 50% of our sales were generated from products introduced within the fiscal year. At the same time, we help manage total inventory and limit our exposure to excess and obsolete inventory by designating a large number of the new styles as "limited editions" that are planned to be discontinued and replaced with fresh new looks.

We have developed a flexible model to try to meet shifts in marketplace demand and changes in consumer preferences. We use three main sources to make our products: outsourcing with skilled partners, internal manufacturing and production by our licensing partners. All product sources must achieve and maintain our high quality standards, which are an integral part of the Coach identity. We monitor compliance with our quality control standards through on-site quality inspections at all Coach-operated or independent manufacturing facilities. One of our keys to success lies in the rigorous selection of raw materials. We have long-standing relationships with purveyors of fine leathers and hardware. As we have shifted a significant portion of our production to external sources, we require that these same raw materials are used in all of our products, wherever they are made.

About 74% of our fiscal year 2000 non-licensed product needs were supplied by independent manufacturers, measured as a percentage of total units produced. We buy independently manufactured products from a variety of countries, including China, Costa Rica, Mexico, India, Italy, Spain, Hungary and Turkey. We operate a European Sourcing and Product Development organization based in Florence, Italy which works closely with our New York-based design team. Our broad-based multi-country manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities. We carefully balance our commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. No one vendor provides more than 20% of our total requirements. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously-approved facilities are conducted on a random basis. We believe that all of our manufacturing partners are in compliance with our integrity standards.

We currently operate two manufacturing facilities in leased premises. In fiscal year 2000, our 66,000 square foot facility in Lares, Puerto Rico produced about 17% of our needs. As part of our strategy to shift production to independent manufacturers in lower-cost markets, we have announced our plan to cease operations at our other facility, located in Medley, Florida, by the end of calendar year 2000. In fiscal year 2000, this 107,000 square foot facility contributed approximately 9% of production.

DISTRIBUTION

In July 1999, we consolidated our worldwide warehousing and distribution functions into one location in Jacksonville, Florida. This highly automated, computerized 560,000 square foot facility uses a bar code scanning warehouse management system. Our distribution center employees use handheld optical scanners to read product bar codes, which allows us to more accurately process and pack orders, track shipments, manage inventory and generally provide better service to our customers. Our products are primarily shipped via United Parcel Service and common carriers to our retail stores and wholesale customers and via UPS direct to consumers.

The average order processing time is 2.1 days. During our peak season in 2000, the second fiscal quarter, we shipped approximately 96% of all orders complete. Because of our 20 years of experience shipping orders to individual catalog customers, we believe we are well positioned to support the order fulfillment requirements of our growing business, especially business generated through our website.

MANAGEMENT INFORMATION SYSTEMS

The foundation of our information systems is our Enterprise Resource Planning system, referred to as an ERP system. Implemented in 1997, this fully integrated system supports all aspects of finance and accounting, procurement, inventory control, sales and store replenishment resulting in increased efficiencies, improved inventory control and a better understanding of consumer demand. The system functions as a central repository for all of our transactional information, resulting in increased efficiencies and greater inventory control. This system is fully scalable to accommodate rapid growth.

Complementing our ERP system are several other newly-implemented system solutions, each of which, we believe, is well-suited for our needs. Our data warehouse system summarizes our transaction information and provides a single platform for all management reporting. Our supply chain management system supports corporate sales and inventory functions, creating a monthly demand plan and reconciling production/procurement with financial plans. Product fulfillment is facilitated by our highly automated warehouse management system and electronic data interchange system, while the unique requirements of our catalog and Internet businesses are supported by our custom direct sales system. Finally, our point-of-sale system supports all in-store transactions, distributes management reporting to each store, and collects sales and payroll information on a daily basis. This daily collection of store sales and inventory information results in early identification of business trends and provides a detailed baseline for store inventory replenishment. All complementary systems are integrated with the central ERP system.

COMPETITION

We face intense competition in the product lines and markets in which we compete. Our products compete with other branded products within their product category and with private label products sold by retailers, including some of our customers. In our wholesale business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of such products to the consumer. Moreover, the general availability of contract manufacturing allows new entrants easy access to the markets in which we compete, which may increase the number of our competitors and adversely affect our competitive position and our business.

In varying degrees, depending on the product category involved, we compete on the basis of style, price, customer service, quality, and brand prestige and recognition. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than us. However, we believe that we have significant

competitive advantages because of our brand recognition and the acceptance of our brand name by consumers.

TRADEMARKS AND PATENTS

We own all of the material trademark rights used in connection with the production, marketing and distribution of all of our products, both in the U.S. and in the other countries in which our products are principally sold. We own and maintain worldwide registrations for trademarks in all relevant classes of products in each of the countries in which our products are sold. Our major trademarks include COACH, COACH AND LOZENGE design and COACH AND TAG design and we have applications pending for a proprietary "C" SIGNATURE FABRIC design. In addition, several of our products are covered by design patents or patent applications. We aggressively police our trademarks and trade dress, and pursue infringers both domestically and internationally. We also pursue counterfeiters domestically and internationally through leads generated internally, as well as through our network of investigators, the Coach hotline and business partners around the world.

EMPLOYEES

As of September 1, 2000, we had approximately 3,600 employees, approximately 375 of which were covered by collective bargaining agreements. Of the total, approximately 1,730 are engaged in retail selling and administration positions and approximately 1,500 are engaged in manufacturing, sourcing or distribution functions. The remaining employees are engaged in other aspects of our business. We believe that our relations with our employees are good, and we have never encountered a strike or significant work stoppage.

GOVERNMENT REGULATION

Many of our imported products are subject to existing or potential duties, tariffs or quotas that may limit the quantity of products that we may import into the U.S. and other countries or impact the cost of such products. To date, we have not been restricted by quotas in the operation of our business and customs duties have not comprised a material portion of the total cost of a majority of our products. In addition, we are subject to foreign governmental regulation and trade restrictions, including U.S. retaliation against certain prohibited foreign practices, with respect to our product sourcing and international sales operations.

LEGAL PROCEEDINGS

We are involved in various routine legal proceedings incident to the ordinary course of our business. In the ordinary course of business, we are involved in the policing of our intellectual property rights. As part of our policing program, from time to time, we file lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, trade dress infringement, trademark dilution and/or state or foreign law claims. At any given point in time, we may have one or more of such actions pending. These actions often result in seizure of counterfeit merchandise and/or out of court settlements with defendants. From time to time, defendants will raise as affirmative defenses or as counterclaims the invalidity or unenforcability of certain of our intellectual properties. We do not believe that these claims would be meritorious and, thus, they would not have any material adverse effect on our business. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our business or financial condition.

PROPERTIES

The following table sets forth the location, use and size of our manufacturing, distribution and corporate facilities as of September 1, 2000, all of which are leased. The leases expire at various times through 2015, subject to renewal options.

LOCATION	USE	APPROXIMATE SQUARE FOOTAGE
516 West 34th Street, New York	Corporate	140,000
Carlstadt, New Jersey	Corporate & Product Development	93,000
Jacksonville, Florida	Distribution & Customer Service	560,000
Medley, Florida*	Manufacturing	107,000
Lares, Puerto Rico	Manufacturing	66,000
Florence, Italy	Product Development	16,000

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* We have announced our plan to cease operations at this facility by the end of calendar year 2000.

We also occupy 106 retail and 63 factory leased retail stores located in the U.S. We consider our properties to be in good condition generally and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding each of our executive officers and directors as of September 15, 2000:

NAME	AGE	POSITION(S)
Lew Frankfort	54	Chairman, Chief Executive Officer and Director
Keith Monda	44	Executive Vice President, Chief Operating Officer and Director
David DeMattei	44	President, Retail Division
Reed Krakoff	36	President, Executive Creative Director
Richard Randall	62	Senior Vice President and Chief Financial Officer
Carole Sadler	41	Senior Vice President, General Counsel and Secretary
Felice Schulaner	40	Senior Vice President, Human Resources
Joseph Ellis(1)	58	Director
Paul Fulton(1)	66	Director
Gary Grom	53	Director
Michael Murphy(1)	63	Director
Richard Oberdorf	48	Director

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(1) Member of the Audit Committee and the Compensation and Employee Benefits Committee.

LEW FRANKFORT has been involved with the Coach business for in excess of 20 years. He has served as Chairman and Chief Executive Officer of Coach since November 1995, and as Senior Vice President of Sara Lee since January 1994. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. Mr. Frankfort was appointed President and Chief Executive Officer of the Sara Lee Champion, Intimates & Accessories group in January 1994, and held this position through November 1995. From September 1991 through January 1994, Mr. Frankfort held the positions of Executive Vice President, Sara Lee Personal Products and Chief Executive Officer of Sara Lee Accessories. Mr. Frankfort was appointed President of Coach in July 1985, after Sara Lee acquired Coach, and held this position through September 1991. Mr. Frankfort joined Coach in 1979 as Vice President of New Business Development. Prior to joining Coach, Mr. Frankfort held various New York City government management positions and served as Commissioner, New York City Agency for Child Development. Mr. Frankfort holds a Bachelor of Arts degree from Hunter College and an MBA in Marketing from Columbia University.

KEITH MONDA was appointed Executive Vice President and Chief Operating Officer of Coach in June 1998. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. Prior to joining Coach, Mr. Monda served as Senior Vice President, Finance & Administration and Chief Financial Officer of Timberland Company from December 1993 until May 1996, and was promoted to, and held the position of, Senior Vice President, Operations from May 1996 until January 1998. From May 1990 to December 1993, Mr. Monda served as Executive

Vice President, Finance and Administration of J. Crew. Mr. Monda holds Bachelor of Science and Master of Arts degrees from Ohio State University.

DAVID DEMATTEI joined Coach as President, Retail Division in July 1998. From June 1995 to April 1998, Mr. DeMattei served as Retail President of J. Crew, and from January 1994 to January 1995 he served as Chief Financial Officer of the Nature Company, a division of CML Group. From January 1993 to January 1994, he served as President of Banana Republic Retail Stores. From January 1983 through January 1993, Mr. DeMattei held various positions at Gap, Inc., including Chief Financial Officer. Mr. DeMattei holds a Bachelor of Science degree in Business Administration from the University of San Francisco.

REED KRAKOFF was appointed President, Executive Creative Director in September 1999 after joining Coach as Senior Vice President and Executive Creative Director in December 1996. Prior to joining Coach, Mr. Krakoff served as Senior Vice President, Marketing, Design & Communications from January 1993 until December 1996, and as Head Designer, Sportswear from April 1992 until January 1993 at Tommy Hilfiger USA, Inc. From July 1988 through April 1992, Mr. Krakoff served as a Senior Designer in Design and Merchandising for Polo/Ralph Lauren. Mr. Krakoff holds an A.A.S. degree in Fashion Design from Parsons School of Design and a Bachelor of Arts degree in Economics and Art History from Tufts University.

RICHARD RANDALL joined Coach as Senior Vice President and Chief Financial Officer in May 2000. Mr. Randall previously served as Senior Vice President and Chief Financial Officer of Lillian Vernon Corporation from September 1998 through April 2000. From October 1997 through March 1998, Mr. Randall served as Executive Vice President of Mondo, Inc. From 1979 through 1997, Mr. Randall served as Chief Financial Officer at Salant Corporation, Heron Communications, Chappell Music Publishers and Warner Cosmetics. Mr. Randall is a Certified Public Accountant and holds a Bachelor of Business Administration degree in accounting from City College of New York. Mr. Randall is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. In December 1998, fifteen months after his departure from Salant Corporation, Salant Corporation commenced bankruptcy proceedings which concluded in April 1999.

CAROLE SADLER has served as Senior Vice President, General Counsel and Secretary since May 2000. She joined Coach as Vice President, Chief Counsel in March 1997. From April 1991 until February 1997, Ms. Sadler was Vice President and Associate General Counsel of Saks Fifth Avenue. From September 1984 until March 1991, Ms. Sadler practiced law as a litigation associate in New York City, most recently at the firm of White & Case, and prior to that at Paskus Gordon & Mandel and Mound Cotton & Wollan. Ms. Sadler holds a Juris Doctor degree from American University, Washington College of Law, and a Bachelor of Arts degree, CUM LAUDE, in American Studies from Smith College.

FELICE SCHULANER joined Coach as Senior Vice President, Human Resources in January 2000. Prior to joining Coach, Ms. Schulaner served as Senior Vice President, Human Resources of Optimark Technologies from February 1999 through December 1999 and as Senior Vice President, Human Resources of Salant Corporation from July 1997 through February 1999. Ms. Schulaner was Vice President, Worldwide Recruitment & Selection at American Express from July 1996 until June 1997. From 1990 through 1996, she served in various other human resources positions at American Express, including Vice President, Human Resources Reengineering, and, from 1986 until 1990, Ms. Schulaner held human resources positions at Macy's Northeast in New York City. Ms. Schulaner holds a Bachelor of Arts degree from New College of the University of South Florida. In December 1998, Salant Corporation commenced bankruptcy proceedings which concluded in April 1999.

JOSEPH ELLIS was elected to our board of directors on September 12, 2000. Mr. Ellis has served as a Limited Partner of Goldman, Sachs & Co. since 1994, and served as a General Partner from 1986 to 1994. Mr. Ellis served as senior retail-industry analyst from 1970 through 1994. Before joining Goldman Sachs in 1970, Mr. Ellis was Vice President and Investment Analyst with The Bank of New York. Mr. Ellis also serves as a director of The New York State Nature Conservancy, the National Retail Federation and Waterworks, Inc. He is a member of the Steering Committee of the Center for Environmental Research and Conservation of Columbia University and a trustee of CARE. Mr. Ellis holds a Bachelor of Arts degree from Columbia University.

PAUL FULTON was elected to our board of directors on September 12, 2000. Mr. Fulton serves as Chairman of the Board of Bassett Furniture Industries, Inc. and has served as its Chief Executive Officer and director from 1997 to 2000. From 1994 until 1997, he was Dean of The Kenan-Flagler Business School, The University of North Carolina at Chapel Hill. From 1981 to 1993, Mr. Fulton held various positions at Sara Lee, including President of Sara Lee and Executive Vice President of the Hanes Group. Mr. Fulton also serves as a director for Bank of America Corporation, Cato Corporation, Sonoco Products, Inc., and Lowe's Companies, Inc. Mr. Fulton holds a Bachelor of Science degree in Business Administration from the University of North Carolina at Chapel Hill.

GARY GROM has served as Senior Vice President of Human Resources at Sara Lee since July 1992. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. From June 1985 until June 1992, Mr. Grom held various human resource positions at Sara Lee, including Senior Vice President of Sara Lee Packaged Meats and Executive Director of Compensation, Benefits and Manpower Planning. Mr. Grom holds a Bachelor of Science degree in Business Administration from the University of Wisconsin - LaCrosse.

MICHAEL MURPHY was elected to our board of directors on September 12, 2000. From 1994 to 1997, Mr. Murphy served as Vice Chairman and Chief Administrative Officer of Sara Lee. Mr. Murphy also served as a director of Sara Lee from 1979 through October 1997. Mr. Murphy joined Sara Lee in 1979 as Executive Vice President and Chief Financial and Administrative Officer and, from 1993 until 1994, also served as Vice Chairman. Mr. Murphy is also a director of American General Corporation, Bassett Furniture Industries, Inc., True North Communications, Inc., Northwestern Memorial Corporation (university hospitals), Civic Federation, Big Shoulders Fund and Jobs for Youth, Chicago Cultural Center Foundation, Chicago's Lyric Opera, GATX Corporation and Payless ShoeSource, Inc. He is also a member of the Board of Trustees of Northern Funds (a family of mutual funds). Mr. Murphy holds a Bachelor of Science degree in Business Administration from Boston College and an MBA degree in finance from the Harvard Business School.

RICHARD OBERDORF has served as Vice President of Business Growth and Development for Sara Lee since September 1997. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. From September 1994 to September 1997, Mr. Oberdorf served as Chief Financial Officer of Sara Lee Personal Products. From July 1987 to September 1994, Mr. Oberdorf held various positions at Sara Lee and its divisions, including Chief Financial Officer of Playtex and Sara Lee Personal Products Pacific Rim. Prior to joining Sara Lee, Mr. Oberdorf was Senior Tax Manager with Price Waterhouse. Mr. Oberdorf holds an Accounting degree from Georgetown University.

BOARD STRUCTURE AND COMPENSATION

AUDIT COMMITTEE

Our audit committee was appointed on September 12, 2000 and is comprised of Messrs. Ellis, Fulton and Murphy, who are all outside directors. Mr. Murphy is the Chairman. Our audit committee will review our auditing, accounting, financial reporting and internal control functions and will make recommendations to the board of directors for the selection of independent accountants. In

addition, the committee will review our accounting principles and financial reporting, our compliance with foreign trade regulations as well as the independence of, and the non-audit services provided by, our independent accountants. In discharging its duties, the audit committee will:

- review and approve the scope of the annual audit and the independent accountant's fees;
- meet independently with our internal auditing staff, our independent accountants and our senior management; and
- review the general scope of our accounting, financial reporting, annual audit and internal audit program, matters relating to internal control systems and the results of the annual audit.

COMPENSATION AND EMPLOYEE BENEFITS COMMITTEE

Our compensation and employee benefits committee was appointed on September 12, 2000 and is comprised of Messrs. Ellis, Fulton and Murphy, who are all outside directors. Mr. Fulton is the Chairman. Our compensation and employee benefits committee will determine, approve and report to the board of directors on all elements of compensation for our elected officers, including targeted total cash compensation and long-term equity based incentives.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our compensation and employee benefits committee makes all compensation decisions regarding our executive officers. None of our executive officers will serve on the compensation committee or board of directors of any other company of which any of the members of our compensation and employee benefits committee or our board of directors is an executive officer.

Messrs. Grom and Oberdorf are both employees of Sara Lee. Each of Messrs. Grom and Oberdorf plans to resign as a member of our board at the time Sara Lee ceases to own a majority of our outstanding capital stock.

DIRECTOR COMPENSATION

Directors who are Coach or Sara Lee employees receive no fees for their services as directors. Our non-employee directors will receive an annual retainer of $30,000 and an annual grant of 5,000 options to purchase shares of our common stock. The exercise price of these options will equal the fair market value of our common stock on the date of grant. Non-employee directors can elect to receive common stock, options to purchase common stock, or a combination of common stock and options, in lieu of all or any portion of the $30,000 annual retainer. In addition, non-employee directors may elect to defer part or all of their annual cash retainer under our Directors' Deferred Compensation Plan described below. Deferred amounts are invested in a stock equivalent account. Chairpersons of our board committees will receive an additional $5,000 annually. At the time of the offering, we intend to grant an option to purchase 5,000 shares of our common stock, at the offering price, to each of our non-employee directors.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

All of our common stock is currently owned by Sara Lee, and thus none of our officers or directors own any of our common stock. To the extent our directors and officers own shares of Sara Lee common stock at the time Sara Lee effects any exchange or distribution of our common stock, our directors and officers will participate in the exchange or distribution on the same terms as other holders of Sara Lee common stock.

The following table sets forth the number of shares of Sara Lee common stock beneficially owned on September 1, 2000 by each director, each of the executive officers named in the Summary Compensation Table below and all of our directors and executive officers as a group. Except as otherwise noted, the individual director or executive officer or their family members has sole voting and investment power with respect to such stock. The total number of shares of Sara Lee common stock outstanding as of September 1, 2000 was 840,397,128.

	SHARES OF SARA LEE BENEFICIALLY OWNED	
NAME OF BENEFICIAL OWNER	NUMBER	PERCENTAGE
Lew Frankfort(1)	568,176	*
Keith Monda(2)	46,946	*
David DeMattei(3)	42,417	*
Reed Krakoff(4)	59,064	*
Carole Sadler(5)	15,067	*
Joseph Ellis	0	*
Paul Fulton(6)	267,992	*
Gary Grom(7)	649,193	*
Richard Oberdorf(8)	212,921	*
Michael Murphy	332,078	*
All directors and officers as a group (12 people)	2,193,854	*

* Less than 1%.

(1) Includes 487,875 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(2) Includes 41,332 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(3) Includes 41,332 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(4) Includes 54,000 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(5) Represents common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(6) Includes 24,179 shares of common stock held in the name of Mr. Fulton's wife.

(7) Includes 441,088 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

(8) Includes 176,839 shares of common stock that may be purchased within 60 days of September 1, 2000 pursuant to the exercise of options.

EXECUTIVE COMPENSATION

The following table sets forth compensation information for our chief executive officer and our four next most highly compensated executive officers for the fiscal years ended July 1, 2000 and July 3, 1999. All information set forth in this table reflects compensation paid to these individuals by Sara Lee for services performed for the Coach business during the fiscal years ended July 1, 2000 and July 3, 1999.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS		
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS(1)	NUMBER OF SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(2)
Lew Frankfort	2000	$470,833	$460,616	$ --	$228,750	172,749	$51,472
Chairman and Chief Executive Officer	1999	450,000	399,150	--	201,600	158,124	43,925
Keith Monda	2000	370,833	331,432	--	112,088	24,000	36,576
Executive Vice President and Chief Operating Officer	1999	350,000	286,907	639,470(3)	100,800	50,000	5,347
David DeMattei	2000	450,000	360,000	--	112,088	24,000	3,191
President, Retail Division	1999	425,000	515,308	--	144,000	50,000	3,013
Reed Krakoff	2000	389,667	338,523	--	112,088	24,000	27,486
President, Executive Creative Director	1999	336,667	260,496	--	100,800	24,000	19,667
Carole Sadler	2000	195,000	117,000	--	--	6,200	12,950
Senior Vice President, General Counsel and Secretary	1999	170,000	91,460	--	--	6,000	7,367

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(1) Reflects the market value of restricted stock units on the date of grant. Market value was calculated based on $22.875 per share, 10,000 performance based restricted stock units granted to Lew Frankfort, and the following number of service-based restricted stock units: Keith Monda, 4,900; David DeMattei, 4,900; and Reed Krakoff, 4,200. Performance-based restricted stock units may be earned three years after their grant date based upon achievement of specific earnings per share and return on invested capital goals that Sara Lee approves at the beginning of each three-year performance cycle. These two financial goals are evenly weighted. The service-based restricted stock units may be earned three years after their grant date, based solely upon the participant's continued employment with Sara Lee. Dividends on the restricted stock units are escrowed during the three-year performance or service cycle. Dividends and interest on the escrowed dividends are distributed at the end of the performance or service cycle in the same proportion as the restrictions on the restricted stock units lapse. To the extent the performance goals or service requirements are not attained, the restricted stock units, the escrowed dividends and interest will be forfeited.

(2) Includes payment by Sara Lee of the following amounts for life insurance on behalf of each of the executive officers above for fiscal year 2000: $10,555 for Lew Frankfort; $5,872 for Keith Monda; $3,191 for David DeMattei; $1,940 for Reed Krakoff, and $1,837 for Carole Sadler. Includes payment by Sara Lee of the following amounts for life insurance on behalf of each of the executive officers above for fiscal year 1999: $15,853 for Lew Frankfort; $5,347 for Keith Monda; $3,013 for David DeMattei; $1,467 for Reed Krakoff; and $1,952 for Carole Sadler. Includes Sara Lee's contributions under its employee stock ownership plan and supplemental retirement benefit plan of the following amounts on behalf of the following executive officers contained in the table above for fiscal year 2000: $40,917 for Lew Frankfort, $30,704 for Keith Monda, $25,546 for Reed Krakoff, and $11,113 for Carole Sadler. Includes Sara Lee's contributions under its employee stock ownership plan and supplemental retirement benefit plan of the following amounts on behalf of the following executive officers contained in the table above for fiscal year 1999: $28,072 for Lew Frankfort; $18,200 for Reed Krakoff; and $5,415 for Carole Sadler.

(3) Consists of a $639,470 relocation allowance paid to Mr. Monda.

The following table shows all grants of options to acquire shares of Sara Lee common stock made to the executive officers named above in the Summary Compensation Table during the fiscal year ended July 1, 2000.

SARA LEE OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO SARA LEE EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SARA LEE SHARE(1)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
					5%	10%
Lew Frankfort.....	76,000	*	$22.66	August 2009	$1,082,880	$2,744,231
	27,708(3)	*	23.81	August 2006	268,604	625,960
	69,041(3)	*	23.81	August 2007	784,955	1,880,104
Keith Monda.....	24,000	*	22.66	August 2009	341,962	866,599
David DeMattei.....	24,000	*	22.66	August 2009	341,962	866,599
Reed Krakoff.....	24,000	*	22.66	August 2009	341,962	866,599
Carole Sadler.....	6,200	*	22.66	August 2009	88,340	223,872

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* Less than 1%. The total options granted by Sara Lee to its employees in fiscal 2000 was 35,958,092.

(1) Exercise price equals 100% of the fair market value of the common stock on the date of grant. Each option expires 10 years after the grant date, other than Mr. Frankfort's restoration stock options described in more detail in footnote (3) below. The options generally become exercisable in three equal annual installments, on the first three anniversary dates of the date of grant. No option may be exercised until the expiration of one year from the date of grant. In the event of a change in control of Sara Lee, the compensation and employee benefits committee of Sara Lee may provide for appropriate adjustments, including acceleration of the vesting period.

(2) Potential realizable values are net of exercise price, but before deduction of taxes associated with exercise. A zero percent gain in stock price will result in zero dollars for the optionee. The dollar amounts indicated in these columns are the result of calculations assuming growth rates required by the rules of the Securities and Exchange Commission. These growth rates are not intended to forecast future appreciation, if any, of the price of Sara Lee common stock.

(3) These are restoration stock options, which are granted when an executive exercises an existing option by surrendering Sara Lee common stock. The grant of a restoration stock option upon the exercise of an existing option is intended to promote increased employee share ownership by encouraging the early exercise of existing options. The grant of a restoration stock option does not result in an increase in the total combined number of shares and options held by an employee.

The following table shows aggregate exercises of options to purchase Sara Lee common stock made during the fiscal year ended July 1, 2000 by the executive officers named above in the Summary Compensation Table.

AGGREGATED SARA LEE OPTION EXERCISES
AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL-YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Lew Frankfort.....	107,666	$503,417	375,873	196,002	$ 0	$ 0

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(1) Options are "in-the-money" at fiscal year-end if the market value of the underlying securities on that date exceeds the exercise price of the options. The amounts set forth represent the difference between the closing price of Sara Lee common stock of $19.31 on the New York Stock Exchange on June 30, 2000 (the last business day of the fiscal year), less the option exercise price payable for those shares.

SEVERANCE POLICY

Sara Lee has a severance policy for all corporate officers which covers fiscal year 2000. Upon the earlier of the consummation of this offering or the date that we adopt our own severance policy, Coach employees will no longer be covered by Sara Lee's severance policy. Sara Lee's policy provides, and the Coach policy will provide, that if an officer's employment is terminated without cause, the officer will receive from 6 to 24 months of salary as severance payments. The amount of actual severance payments depends on the officer's position, length of service and age. Under this policy, officers also receive a partial payment under the incentive plans with respect to the fiscal year in which the termination occurs. The terminated officer's participation in Sara Lee's insurance plans, except for disability insurance (which ends on the date of termination of employment), will continue for the same number of months for which he or she is receiving severance payments. Severance payments terminate if the terminated officer becomes employed by a competitor of Sara Lee.

RETIREMENT PLANS

The following table shows the approximate annual pension benefits payable upon retirement under Sara Lee's qualified pension plan, as well as a nonqualified supplemental benefit plan. Executive officers of Coach are eligible to participate in Sara Lee's retirement plans until the earlier of the date that Sara Lee effects a distribution of the Coach stock that it owns or until Coach adopts its own retirement plans; however, if Sara Lee distributes its Coach shares prior to April 1, 2001, Sara Lee has agreed that Lew Frankfort, Coach's Chairman and Chief Executive Officer, will continue to accrue service time under Sara Lee's supplemental benefit plan through April 1, 2001. The compensation covered by Sara Lee's pension plans is based on an employee's annual salary and bonus. The amounts payable under the pension plans are computed on the basis of a straight-life annuity and are not subject to deduction for Social Security benefits or other amounts. Under the supplemental benefit plan, accrued benefits having a present value exceeding $100,000 for participants age 55 and older and $300,000 for participants who have not yet attained the age of 55 are funded with periodic payments by Sara Lee to individual trusts established by the participants.

ESTIMATED ANNUAL NORMAL RETIREMENT PENSION
BASED UPON THE INDICATED CREDITED SERVICE

FINAL AVERAGE COMPENSATION	10 YEARS	15 YEARS	25 YEARS	35 YEARS
$ 300,000	$ 52,500	$ 78,750	$131,250	$183,750
350,000	61,250	91,875	153,125	214,375
400,000	70,000	105,000	175,000	245,000
450,000	78,750	118,125	196,875	275,625
500,000	87,500	131,250	218,750	306,250
600,000	105,000	157,500	262,500	367,500
750,000	131,250	196,875	328,125	459,375
1,000,000	175,000	262,500	437,500	612,500

As of September 1, 2000, the executive officers had the following years of credited service under the pension plans: Lew Frankfort, 15 years and one month; Keith Monda, two years and two months; David DeMattei, two years and one month; Reed Krakoff, three years and eight months; and Carole Sadler, three years and five months.

STOCK OWNERSHIP GUIDELINES FOR EXECUTIVE OFFICERS

Our board of directors believes that the interests of our executive officers and other senior management will be more closely aligned with the interests of our stockholders if our executive officers and other senior management hold a significant investment in our common stock. To ensure significant stock ownership, our board of directors has adopted stock ownership guidelines that encourage 26 of our employees, at the vice president level and above, to own a specified number of our securities. The ownership guidelines range from 150,000 shares for our Chief Executive Officer to 20,000 shares for each of our Vice Presidents. At the assumed initial public offering price of $15.00, our Chief Executive Officer will be required to hold common stock with a value of at least $2,250,000. Employees who are subject to the stock ownership guidelines will have several years to achieve compliance. Shares covered by deferred stock units and shares allocated under our 401(k) plan or other benefit plans will count towards compliance with the stock ownership guidelines.

To facilitate our executives' achievement of our stock ownership guidelines and in addition to the common stock reserved for issuance under our stock plans, we intend to offer to 59 employees who hold Sara Lee options at the time of this offering, options to purchase up to an aggregate of 1,589,441 million shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase shares of Sara Lee common stock. These employees hold management titles beginning at the "Director" level and above, up to and including the Chief Executive Officer of Coach. The number and exercise prices of the Coach options granted will be determined in a manner meant to reflect the difference between the fair market values of Sara Lee common stock and Coach common stock on the date of the consummation of this offering. The Coach options will maintain substantially the same vesting and exercise provisions as the Sara Lee options surrendered and cancelled. However, the Coach options will not be exercisable within six months of this offering and otherwise will be exercisable only if certain requirements are satisfied that are intended to preserve Sara Lee's ownership of at least 80% of our outstanding stock until Sara Lee effects a distribution of our stock.

Under several Sara Lee long-term performance or restricted stock plans, some of our key employees were granted restricted stock unit awards. At the time of the offering, we intend to offer to seven employees who hold 29,500 Sara Lee service-based restricted stock units the opportunity to surrender their Sara Lee service-based restricted stock units and receive Coach service-based

restricted stock units that have the same vesting requirements. The seven employees are comprised of those Coach employees who hold the most senior-level management positions at Coach. Sara Lee performance-based restricted stock units will not be eligible for conversion at the time of this offering. The Coach service-based restricted stock units will maintain substantially the same release provisions as the Sara Lee service-based restricted stock units surrendered and cancelled. However, the Coach service-based restricted stock units will not vest for at least six months after this offering and shares will not be issued under vested restricted stock units unless certain requirements are satisfied that are intended to preserve Sara Lee's ownership of at least 80% of our outstanding stock until Sara Lee effects a distribution of our stock.

TREATMENT OF SARA LEE OPTIONS AND RESTRICTED STOCK UNITS UPON A DISTRIBUTION

We intend to assume any remaining Sara Lee options held by our employees on the date of any distribution of our common stock by Sara Lee and convert them into equivalent Coach options. As of September 13, 2000, our employees held options to purchase 1,809,481 shares of Sara Lee common stock, including options held by the selected executive employees who are entitled to surrender their Sara Lee options and receive Coach options when this offering is completed. As of September 13, 2000, our employees held 40,500 unvested Sara Lee performance-based restricted stock units and 29,500 unvested Sara Lee service-based restricted stock units. If Sara Lee effects a distribution of its Coach shares prior to expiration of the vesting cycle applicable to the outstanding Sara Lee service-based restricted stock units, at the time of the distribution we may convert all of the unvested Sara Lee service-based restricted stock units into Coach restricted stock units.

2000 STOCK INCENTIVE PLAN

Our 2000 Stock Incentive Plan, referred to as the 2000 Plan, has been adopted by our board of directors and has been approved by our sole shareholder, Sara Lee. The 2000 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights and other stock awards to our employees.

NUMBER OF SHARES OF COMMON STOCK AVAILABLE UNDER THE 2000 PLAN. A total of 5,300,792 shares of our common stock have been reserved for issuance pursuant to the 2000 Plan. No options to acquire shares of common stock or other awards have been issued as of September 1, 2000; however, in connection with this offering, we intend to grant to our employees options to purchase approximately 3,628,092 shares of our common stock at the initial public offering price. None of these options will be exercisable for one year after this offering, other than acceleration due to death or disability or unless Sara Lee effects a distribution of its Coach shares prior to the end of such one-year period. The number of shares of common stock available under the 2000 Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends). Any awards under the 2000 Plan that are made as a result of conversion by our employees of outstanding awards administered under the 2000 Plan, or in connection with our acquisition, will not reduce the number of shares available for issuance under the 2000 Plan.

ADMINISTRATION OF THE 2000 PLAN. The compensation and employee benefits committee of our board of directors will administer the 2000 Plan. Until Sara Lee effects a distribution of the Coach common stock it owns, we have agreed to adopt procedures satisfactory to Sara Lee to ensure that the issuance of shares of our common stock under the 2000 Plan will not cause Sara Lee's ownership of our outstanding capital stock to fall below 80%, which is necessary both to allow us to continue to file consolidated United States federal income tax returns with Sara Lee until such a transaction is completed, and to preserve the tax-free status of such a transaction. Under these procedures, we will be required to repurchase shares of our common stock on the open market as

options are exercised or restricted stock units vest and reissue the repurchased shares upon the exercise of options or the vesting of restricted stock units. In the case of any award under the 2000 Plan intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, our compensation and employee benefits committee will consist solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. Our committee has the power to determine the terms of the awards granted, including the exercise price, the number of shares subject to each option, the exercisability of the options and the form of consideration payable upon exercise.

OPTIONS. The exercise price of all options granted under the 2000 Plan will be at least equal to the fair market value of our common stock on the grant date. However, options granted upon the involuntary conversion of our employees' Sara Lee options may be granted with a purchase price that is intended to preserve the economic value of the option being replaced, but not less than the exercise price of the Sara Lee option that was converted. The committee may grant options that provide for the grant of a restoration option. If a person exercises an option that contains a restoration option provision and pays the exercise price by tendering shares of our common stock to us, or satisfies the minimum tax-withholding obligations by authorizing us to withhold shares that would be granted under the option, the person exercising the option may receive a restoration option for the number of shares tendered or withheld. The committee determines all other terms of options.

No optionee may be granted an option to purchase more than 1,060,158 shares over the term of the 2000 Plan, except that in the calendar year that an optionee begins service as the Chief Executive Officer, the optionee may be granted options to purchase up to 500,000 shares. Neither of these limits will include restoration options. The number of shares for which restoration options may be granted to any optionee in any calendar year may not exceed 500,000 shares.

After termination of employment, an optionee may exercise a vested option for the period of time stated in the option agreement. Generally, if termination is due to:

- death or disability, vesting accelerates and the option will remain exercisable until the earlier of its expiration date or 5 years;
- retirement, vesting continues and the option will remain exercisable until its expiration date;
- involuntary termination under which severance benefits are payable, a vested option will remain exercisable until the earlier of its expiration date or 90 days after the last day of the period for which severance benefits are payable; or
- cause, the option will terminate in its entirety on the date of termination.

In all other cases, a vested option will generally remain exercisable for 90 days; however, an option may never be exercised later than the expiration of its term. The options granted to employees at the time of this offering provide that retirement within two years of the date of this offering will be treated as a voluntary termination. Coach employees who have employment agreements with Coach or who routinely have access to proprietary and confidential information of Coach may be required to sign option agreements that obligate such employees to repay all financial gains they realize from exercising all or a portion of an option within the six-month period preceding certain conduct that is contrary or harmful to our interests, such as accepting employment with one of our competitors. The ability of Coach employees to exercise options (including in the event of acceleration of vesting due to death or disability) will be subject to certain limitations intended to preserve Sara Lee's ownership of at least 80% of our outstanding stock until Sara Lee effects a distribution of our stock.

STOCK APPRECIATION RIGHTS. All stock appreciation rights, or SARs, granted under the 2000 Plan generally represent a right to receive payment, in cash, stock, or a combination of cash and stock, equal to the excess of the fair market value of a specified number of shares of common stock on the exercise date over the fair market value of such shares on the grant date.

STOCK AWARDS. A stock award granted under the 2000 Plan represents an award made in or valued in whole or in part by reference to shares of common stock and may be payable in whole or in part in stock. The committee determines the conditions and restrictions of all stock awards granted under the 2000 Plan. No more than 20% of the shares reserved for issuance under the 2000 Plan may be issued as a stock award.

PAYMENT DEFERRALS. The committee may require or permit an optionee to defer the receipt of shares or cash or other property upon settlement of awards. The committee may also allow the payment or crediting of earnings on deferred amounts.

TRANSFERABILITY OF OPTIONS, SARS AND STOCK AWARDS. The 2000 Plan generally does not allow for the transfer of options, SARs or stock awards other than by will or the laws of descent and distribution pursuant to approved beneficiary designation procedures. Only the employee may exercise his or her options during his or her lifetime.

ADJUSTMENTS IN CONNECTION WITH A CHANGE IN CONTROL. In contemplation of or in the event of a change in control, the committee may provide for appropriate adjustments, including the acceleration of vesting and the settlement or substitution of awards. If a change of control occurs prior to the time Sara Lee effects an exchange or distribution of our common stock, one-half of all unvested options will vest automatically. The 2000 Plan expressly states that a distribution by Sara Lee of its Coach shares to Sara Lee's stockholders, in proportion to their ownership of Sara Lee stock or in connection with an exchange offer for Sara Lee stock, will not constitute a change of control.

AMENDMENT OF THE 2000 PLAN. Our board of directors has the authority to amend, suspend or terminate the 2000 Plan, provided it does not adversely affect any award previously granted under our 2000 Plan without the affected award holder's consent.

EXECUTIVE DEFERRED COMPENSATION PLAN

In June 2000, our board of directors adopted the Executive Deferred Compensation Plan, referred to as the Deferred Compensation Plan. The Deferred Compensation Plan has been approved by our sole stockholder, Sara Lee. The Deferred Compensation Plan is not a tax-qualified retirement plan. The Deferred Compensation Plan is a plan that permits all officers and key employees at or above the director level to elect to defer all or a portion of their annual bonus or annual base salary. A participant may also elect to transfer his or her deferrals under the Sara Lee Executive Deferred Compensation Plan to the Deferred Compensation Plan. All amounts deferred under the Deferred Compensation Plan are represented by deferred stock units, which represent the right to receive shares of our common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant; provided that prior to the date of distribution of our capital stock by Sara Lee, no distribution shall be made from the Deferred Compensation Plan unless Coach purchases shares on the open market to satisfy the distribution and reissues the repurchased shares to fund the distribution.

PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

Our board of directors has adopted the Performance-Based Annual Incentive Plan, referred to as the Annual Plan, and the Annual Plan has been approved by our sole stockholder, Sara Lee. The Annual Plan is intended to provide our senior management with annual incentive compensation that

is tied to the achievement of pre-established and objective performance goals, such as return on investment and cash flow. The compensation and employee benefits committee of our board administers the Annual Plan. In the case of awards intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the committee will consist solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. Under the Annual Plan, each participant is eligible to receive a predetermined annual award established by the compensation and employee benefits committee, which award may not exceed $1.0 million, if the performance goal has been satisfied.

2000 NON-EMPLOYEE DIRECTOR STOCK PLAN

Our board of directors has adopted the 2000 Non-Employee Director Stock Plan, referred to as the Director Plan, and the Director Plan has been approved by our sole stockholder, Sara Lee.

ADMINISTRATION. The compensation and employee benefits committee of our board of directors will administer the Director Plan. Until Sara Lee effects a distribution of the Coach common stock it owns, we have agreed to adopt procedures satisfactory to Sara Lee to ensure that the issuance of shares of our common stock under the Director Plan will not cause Sara Lee's ownership of our outstanding capital stock to fall below 80%, which is necessary both to allow us to continue to file consolidated United States federal income tax returns with Sara Lee until such a transaction is completed, and to preserve the tax-free status of such a transaction. Under these procedures, we will be required to repurchase shares of our common stock on the open market as options are exercised and use such repurchased shares to fund option exercises.

NUMBER OF SHARES AVAILABLE UNDER THE DIRECTOR PLAN. As of the date this offering is consummated, an aggregate of 84,813 shares of common stock will be reserved for options and share awards under the Director Plan. No options to acquire shares of common stock have been issued under this plan as of September 1, 2000; however, in connection with this offering. We intend to grant our non-employee directors options to purchase approximately 15,000 shares of our common stock at the initial public offering price. In any fiscal year, the aggregate number of shares that will be available for awards under the Director Plan will be two-tenths of one percent (.2%) of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year. The number of shares of common stock available under the Director Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends).

ELECTION FOR DIRECTORS FEES. Non-employee directors may elect to receive all or any portion of their annual directors fees in the form of either options or stock or a combination of options or stock.

OPTIONS. Each non-employee director will receive an annual option retainer consisting of 5,000 options on the last regularly scheduled meeting of the board held in October in each year beginning in October 2000. A restoration option may be granted if a director pays the purchase price upon exercise of an option by surrendering shares.

All options granted under our Director Plan have a term not longer than 10 years and an exercise price equal to the fair market value of our common stock on the date of grant. Each option becomes vested six months after the option grant date and will be subject to requirements intended to preserve Sara Lee's ownership of at least 80% of our outstanding capital stock; provided that no option may be exercised until the earlier of one year following this offering and the date that Sara Lee effects a distribution of the Coach common stock it owns. After termination of services as a

non-employee director, an optionee may exercise the vested portion of his or her option for the period of time stated in the option agreement. Generally, if termination is due to:

- death or disability, the vested option will remain exercisable until the earlier of its expiration date or five years; or

- for reasons other than death or disability, the vested option will remain exercisable until the earlier of its expiration date or 90 days following the termination.

STOCK AND OPTIONS IN LIEU OF FEES. We will deliver to each non-employee director who elects to receive stock in lieu of fees the number of shares equal to the portion of the annual directors fees elected to be invested in shares divided by the fair market value per share on the award date. Shares to be paid in respect of, and prior to, the one-year period beginning on the first November 1 after such election will not be transferred to the non-employee director until immediately after the first annual meeting of stockholders held after the date of such award. The amount of dividends that would otherwise be paid on such shares will be held by Coach until immediately after that annual meeting. Any undelivered shares and dividend equivalents will be forfeited if the non-employee director is not elected a director of Coach at that annual meeting. We will deliver to each non-employee director who elects to receive options in lieu of fees the number of shares equal to (a) three times the portion of the annual directors fees elected to be paid in the form of an option, divided by (b) the fair market value per share on the option grant date.

TRANSFERABILITY OF OPTIONS. A non-employee director generally may not transfer options granted to him or her under our Director Plan other than by will or the laws of descent and distribution. Only an optionee may exercise his or her options during his or her lifetime.

ADJUSTMENTS IN CONNECTION WITH A CHANGE IN CONTROL. In the event of a change in control, all outstanding options shall become immediately vested and exercisable and all shares and dividend equivalents not yet transferred to the non-employee director shall be immediately transferred to the non-employee director. The Director Plan expressly states that a distribution by Sara Lee of its Coach shares to the Sara Lee stockholders, in proportion to their ownership of Sara Lee stock or in connection with an exchange offer for Sara Lee stock, will not constitute a change of control.

AMENDMENT AND TERMINATION OF THE DIRECTOR PLAN. Our board of directors has the authority to amend or terminate the Director Plan at any time, provided it does not adversely affect any award previously granted under the Director Plan without the affected non-employee director's consent.

DIRECTORS' DEFERRED COMPENSATION PLAN

Our board of directors has adopted and our sole stockholder has approved the Directors' Deferred Compensation Plan. This plan is not a tax-qualified retirement plan. The Directors' Deferred Compensation Plan is a plan that permits non-employee directors to elect to defer all or a portion of their annual directors fees that are otherwise payable in cash. Amounts deferred under the Directors' Deferred Compensation Plan are invested in a stock account. All investments in the stock account are invested in common stock equivalents, which represent the right to receive the company's common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant; provided, that prior to the date of distribution of our capital stock by Sara Lee, no distribution shall be made from the Directors' Deferred Compensation Plan unless Coach purchases shares on the open market to satisfy the distribution and reissue the repurchased shares to fund the distribution.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

THE FOLLOWING IS A SUMMARY OF THE MATERIAL TERMS OF THE MASTER SEPARATION AGREEMENT AND THE OTHER AGREEMENTS BETWEEN US AND SARA LEE. FOR COMPLETE INFORMATION, YOU SHOULD READ THE FULL TEXT OF THESE AGREEMENTS, WHICH HAVE BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AS EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART. WE BELIEVE THAT THESE AGREEMENTS ARE ON TERMS THAT, OVERALL, ARE NO MORE FAVORABLE TO US THAN THOSE THAT WOULD HAVE BEEN AGREED UPON BY THIRD PARTIES ON AN ARM'S LENGTH BASIS.

MASTER SEPARATION AGREEMENT

The master separation agreement contains the key provisions relating to our separation from Sara Lee, this offering and Sara Lee's plans to complete its divestiture of Coach within 12 months of this offering through a distribution of all or a significant portion of its shares of our common stock.

THE SEPARATION. The separation will occur before the completion of this offering. Under the separation agreement, Sara Lee will transfer assets and liabilities to us related to our business, including our allocable portion of Sara Lee indebtedness in the form of a note payable to a Sara Lee subsidiary. In addition to the separation agreement, there are a number of related agreements which provide more detail regarding various aspects of the separation and various interim and ongoing relationships between Sara Lee and Coach following the separation. These include:

- a general assignment and assumption agreement;
- an employee matters agreement;
- a tax sharing agreement;
- a master transitional services agreement;
- a real estate matters agreement;
- an indemnification and insurance matters agreement; and
- a lease indemnification and reimbursement agreement.

To the extent that the terms of any of these related agreements conflict with the separation agreement, the terms of these agreements will govern. The material terms of these agreements are described more fully below.

THE INITIAL PUBLIC OFFERING. The parties will be obligated to use their reasonable efforts to satisfy the following conditions to the consummation of this offering:

- the registration statement containing this prospectus must be effective and no stop-order shall be in effect with respect to the registration statement;
- state securities and blue sky laws must be satisfied;
- our common stock must be listed on the New York Stock Exchange;
- all our obligations and Sara Lee's obligations under the underwriting agreement must be met or waived by the underwriters;
- Sara Lee must be satisfied that it will own at least 80.5% of our outstanding capital stock immediately following this offering;
- no legal restraints may exist preventing the separation, this offering or any other transaction contemplated by the separation agreement;

- the separation shall have become effective by the execution of the separation agreement and the related agreements;

- other actions reasonably requested by us or Sara Lee to ensure the successful completion of this offering shall have been taken; and

- the separation agreement must not have been terminated.

THE DISTRIBUTION. Sara Lee plans to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock in a tax-free split-off within 12 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other distribution method. Sara Lee is not obligated to complete any distribution under the separation agreement, however. Sara Lee, in its sole and absolute discretion, will determine the date of any distribution and the timing, terms and conditions of the distribution. We agree to take all actions reasonably requested by Sara Lee to facilitate the distribution.

COVENANTS BETWEEN SARA LEE AND COACH. We have agreed with Sara Lee to exchange information, engage in auditing practices, not take any action that would jeopardize Sara Lee's ownership of over 80% of our outstanding capital stock at any time prior to Sara Lee's distribution of our common stock and resolve disputes in a particular manner. We have also agreed to maintain the confidentiality of certain information, preserve available legal privileges, conduct our business prior to any distribution by Sara Lee in the ordinary course and consistent with past practice and engage in certain routine environmental and safety practices consistent with laws and in accordance with Sara Lee's environmental management system.

INFORMATION EXCHANGE. Both parties have agreed to share information relating to governmental, accounting, contractual and other similar requirements of our ongoing businesses, unless the sharing could be commercially detrimental, violate any law or agreement or waive any attorney-client privilege. In furtherance of this covenant, both parties have agreed as follows:

- Each party has agreed to maintain adequate internal accounting systems and controls to allow the other party to satisfy its own reporting and filing obligations and prepare its own financial statements.

- Each party will retain records beneficial to the other party in accordance with the policies of Sara Lee in effect on the separation date. If the records are going to be destroyed, the destroying party will give the other party an opportunity to retrieve all relevant information from the records, unless the records are destroyed in accordance with adopted record retention policies.

- Each party will use commercially reasonable efforts to provide the other party with directors, officers, employees, other personnel and agents who may be used as witnesses and books, records and other documents which may reasonably be required in connection with legal, administrative or other proceedings.

AUDITING PRACTICES. So long as Sara Lee is required to consolidate our results of operations and financial position, we have agreed to:

- not select a different independent accounting firm from that used by Sara Lee without Sara Lee's consent;

- use commercially reasonable efforts to enable our auditors to date their opinion on our audited annual financial statements on or before the same date as Sara Lee's auditors date their opinion on Sara Lee's financial statements;

- not change our fiscal year;

- exchange all relevant information needed to prepare timely financial statements;

- grant each other's internal auditors access to each other's records and to members of management; and

- not make significant changes in accounting principles without Sara Lee's consent, not to be unreasonably withheld.

SARA LEE'S OWNERSHIP OF OVER 80% OF OUR CAPITAL STOCK. We have agreed with Sara Lee that, from the separation date until the date of any distribution of all or a significant portion of our capital stock by Sara Lee, we will not take any action, such as issuing stock, without Sara Lee's consent if that action would jeopardize Sara Lee's ownership of over 80% of our outstanding capital stock. We may, however, issue stock options and restricted stock awards, provided we give prior written notice to Sara Lee and obtain Sara Lee's prior consent, and provided we repurchase sufficient amounts of our stock in open market transactions before such options are exercisable or such restricted stock is awarded, and use such repurchased stock to satisfy option exercises and restricted stock awards, so that Sara Lee will continue to own over 80% of our outstanding stock.

DISPUTE RESOLUTION. If a dispute arises with Sara Lee, under the separation agreement or the related agreements we have agreed to the following procedures:

- the senior executives of Coach and Sara Lee will first make a good faith effort to resolve the dispute through negotiation;

- if negotiations fail, the parties will attempt to resolve the dispute through mediation; and

- if mediation fails, the parties can resort to final and binding arbitration. By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to award a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and the enforcement of any award.

NO REPRESENTATIONS OR WARRANTIES. Sara Lee is not making any promises to us regarding:

- the value of any asset that Sara Lee is transferring to us;

- whether there is a lien or encumbrance on any asset Sara Lee is transferring, but Sara Lee shall provide us with notice if it receives notice of any claim or encumbrance;

- the absence of defenses with respect to any claims to be transferred; or

- the legal sufficiency of any conveyance of title to any asset Sara Lee is transferring.

NO SOLICITATION. Each party has agreed not to directly solicit or recruit employees of the other party without the other party's consent for two years after the separation date. However, this prohibition does not apply to general recruitment efforts carried out through public or general solicitation or where the solicitation is employee-initiated.

SARA LEE'S REGISTRATION RIGHTS. We have agreed to use our best efforts to effect up to three demand registrations under the applicable federal and state securities laws of the shares of our common stock held by Sara Lee, if requested by Sara Lee. Sara Lee may request no more than one demand registration in any calendar year. We have also granted Sara Lee the right to include its shares of our common stock in an unlimited number of other registrations of our common equity securities initiated by us or on behalf of our other stockholders. We agree to pay all costs and expenses in connection with each registration of our common stock requested by Sara Lee or in which Sara Lee participates. Each party has agreed to indemnify each other and any underwriters on standard terms, including for liability under federal securities laws.

EXPENSES. We will bear the costs and expenses associated with this offering, including costs associated with drafting the separation agreement, the related agreements and the documents relating to our formation. Sara Lee will bear the costs and expenses associated with any distribution of our common stock by Sara Lee. We will each bear our own internal costs incurred in consummating all of these transactions and any other costs and expenses shall be paid by the party incurring such cost or expense.

TERMINATION OF THE AGREEMENT. Sara Lee in its sole discretion can terminate the separation agreement and all related agreements and abandon this offering at any time prior to the closing of this offering without any liability on the part of either party. Both parties must agree to terminate the separation agreement and all ancillary agreements at any time between the closing of this offering and any distribution of all or a significant portion of our common stock.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The general assignment and assumption agreement identifies the assets Sara Lee will transfer to us and the liabilities that will be assumed by us from Sara Lee in connection with the separation. The agreement also describes when and how these transfers and assumptions will occur.

ASSET TRANSFER. Effective on the separation date, Sara Lee will transfer to us all inventory and other assets related to our business.

ASSUMPTION OF LIABILITIES. Effective on the separation date, we will assume from Sara Lee all liabilities related to our business. The liabilities that we will assume also will include our allocable portion of indebtedness of Sara Lee in the form of a note payable to a Sara Lee subsidiary.

EXCLUDED LIABILITIES. The general assignment and assumption agreement also provides that we will not assume liabilities to be retained by Sara Lee as specified in the related agreements and any liabilities that would otherwise be allocated to us but which are covered by Sara Lee's insurance policies, unless we are a named insured under such policies.

DELAYED TRANSFERS. If it is not practicable to transfer specified assets and liabilities, such as the outstanding capital stock of our foreign subsidiaries, on the separation date, the agreement provides that these assets and/or liabilities will be transferred after the separation date.

TERMS OF OTHER ANCILLARY AGREEMENTS GOVERN. If another ancillary agreement expressly provides for the transfer of an asset or an assumption of a liability, the terms of the other ancillary agreement will determine the manner of the transfer and assumption.

OBTAINING APPROVALS AND CONSENTS. The parties agree to use all commercially reasonable efforts to obtain any required consents, substitutions or amendments required to novate or assign all rights and obligations under any contracts to be transferred in the separation.

NONRECURRING COSTS AND EXPENSES. Any nonrecurring costs and expenses that are not allocated in the separation agreement or any other ancillary agreement shall be the responsibility of the party that incurs the costs and expenses.

LITIGATION. Subject to any specifically identified matter in the indemnification and insurance matters agreement and except with respect to tax matters, we will have exclusive authority and control of all pending actions solely relating to our business, our assets or our liabilities and Sara Lee will have exclusive authority and control of all pending actions solely relating to Sara Lee's business, assets or liabilities. Sara Lee may, in its sole discretion, have exclusive authority and control over all pending actions relating to our business, assets or liabilities if Sara Lee or its affiliates or subsidiaries are a party to such action. In such case, Sara Lee must obtain our prior

written consent, not to be unreasonably withheld, to settle, compromise or consent to the entry of judgment with respect to any such action. The parties will use their commercially reasonable efforts to have the other party removed as a party to any pending litigation.

EMPLOYEE MATTERS AGREEMENT

The employee matters agreement allocates to us some of the assets, liabilities and responsibilities relating to our current and former employees. The agreement also provides for our employees' continued participation in some of the benefit plans that Sara Lee currently sponsors. Under this agreement, we have assumed and agreed to pay, perform and fulfill all obligations relating to our employees arising out of their present or future employment with us and their prior employment with Sara Lee relating to our business.

All of our employees will continue to participate in the Sara Lee sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan, on terms comparable to those for Sara Lee employees until the earlier of an exchange or other distribution by Sara Lee of our common stock or until we establish our own benefit plans for our employees. We intend to establish our own benefit programs no later than the time of any exchange or other distribution by Sara Lee.

Once we establish our own benefits plans, we may modify or terminate each plan in accordance with the terms of that plan and our policies. None of our benefit plans will provide benefits that overlap benefits provided by the corresponding Sara Lee benefit plan, if any. Each of our benefit plans will provide that all service, compensation and other benefit determinations that were recognized under the corresponding Sara Lee benefit plan will be taken into account under that Coach benefit plan.

Assets relating to the employee liabilities that we assume pursuant to the employee matters agreement will be transferred to us or our related plans and trusts from trusts and other funding vehicles associated with Sara Lee's benefit plans.

TAX SHARING AGREEMENT

The tax sharing agreement allocates responsibilities for tax matters between Coach and Sara Lee. Until the date Sara Lee effects a distribution or other disposition of an amount of our stock sufficient to result in our no longer being a part of the Sara Lee affiliated group for U.S. federal income tax purposes, Sara Lee is responsible for preparing and filing all consolidated, combined and unitary tax returns that include us and our subsidiaries, as well as our separate federal, state, local or foreign income tax returns. We have the right to review and comment on the tax returns that Sara Lee files on our behalf, but Sara Lee has the exclusive right to determine the manner in which such tax returns are prepared, including the elections, method of accounting, positions, conventions and principles of taxation to be used. Except with respect to separate federal, state, local and foreign income tax returns, we are responsible for preparing and filing any tax returns that include only us and our subsidiaries.

The tax sharing agreement requires us to pay Sara Lee the incremental tax costs of our inclusion in consolidated, combined and unitary tax returns prepared by Sara Lee. In the case of a consolidated federal income tax return, the amount we owe Sara Lee will be computed as if we had filed our own separate, consolidated federal income tax return for us and our subsidiaries. The tax sharing agreement requires Sara Lee to compensate us for some, but not all, of the tax benefits that Sara Lee may derive from our inclusion in its consolidated federal income tax return. In the case of a unitary, combined or consolidated state income tax return, the amount we owe Sara Lee generally will be determined by comparing the amount of the group tax liability including us on the return with the amount of the group tax liability excluding us from the return. The tax sharing

agreement also provides that any refunds or deficiencies resulting from a redetermination of our tax liability for periods during which we joined in filing consolidated, combined or unitary tax returns are for Sara Lee's account. We are responsible for any taxes with respect to tax returns that include only us and our subsidiaries.

Each member of an affiliated group that files a consolidated tax return for United States federal income tax purposes is severally liable for the affiliated group's federal income tax liability. Accordingly, we could be required to pay a deficiency in the group's federal income tax liability for a period during which we were a member of Sara Lee's group even if the tax sharing agreement allocates that liability to Sara Lee or another member of the group. However, the tax sharing agreement provides that Sara Lee will indemnify us if we are required to pay a deficiency in the group's federal income tax liability that is the responsibility of Sara Lee or another member of the group under the tax sharing agreement.

Sara Lee is solely responsible for controlling and contesting any audit or other tax proceeding with respect to any consolidated, combined or unitary tax return that includes us and our subsidiaries, as well as any separate federal, state, local or foreign income tax return relating to us and our subsidiaries (in each case, if Sara Lee was responsible for filing such tax return under the tax sharing agreement). While we have the right to be consulted and kept informed with respect to any audit or other tax proceeding regarding a tax item for which we are responsible, Sara Lee has the sole and exclusive right to contest or settle the item in its discretion.

The tax sharing agreement also requires us to indemnify Sara Lee for certain taxes and similar obligations, including any taxes resulting from the failure of a distribution by Sara Lee of our common stock (and certain related transactions) to qualify as tax-free to Sara Lee as a result of actions taken, or the failure to take required actions, by us or any of our subsidiaries. Specifically, the tax sharing agreement requires us to cooperate with Sara Lee, and to take any and all actions reasonably requested by Sara Lee, in connection with Sara Lee's request, if any is made, for a private letter ruling from the Internal Revenue Service or for a legal opinion regarding the tax-free nature of a distribution of Coach stock by Sara Lee to Sara Lee's stockholders. Furthermore, we must comply with the representations made in connection with any such private letter ruling or legal opinion that is issued to Sara Lee. Our indemnity obligations include any interest and penalties on taxes, duties or fees for which we must indemnify Sara Lee.

The tax sharing agreement further requires us and Sara Lee to cooperate with respect to tax matters, the exchange of information and the retention of records which may affect the income tax liability of us or Sara Lee. Disputes arising between us and Sara Lee relating to matters covered by the tax sharing agreement are subject to resolution through specific dispute resolution provisions in the agreement.

MASTER TRANSITIONAL SERVICES AGREEMENT

The master transitional services agreement governs Sara Lee's provision of transitional services to us, on an interim basis, until two years after the separation date, provided that the agreement automatically terminates when Sara Lee effects a distribution of our capital stock. The services include support services for functions including accounting, treasury, internal audit coordination, environmental, tax, legal, Sara Lee Direct Call Center services, risk management and assessment services, information services, investor relations, and other administrative functions.

Under the agreement we will pay Sara Lee a fee of $1,000,000 per year for these services, payable in monthly installments over the two year term of the agreement, other than Sara Lee Direct Call Center services for which we will pay a specified rate per minute of use and other than specifically excluded services. The fee will be pro rated for the actual term of the agreement if the agreement terminates in its entirety before the end of its two year term. We may terminate the

agreement with respect to any service at any time upon notice to Sara Lee, however, the termination of any service will have no effect upon the fee. The master transitional services agreement also gives us the ability to request Sara Lee to provide additional services to us, but only at Sara Lee's discretion and only upon our payment of an additional agreed upon fee. We may also extend the term of the agreement with Sara Lee's consent on mutually acceptable terms.

REAL ESTATE MATTERS AGREEMENT

The real estate matters agreement addresses matters relating to leased properties used in our business that Sara Lee leases on our behalf. Under the agreement, Sara Lee will assign to us all leases for store sites and other facilities used by us upon the earlier to occur of the separation date or the fifth business day after we obtain the required consent to assignment. The real estate matters agreement requires both parties to use commercially reasonable efforts to obtain any landlord consents required for the proposed transfers of leased properties and provides that we will pay all reasonable costs and expenses in obtaining the landlord consents. If we do not obtain a required consent by the separation date, the parties agree to use their respective commercially reasonable efforts to allow us to occupy the property until the consent is obtained. We will be responsible for all costs, expenses and liabilities incurred by Sara Lee as a consequence of our occupancy.

The agreement further provides that we will be required to accept the transfer of all properties allocated to us, even if a site has been damaged by a casualty. If a lease is terminated due to casualty or action by the landlord prior to the separation date, that lease will not be transferred to us and neither party will have any liability relating to that lease.

Under the agreement, we are also obligated to use commercially reasonable efforts to obtain the release of any and all obligations of Sara Lee, including any guarantee, surety or other security, with respect to all of the leased properties transferred to us. We agree to indemnify Sara Lee for any and all losses incurred by Sara Lee as a result of our occupancy of any leased property after the separation date. In the event we execute any new leases after the separation date, other than certain scheduled properties, or any of the leases transferred to us after that date are subject to renewal after the separation date, Sara Lee will have no obligation to provide any guarantee, surety or other security for such new or renewed leases.

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

Upon the separation, Sara Lee will continue to be the primary lessee or guarantor or will otherwise not be fully and unconditionally released under many of our property leases. Under the lease indemnification and reimbursement agreement, we have agreed to obtain a letter of credit for the benefit of Sara Lee as of the time Sara Lee is no longer allowed to consolidate our results of operations and financial position.

LETTER OF CREDIT. The letter of credit shall approximately equal our annual minimum rental payments under the leases that Sara Lee has transferred to us and from which Sara Lee has not been fully and unconditionally released by the landlord, referred to as the "Relevant Leases." The required amount of the letter of credit shall be reduced or increased accordingly as our annual minimum rental payments under the Relevant Leases decrease or increase. We will be required to maintain the letter of credit until the annual minimum rental payments under the Relevant Leases fall below $2,000,000.

DRAWING UNDER THE LETTER OF CREDIT. Sara Lee may draw under the letter of credit upon the occurrence of certain events, including the following:

- if Sara Lee incurs any losses with respect to any of the Relevant Leases, Sara Lee may draw down on the letter of credit to the extent of such losses and we shall be required to promptly restore any amounts drawn;

- if we fail to promptly restore any amounts drawn by Sara Lee as required immediately above, Sara Lee may draw down on the entire amount of the letter of credit; and

- upon the acceleration of our bank indebtedness in excess of $5,000,000, Sara Lee may draw down on the entire amount of the letter of credit, provided we are unable to refinance such indebtedness in a timely manner.

COVENANTS. As long as Sara Lee has not been fully and unconditionally released from any Relevant Lease, we may not:

- merge or consolidate with another person unless certain conditions are met;

- allow any lien or encumbrance to exist on any Relevant Lease, unless the lien or encumbrance is imposed by the provider or providers of any senior working capital facility or any senior term loan facility established primarily for the purpose of funding the growth or expansion of our business and only so long as our ratio of adjusted debt to earnings before interest, taxes, depreciation, amortization and rent greater than 4.0; or

- transfer our interest under any Relevant Lease, unless Sara Lee consents and Sara Lee is fully and unconditionally released under the Relevant Lease.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

GENERAL RELEASE OF PRE-SEPARATION CLAIMS. Effective as of the separation date, we will release Sara Lee and its affiliates, agents, successors and assigns, and Sara Lee will release us, and our affiliates, agents, successors and assigns, from any liabilities arising from events occurring on or before the separation date. This provision will not impair a party from enforcing the separation agreement, any ancillary agreement or any arrangement specified in any of these agreements.

INDEMNIFICATION. In general, we have agreed to indemnify Sara Lee and its affiliates, agents, successors and assigns from all liabilities arising from:

- our business, any of our liabilities or any of our contracts; and

- any breach by us of the separation agreement or any ancillary agreement.

Sara Lee has agreed to indemnify us and our affiliates, agents, successors and assigns from all liabilities arising from:

- Sara Lee's business other than our business; and

- any breach by Sara Lee of the separation agreement or any ancillary agreement.

These indemnification provisions do not apply to amounts collected from insurance. The agreement also contains provisions governing notice and indemnification procedures.

LIABILITY ARISING FROM THIS PROSPECTUS. We have agreed to indemnify Sara Lee for any liability arising from any untrue statement of a material fact or any omission of a material fact in this prospectus or the registration statement, other than any liability relating to statements or omissions relating exclusively to:

- Sara Lee and its affiliates and subsidiaries;

- Sara Lee's business;

- Sara Lee's intentions with respect to any distribution; or

- the terms of any distribution.

Sara Lee will indemnify us with respect to any liabilities relating to the items listed above.

ENVIRONMENTAL MATTERS. We have agreed to indemnify Sara Lee and its affiliates, agents, successors and assigns from:

- environmental conditions arising out of operations occurring on or after the separation date at any of our facilities;

- environmental conditions existing on, under, about or in the vicinity of any of our facilities arising from an event causing contamination to the extent occurring on or after the separation date;

- the violation of environmental laws as a result of the operation of our facilities on or after the separation date; and

- environmental conditions at any third-party site to the extent liability arises from hazardous materials generated at any of our facilities after the separation date.

Sara Lee has agreed to indemnify us and our affiliates, agents, successors and assigns from:

- environmental conditions (1) existing on, under, about or in the vicinity of any of our facilities prior to the separation date, or (2) arising out of the operations occurring before the separation date at any of our facilities;

- environmental conditions on, under, about or arising out of operations occurring at any time, whether before or after the separation date, at any of Sara Lee facilities, excluding our facilities on or after the separation date;

- the violation of environmental laws as a result of the operation of any of our facilities prior to the separation date; and

- environmental conditions at any third-party site to the extent liability arises from hazardous materials generated at any of our facilities prior to the separation date.

INSURANCE MATTERS. The agreement also contains provisions governing our insurance coverage from the separation date until the date any distribution of our common stock by Sara Lee. In general, we agree to reimburse Sara Lee for premium expenses, deductibles and retention amounts related to our insurance coverage during this period. Prior to any distribution, Sara Lee will maintain insurance policies on our behalf. Sara Lee will promptly distribute to Coach any insurance proceeds that Sara Lee recovers under any Sara Lee insurance policy relating to our business. We will work with Sara Lee to secure additional insurance if desired by both parties. Sara Lee also will maintain insurance for Coach prior to the separation date.

INTERCOMPANY NOTE

Upon our separation from Sara Lee, we will assume an intercompany note payable to a subsidiary of Sara Lee in the aggregate principal amount of $190 million. The note represents our allocable portion of indebtedness of Sara Lee. The note will bear interest at a rate of one month LIBOR plus 30 basis points, for as long as Sara Lee owns a majority of our outstanding stock, and one month LIBOR plus 250 basis points thereafter. The note will have a final maturity of September 30, 2002 and may be prepaid at any time without penalty or premium. The note also requires mandatory prepayments from excess cash flow, as defined in the note, remaining after

repayment of borrowings under the revolving credit facility. The note includes various covenants, including:

- compliance with laws;

- maintenance of an interest coverage ratio greater than 1.75 to 1.0; and

- restrictions on liens, lease obligations in excess of amounts approved by Sara Lee, mergers and consolidations, significant property disposals, payment of dividends, transactions with affiliates (other than Sara Lee with respect to our separation from Sara Lee) and sale and leaseback transactions.

The note also contains customary events of default, such as failure to pay principal or interest when due, covenant defaults or breaches of representation or warranties, certain events of our bankruptcy and the entry of judgments against us exceeding $5,000,000.

As required by the terms of the note, we will use all of the net proceeds of the offering to repay a portion of the amount outstanding under the note. Immediately following the offering, the aggregate principal amount owed by us to the Sara Lee subsidiary under the note will be approximately $91 million, based upon an assumed initial public offering price of $15.00, or $76 million if the underwriters' option to purchase additional shares is exercised in full.

REVOLVING CREDIT FACILITY

On July 2, 2000, we entered into a revolving credit facility with Sara Lee which provides borrowing and investment capabilities under which we may borrow up to $75 million from Sara Lee and invest excess funds with them. Indebtedness under the revolving credit facility bears interest based upon one month LIBOR plus 30 basis points on the entire facility; investment earns interest based upon one month LIBOR less 20 basis points. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds a majority of our outstanding common stock. We intend to replace the Sara Lee facility with a banking institution facility prior to or at such time as the Sara Lee facility terminates. The credit facility may be prepaid without penalty or premium. The facility includes essentially the same covenants and customary events of default as the intercompany note, including failure to pay principal and interest when due, covenant defaults and certain events of our bankruptcy.

PRINCIPAL STOCKHOLDER

Prior to this offering, all of the outstanding shares of our common stock will be owned by Sara Lee, a publicly-held company that is listed on the New York Stock Exchange. After this offering, Sara Lee will own about 82.6%, or about 80.5% if the underwriters fully exercise their option to purchase additional shares of our outstanding common stock. Except for Sara Lee, we are not aware of any person or group that will beneficially own more than 5% of the outstanding shares of our common stock following this offering. None of our executive officers or directors currently owns any shares of our common stock, but those who own shares of Sara Lee common stock will be treated on the same terms as other holders of Sara Lee stock in any distribution of our common stock by Sara Lee. See "Management--Stock Ownership of Directors and Executive Officers" for a description of the ownership of Sara Lee stock by our directors and executive officers.

DESCRIPTION OF CAPITAL STOCK

THE FOLLOWING DESCRIPTION OF THE TERMS OF OUR CAPITAL STOCK IS A SUMMARY OF ALL MATERIAL TERMS OF OUR CAPITAL STOCK. FOR A COMPLETE DESCRIPTION, WE REFER YOU TO THE MARYLAND GENERAL CORPORATE LAW, OUR CHARTER AND BYLAWS. WE HAVE FILED OUR CHARTER AND BYLAWS AS EXHIBITS TO THIS REGISTRATION STATEMENT.

GENERAL

Our charter provides that we may issue up to 100,000,000 shares of common stock, par value $.01 per share, and up to 25,000,000 shares of preferred stock, par value $.01 per share, and permits our board, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Upon completion of this offering, 42,406,333 shares of common stock, or 43,513,333 shares of common stock if the underwriters fully exercise their option to purchase additional shares, and no shares of preferred stock will be issued and outstanding. The Maryland General Corporation law provides that our stockholders are not obligated to us or our creditors with respect to our stock, except to the extent that the subscription price or other agreed upon consideration has not been paid.

COMMON STOCK

All shares of common stock offered by this prospectus will be duly authorized, fully paid and nonassessable. Holders of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Holders of our common stock are entitled to receive dividends when authorized by our board of directors out of assets legally available for the payment of dividends. They are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock.

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage but not less than a majority of all the votes entitled to be cast on the matter. Our charter provides for approval by a majority of all the votes entitled to be cast in these situations.

POWER TO RECLASSIFY SHARES OF OUR STOCK

Our charter (1) authorizes our board of directors to classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock and (2) permits our board, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have

authority to issue. Prior to issuance of shares of each class or series, the board is required by Maryland law and by our charter to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. No shares of our preferred stock are presently outstanding and we have no present plans to issue any preferred stock.

POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK AND PREFERRED STOCK

We believe that the power to issue additional shares of common stock or preferred stock and to classify or reclassify unissued shares of common or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is ChaseMellon Shareholder Services.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

BOARD OF DIRECTORS

Our charter and bylaws provide that the number of our directors may be established by the board of directors. Our charter provides that any vacancy will be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors. However, while Sara Lee, its affiliates or certain of its transferees own a majority of our voting stock, (1) any vacancy on our board of directors which results from the removal of a director may be filled only by the affirmative vote of a majority of our voting stock and (2) any vacancy which results from any reason other than removal shall be filled only by the affirmative vote of a majority of the remaining directors and only with a director having the qualification of having been nominated, and whose election has been consented to, by Sara Lee or, if such vacancy remains unfilled at the time of the next meeting of the stockholders, by the affirmative vote of the holder or holders of a majority of our voting stock.

Our board is not currently classified and, although it would otherwise be permissible under Maryland law for our board to become classified without stockholder approval, we have included a provision in our charter prohibiting the classifying of our board without the approval of a majority of the votes cast on such matter by holders of our common stock.

REMOVAL OF DIRECTORS

Our charter provides that a director may be removed with or without cause by the affirmative vote of the holder or holders of a majority of the votes entitled to be cast in the election of directors.

BUSINESS COMBINATIONS

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include certain mergers, asset transfers or issuances or reclassifications of equity securities. An interested stockholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or

- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the stockholder otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

- two-thirds of the votes entitled to be cast by the holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute provides for various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has exempted any business combination involving Sara Lee or its affiliates. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any of them. As a result, Sara Lee or its affiliates may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance with the super-majority vote requirements and the other provisions of the statute.

The business combination statute could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

CONTROL SHARE ACQUISITIONS

Our bylaws contain a provision exempting from Maryland's control share acquisition statute any and all acquisitions by any person of shares of our stock. However, this provision could be amended or eliminated in the future.

Maryland's control share acquisition statute provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights, except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by

the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock, which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power

- one-tenth or more but less than one-third;

- one-third or more but less than a majority; or

- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or, if a meeting of stockholders is held, at which the voting rights of the shares are considered and not approved, as of the date of such meeting. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

AMENDMENT TO THE CHARTER

Our charter may be amended only by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter, except that the board of directors may, without action by our stockholders, amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue, change our name or change the name or designation or par value of any class or series of our stock or the aggregate par value.

DISSOLUTION OF THE COMPANY

The dissolution of the Company must be approved by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only:

- pursuant to our notice of the meeting;
- by the board of directors;
- by Sara Lee during the period it holds a majority of our outstanding common stock; or
- by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of directors at a special meeting may be made only:

- pursuant to our notice of the meeting;
- by the board of directors;
- by Sara Lee during the period it holds a majority of our outstanding common stock; or
- provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment as material to the cause of action. Our charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding unless it is established that:

- the act or omission was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under Maryland law, we may not indemnify for an adverse judgment in a suit by or in our right or for a judgment on the basis that personal benefit was improperly received, unless, in either case, a court orders indemnification and then only for expenses.

In addition, Maryland law permits us to advance reasonable expenses to a director or officer upon our receipt of (1) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification and (2) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by us if it is ultimately determined that the standard of conduct was not met.

Our charter also authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify (1) any present or former director or officer, or person who has agreed to become a director or officer, or (2) any director or officer who, at our request, serves another corporation or other enterprise as a director, officer, partner or trustee against any claim or liability arising from that status and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any person who served our predecessor in any of the capacities described above and any employee or agent of us or our predecessor.

ANTI-TAKEOVER EFFECT OF PARTICULAR PROVISIONS OF MARYLAND LAW AND OF THE CHARTER AND BYLAWS

The business combination provisions and, if the applicable provision in our bylaws is rescinded, the control share acquisition provisions of Maryland law and the advance notice provisions of our bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

CORPORATE OPPORTUNITIES

Under the terms of our charter, for so long as Sara Lee owns at least 50% of our outstanding common stock, Sara Lee shall not have a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us, and neither Sara Lee nor any its officers or directors shall be liable to us or our stockholders for breach of any duty by reason of any such activities. If Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for Sara Lee and us, Sara Lee shall have no duty to communicate or offer such corporate opportunity to us and shall not be liable to us or our stockholders for breach of any duty as our stockholder if Sara Lee pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not communicate information regarding, or offer, such corporate opportunity to us.

If one of our directors, officers or employees who is also a director, officer or employee of Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both us and Sara Lee, such director, officer or employee shall be entitled to offer such corporate opportunity to us or Sara Lee as such director, officer or employee deems appropriate under the circumstances in his or her sole discretion. In addition, no such director, officer or employee shall be liable to us or our stockholders for breach of any duty by reason of the fact that (1) the director, officer or employee offered such corporate opportunity to Sara Lee (rather than us) or did not communicate information regarding such corporate opportunity to us or (2) Sara Lee pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to another person or does not communicate information regarding such corporate opportunity to us. Neither Sara Lee nor any officer or director of Sara Lee shall be liable to us or our stockholders for breach of any duty by reason of the fact that Sara Lee or an officer or director of Sara Lee takes or fails to take any action or exercises or fails to exercise any rights or gives or withholds any consent in connection with any agreement or contract between Sara Lee and us.

SHARES ELIGIBLE FOR FUTURE SALE

RULE 144

All of the shares of our common stock sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares which be may acquired by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Persons who may be deemed to be our affiliates generally include individuals or entities that control, are controlled by, or are under common control with Coach and may include our directors and officers as well as our significant stockholders.

Sara Lee plans to effect a distribution of all or a significant portion of its shares of our common stock within 12 months after this offering. Shares of our common stock distributed to Sara Lee stockholders in the distribution generally will be freely transferable, except for shares of common stock received by persons who may be deemed to be affiliates of Coach. Persons who are deemed to be our affiliates will be permitted to sell the shares of common stock that are issued in this offering or that they receive in the exchange or other distribution only through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144.

The shares of our common stock held by Sara Lee before the exchange or other distribution are deemed "restricted securities" as defined in Rule 144, and may not be sold other than through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144. We, our directors and officers and Sara Lee have agreed not to offer or sell any shares of our common stock, subject to exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of the representatives of the underwriters, in their sole discretion. We further expect that all of the employees of Coach at the "Director" level and above, as a condition to their participation in our directed share program, will agree not to sell, assign, pledge or otherwise transfer or dispose of shares purchased under the program for 180 days after the date of the final prospectus without the prior written consent of both Goldman, Sachs & Co. and Coach, in their sole discretion.

STOCK PLANS

We will grant shares of our common stock pursuant to our stock plans subject to restrictions. See the section in this prospectus entitled "Management" for more information on our stock plans. We currently expect to file a registration statement under the Securities Act to register shares reserved for issuance under our stock incentive plans. Shares issued pursuant to awards after the effective date of the registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act subject to any contractual restrictions on transfer.

REGISTRATION RIGHTS

Under the master separation agreement with Sara Lee, we will grant Sara Lee the right to cause us to file up to three registration statements under the Securities Act covering resales of all shares of common stock held by Sara Lee and to cause the registration statements to become effective. Sara Lee may not request more than one demand registration in any calendar year. We will grant Sara Lee the right to include its shares of our common stock in an unlimited number of other registrations of our common stock initiated by us or on behalf of our other stockholders. We will pay the expenses of these registrations.

UNDERWRITING

Coach and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to the conditions in the underwriting agreement, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, and Prudential Securities Incorporated are the representatives of the underwriters.

Underwriter	Number of Shares
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
Prudential Securities Incorporated	
Total	7,380,000

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 1,107,000 shares from Coach to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Coach. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Paid by Coach	
	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to selected other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Coach, Sara Lee and Coach's directors and officers have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of Coach's common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any grants under existing employee benefit plans. See "Shares Eligible For Future Sale" for a discussion of transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among Coach and the representatives of the underwriters. Among the

factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be Coach's historical performance, estimates of the business potential and earnings prospects, an assessment of Coach's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common stock on the New York Stock Exchange under the symbol "COH". In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from Coach in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additonal shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short positon by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of Coach's common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

At the request of Coach, the underwriters have reserved for sale, at the initial public offering price, approximately 8% of the shares of common stock being offered for our directors and select employees, and the directors and executive officers of Sara Lee. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public in the offering will be reduced by the number of reserved shares sold. Any reserved shares not so purchased will be offered to the general public on the same basis as the other shares offered hereby.

A prospectus in electronic format may be made available on the websites maintained by some of the underwriters. The underwriters may agree to allocate a number of shares to underwriters for

sale to their online brokerage account holders. Internet distributions will be allocated by the lead managers to underwriters that may make Internet distributions on the same basis as other allocations.

Coach estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $3,500,000.

Coach and Sara Lee have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Goldman, Sachs & Co. has from time to time performed various investment banking services for Sara Lee in the past, and it may from time to time in the future perform investment banking services for Sara Lee and Coach for which it has received and will receive customary fees.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered hereby will be passed upon for us by Ballard Spahr Andrews & Ingersoll, LLP. Certain legal matters will be passed upon for the underwriters by Kirkland & Ellis, Chicago, Illinois. Kirkland & Ellis represents Sara Lee from time to time in connection with various legal matters.

EXPERTS

The financial statements included in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a Registration Statement on Form S-1, including exhibits and schedules, under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement. Some items included in the registration statement are omitted from this prospectus in accordance with the rules and regulations of the SEC. For further information about us and our common stock, reference is made to the registration statement and the exhibits and any schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the registration statement. A copy of the registration statement, including the exhibits and schedules to the registration statement, may be read and copied at the SEC's Public Reference Room at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549 and inspected at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. For further information on the Public Reference Rooms, please call the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement, including the exhibits and any schedules to the registration statement.

As a result of this offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934. We will fulfill our obligations with respect to those requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing financial statements certified by an independent public accounting firm.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of Sara Lee Corporation:

We have audited the accompanying consolidated and combined balance sheets of Coach (a business comprised of divisions and subsidiaries of Sara Lee Corporation) as of July 1, 2000 and July 3, 1999, and the related consolidated and combined statements of income, equity and cash flows for the years ended July 1, 2000, July 3, 1999 and June 27, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Coach as of July 1, 2000 and July 3, 1999, and the results of its operations and its cash flows for the years ended July 1, 2000, July 3, 1999 and June 27, 1998 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic consolidated and combined financial statements taken as a whole. The schedule identified in Item 16(B) of the registration statement is presented for purposes of complying with the Securities and Exchange Commission rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois
July 26, 2000
(except with respect to the matter
discussed in Note 17, as to which
the date is August 25, 2000)

COACH, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS

	JULY 3, 1999	JULY 1, 2000	PRO FORMA AS ADJUSTED JULY 1, 2000 (UNAUDITED)
	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)		
ASSETS			
Cash	$ 148	$ 162	$ 162
Trade accounts receivable, less allowances of $6,119 at July 3, 1999, and $5,931 July 1, 2000	11,818	15,567	15,567
Inventories			
Finished goods	82,086	95,446	95,446
Work in process	2,433	677	677
Materials and supplies	16,876	5,974	5,974
Total inventory	101,395	102,097	102,097
Prepaid expenses	3,106	3,239	3,239
Deferred income taxes	6,477	8,996	8,996
Other current assets	3,676	3,627	3,627
Total current assets	126,620	133,688	133,688
Receivable from Sara Lee	54,150	63,783	--
Trademarks and other assets	11,269	10,590	10,590
Property			
Machinery and equipment	16,532	16,256	16,256
Furniture and fixtures	67,751	61,192	61,192
Leasehold improvements	88,611	89,448	89,448
Construction in progress	8,687	15,048	15,048
Accumulated depreciation	(120,430)	(116,760)	(116,760)
Property, net	61,151	65,184	65,184
Deferred income taxes	23,369	18,189	18,189
Goodwill, net	5,529	5,219	5,219
Total assets	$ 282,088	$ 296,653	$ 232,870
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bank overdrafts	$ 4,023	$ 4,940	$ 4,940
Accounts payable	10,122	2,926	2,926
Accrued liabilities			
Advertising and promotions	7,583	8,760	8,760
Income and other taxes	5,694	6,040	6,019
Payroll and benefits	28,169	37,994	37,994
Rent, utilities, insurance, interest and administration fees	11,855	10,224	10,224
Product repairs	6,100	5,400	5,400
Other	1,354	3,275	3,275
Long-term debt due within 1 year	35	40	40
Total current liabilities	74,935	79,599	79,578
Long-term debt	3,775	3,735	94,735
Other liabilities	216	511	511
Common stockholders' net investment			
Preferred stock: (authorized 25,000,000 shares; $.01 par value) None issued	--	--	--
Common stock: (authorized 100,000,000 shares; $.01 par value) Issued--1,000 shares	--	--	424
Capital surplus	--	--	57,917
Sara Lee Corporation equity	203,966	213,103	--
Accumulated other comprehensive loss	(804)	(295)	(295)
Total equity	203,162	212,808	58,046
Total liabilities and common stockholders' equity	$ 282,088	$ 296,653	$ 232,870

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

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	YEARS ENDED		
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales	$522,220	$507,781	$548,918
Cost of sales	235,512	226,190	220,085
Gross profit	286,708	281,591	328,833
Selling, general and administrative expenses	261,695	255,008	272,816
Reorganization costs	--	7,108	--
Operating income	25,013	19,475	56,017
Interest income	272	27	33
Interest expense	(508)	(441)	(420)
Minority interest in subsidiary	66	--	--
Income before income taxes	24,843	19,061	55,630
Income taxes	4,180	2,346	17,027
Net income	$ 20,663	$ 16,715	$ 38,603
Unaudited pro forma as adjusted basic net income per share			$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share			42,406
Unaudited pro forma as adjusted diluted net income per share			$ 0.82
Shares used in computing unaudited pro forma as adjusted diluted net income per share			42,583

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

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENT OF EQUITY

	TOTAL	SARA LEE CORPORATION EQUITY	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)
		(DOLLARS IN THOUSANDS)		
BALANCES AT JUNE 28, 1997	$165,361	$165,493	$(132)	
Net income	20,663	20,663	--	$20,663
Translation adjustments	134	--	134	134
Minimum pension liability	(394)	--	(394)	(394)
Comprehensive income				$20,403
Capital contribution	1,095	1,095	--	
BALANCES AT JUNE 27, 1998	186,859	187,251	(392)	
Net income	16,715	16,715	--	$16,715
Translation adjustments	(9)	--	(9)	(9)
Minimum pension liability	(403)	--	(403)	(403)
Comprehensive income				$16,303
BALANCES AT JULY 3, 1999	203,162	203,966	(804)	
Net income	38,603	38,603	--	$38,603
Equity distribution	(29,466)	(29,466)	--	
Translation adjustments	152	--	152	152
Minimum pension liability	357	--	357	357
Comprehensive income				$39,112
BALANCES AT JULY 1, 2000	$212,808	$213,103	$(295)	

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

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	YEARS ENDED		
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	$ 20,663	$ 16,715	$ 38,603
Adjustments for noncash charges included in net income:			
Depreciation	21,571	21,339	21,729
Amortization of intangibles	1,213	917	899
Reorganization costs	--	7,108	--
Increase (decrease) in deferred taxes	1,172	(4,286)	2,661
Other noncash credits, net	(766)	2,843	(1,688)
Changes in current assets and liabilities:			
Decrease (increase) in trade accounts receivable	4,473	1,315	(3,751)
(Increase) decrease in inventories	(30,206)	30,977	(725)
Decrease (increase) in other current assets	9,347	(1,876)	(90)
Increase (decrease) in accounts payable	2,337	(1,922)	(7,196)
(Decrease) increase in accrued liabilities	(12,629)	5,875	11,154
Decrease in receivable from Sara Lee	25,340	18,651	22,442
Net cash from operating activities	42,515	97,656	84,038
INVESTMENT ACTIVITIES			
Purchases of property and equipment	(15,178)	(13,519)	(26,060)
Acquisition of minority interest	--	(896)	--
Dispositions of property	840	2,646	2,695
Net cash used in investment activities	(14,338)	(11,769)	(23,365)
FINANCING ACTIVITIES			
Additional capital contribution	1,095	--	--
Borrowings from Sara Lee	533,427	445,154	541,047
Repayments to Sara Lee	(555,979)	(529,043)	(573,122)
Equity distribution	--	--	(29,466)
Bank overdrafts	(6,731)	(1,996)	917
Repayments of long-term debt	--	(35)	(35)
Net cash used in financing activities	(28,188)	(85,920)	(60,659)
Effect of changes in foreign exchange rates on cash	7	(2)	--
(Decrease) increase in cash and equivalents	(4)	(35)	14
Cash and equivalents at beginning of year	187	183	148
Cash and equivalents at end of period	$ 183	$ 148	$ 162

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

1.) BACKGROUND AND BASIS OF PRESENTATION

On May 30, 2000, Sara Lee Corporation ("Sara Lee") announced its plan to create an independent publicly traded company, Coach, Inc. ("Coach" or the "Company") comprised of Sara Lee's branded leather goods and accessories business. After completion of Coach's initial public offering, Sara Lee will own at least 80.5% of Coach's outstanding capital stock.

Coach designs, manufactures, markets and sells primarily fine leather handbags and accessories. Coach products are manufactured by third-party suppliers as well as by Coach-operated manufacturing facilities. Coach markets products via company operated retail stores, direct mail catalogs, e-commerce website, factory stores, and via selected upscale department and specialty retailer locations and international department, retail and duty free shop locations. As of July 1, 2000, Coach operates 2 manufacturing facilities, 3 warehouse, distribution and product development centers, 106 United States retail stores, 63 United States factory stores and 2 retail locations in the United Kingdom.

Coach was formed in 1941 and was acquired by Sara Lee in July 1985 in a transaction accounted for as a purchase. Coach is operated as a division in the United States and a subsidiary in foreign countries. On June 1, 2000, Coach was incorporated under the laws of the State of Maryland.

Sara Lee and Coach have entered into a Master Separation Agreement, General Assignment and Assumption Agreement, Indemnification and Insurance Matters Agreement, Master Transitional Services Agreement, Real Estate Matters Agreement, Lease Indemnification and Reimbursement Agreement, Employee Matters Agreement and Tax Sharing Agreement (collectively referred to as the "Separation Agreements") (See Note 15 of the consolidated and combined financial statements). Pursuant to the Separation Agreements, Sara Lee will transfer to Coach the assets and liabilities that relate to the Coach business on a date ("the Separation Date") prior to the date of completion of Coach's initial public offering.

The consolidated and combined financial statements of Coach reflect the historical results of operations and cash flows of the Coach leather goods and accessories business of Sara Lee during each respective period. Under Sara Lee's ownership, Coach's United States operations were a division of Sara Lee and not a separate legal entity, while Coach's foreign operations were subsidiaries of Sara Lee. 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. The financial information included herein may not reflect the consolidated financial position, operating results, changes in stockholder's net investment and cash flows of Coach in the future, or what they would have been had Coach been a separate, stand-alone entity during the periods presented. On the separation date, Coach will begin operating as a separate legal entity.

The consolidated financial statements include allocations of certain Sara Lee expenses, including certain accounting, treasury, real estate, human resources, and other Sara Lee corporate services and infrastructure costs. The expense allocations have been determined on the basis that Sara Lee and Coach considered to be reasonable reflections of the utilization of services provided by Sara Lee.

2.) SIGNIFICANT ACCOUNTING POLICIES

Fiscal year--Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 2000 and 1998 were 52-week years. Unless otherwise stated, references to years in the financial statements relate to fiscal years.

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

Consolidation--The consolidated and combined financial statements include the accounts of Coach. All significant intercompany transactions and balances within Coach are eliminated in consolidation.

Cash and Cash Equivalents--Cash consists of cash balances and short term investments with a maturity of less than 90 days.

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.

Property--Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. Machinery and equipment are depreciated over lives of 5 to 7 years and furniture and fixtures are depreciated over lives of 3 to 5 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts.

Pre-opening Costs--Costs associated with the opening of new retail stores are expensed in the periods incurred.

Software Development Costs--Prior to the adoption date of AICPA Statement of Position ("SOP") No. 98-1 in 1999, Coach expensed all software development costs as incurred. Since adoption of SOP 98-1, Coach's policy is to capitalize certain costs relating to software developed and implemented for internal use and to amortize these costs over a period of 3 to 5 years. No material software development costs were incurred in 1998, 1999 or 2000.

Intangible Assets--The excess of cost over fair market value of tangible net assets and trademarks of acquired businesses is amortized on a straight line basis over the periods of expected benefit, which range from 5 to 40 years. Accumulated amortization of intangible assets at June 27, 1998, July 3, 1999, and July 1, 2000 is $6,421, $2,960 and $3,257, respectively.

Long-Lived Assets--Long-lived assets primarily include property, identifiable intangible assets and goodwill. Long-lived assets being retained for use by Coach are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
during the period. The impairment loss is calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance.

Long-lived assets which are to be disposed of are reported at the lower of carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which management commits to a plan to dispose of the assets.

Transactions with Sara Lee--Receivable from Sara Lee represents the net amount due to or from Sara Lee as a result of intercompany transactions between Coach and Sara Lee. See Note 15 for a description of the relationship with Sara Lee.

Revenue Recognition--Sales are recognized at the "point of sale", which occurs when merchandise is sold in an "over the counter" consumer transaction or upon shipment to a customer. The Company maintains a reserve for potential product returns and records its provision for estimated product returns based upon historical experience. The charge for estimated product returns is recorded against sales for the period. Certain royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is accrued based upon reported sales from the licensee.

Sales Incentives--Sales incentives include sales discounts that are offered to the customer at the time of sale. Sales incentives that result in a reduction of the selling price at the time of sale are recorded in net sales.

Advertising--Advertising costs, which include media and production totaled $16,777, $12,598 and $15,764 for the fiscal years 1998, 1999, and 2000. Advertising costs are expensed when the advertising first takes place.

Stock Based Compensation--Employee stock options are accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net earnings and earnings per share as if the fair value based method of accounting had been applied as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123").

Income Taxes--Coach's operating results historically have been included in Sara Lee's consolidated U.S. and state income tax returns and in the tax returns of certain Sara Lee foreign operations. For as long as Sara Lee continues to own greater than 80% of Coach's outstanding capital stock, Coach will continue to be included in these consolidated tax returns. The provision for income taxes in Coach's financial statements has been prepared as if Coach were a stand-alone entity and filed separate tax returns. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency--The functional currency of the Company's foreign operations is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The resulting translation adjustments are recorded as a component of other comprehensive income within stockholders equity. Included in net income are gains and losses from foreign currency transactions of $94, $19 and $28 for 1998, 1999 and 2000, respectively.

3.) STOCK-BASED COMPENSATION

SARA LEE STOCK-BASED PLANS

Coach employees participate in stock-based compensation plans of Sara Lee. Sara Lee maintains various stock option, employee stock purchase and stock award plans.

STOCK OPTIONS--The exercise price of each stock option equals 100% of the market price of Sara Lee's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years. During 1998, Sara Lee instituted a broad-based stock option incentive program under which Sara Lee granted options, to essentially all full-time Coach employees, to purchase a total of approximately 449 shares of Sara Lee common stock.

Under certain stock option plans, an active employee may receive a Sara Lee replacement stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option is 100% of the market value at the date of exercise of the original option and will remain exercisable for the remaining term of the original option. Replacement stock options generally vest six months from the grant date.

3.) STOCK-BASED COMPENSATION (CONTINUED)

A summary of options held by Coach employees under Sara Lee option plans follows:

(SHARES IN THOUSANDS)	NUMBER OF SARA LEE OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at June 28, 1997.....	759	$18.04	333	$14.12
Granted.....	1,362	22.17		
Exercised.....	(530)	15.08		
Canceled/Expired.....	(212)	19.60		
Transfers.....	50	21.01		
Outstanding at June 27, 1998.....	1,429	22.43	246	20.96
Granted.....	584	24.92		
Exercised.....	(232)	17.47		
Canceled/Expired.....	(263)	22.63		
Outstanding at July 3, 1999.....	1,518	22.63	603	23.02
Granted.....	563	22.69		
Exercised.....	(167)	24.01		
Canceled/Expired.....	(216)	21.89		
Transfers.....	111	19.26		
Outstanding at July 1, 2000.....	1,809	23.06	935	23.44

The following table summarizes information about stock options held by Coach employees under Sara Lee option plans at July 1, 2000.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 1, 2000	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 1, 2000	WEIGHTED AVERAGE EXERCISE PRICE
$11.41-20.60	612	4.6	$19.67	378	$19.27
$20.61-23.81	494	8.8	23.14	97	23.81
$23.82-30.44	703	6.2	25.94	460	26.78
	1,809	6.4	$23.06	935	$23.44

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

3.) STOCK-BASED COMPENSATION (CONTINUED)
The fair value of each Coach option grant under the Sara Lee plans is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	1998	1999	2000
Expected lives	3.8 years	3.5 years	4.0 years
Risk-free interest rate	6.0%	5.2%	5.9%
Expected volatility	22.6%	24.1%	27.0%
Dividend yield	1.7%	1.8%	2.6%

The weighted average fair value of individual options granted during 1998, 1999 and 2000 was $4.44, $4.73 and $4.96, respectively.

EMPLOYEE STOCK PURCHASE PLAN ("ESPP"). Sara Lee maintains an ESPP that permits full-time Coach employees to purchase a limited number of Sara Lee common shares at 85% of market value. Under the plan, Sara Lee sold 54, 81 and 100 shares to Coach employees in 1998, 1999 and 2000, respectively. Pro forma compensation expense is calculated for the fair value of the employees' purchase rights using the Black-Scholes model. Assumptions include an expected life of 1/4 of a year and weighted average risk-free interest rates of 5.2%, 4.6% and 5.4% in 1998, 1999 and 2000, respectively. Other underlying assumptions are consistent with those used for the Sara Lee stock option plans described above.

Under APB 25, no compensation cost is recognized for stock options and replacement stock options under the various Sara Lee stock-based compensation plans and shares purchased under the ESPP. Had compensation cost for the grants for stock-based compensation been determined consistent with SFAS 123, Coach's net income for 1998, 1999 and 2000 would have been as follows:

	1998	1999	2000
Net income	$18,489	$14,615	$36,051

3.) STOCK-BASED COMPENSATION (CONTINUED)

STOCK UNIT AWARDS. Restricted stock unit awards of Sara Lee stock are granted to Coach employees as performance awards and retention awards. The value of performance awards is determined assuming the employee meets the performance requirements and based upon the estimated fair value of the stock earned at the end of the performance cycle. The value is accrued through a charge to earnings as the award vests. The vesting period is typically three years.

The value of retention awards is determined assuming the employee meets the retention requirements and based upon the fair value of the Sara Lee stock at the grant date. The value is accrued through a charge to earnings over the retention period. The retention period is typically three years.

All stock unit awards are restricted and subject to forfeiture and entitle the participant to dividends that are escrowed until the participant receives the shares. The expense related to these awards for fiscal years 1998, 1999 and 2000 was $380, $660 and $963, respectively.

COACH STOCK-BASED PLANS

STOCK OPTIONS. Concurrent with the initial public offering, Coach intends to establish a stock option plan for Coach employees. Coach employees can continue to participate in the Sara Lee plan while Sara Lee maintains at least an 80% ownership interest in Coach. No future stock option grants will be made under the Sara Lee plan to Coach employees; instead, future grants to Coach employees will be made under the Coach plan. Coach employees who have attained the title of director or above and who are Sara Lee option holders will receive the right to convert Sara Lee options into Coach options at the IPO date using a conversion ratio of Coach's stock price to Sara Lee's stock price with a conversion ratio floor of 1.00. Any Sara Lee option converted into a Coach option generally may not be exercised until the earlier of one year following conversion, or that time when Sara Lee ceases to own at least 80% of Coach's outstanding capital stock, subject to the original vesting requirements and subject to certain requirements intended to maintain Sara Lee's ownership of at least 80% of Coach's outstanding capital stock at all times prior to Sara Lee's distribution of all or a significant portion of its Coach stock. However, no option will be exercisable until six months after the offering. At July 1, 2000, there were 1,589 stock options outstanding and eligible to convert, of which 810 were exercisable at a weighted average exercise price of $23.89. Sara Lee options which are converted to Coach options will result in an expense equal to the intrinsic value (if any) on the date of conversion, being recorded over the remaining vesting period of the option. The Coach IPO price of $15.00 and the Sara Lee stock price on September 13, 2000 of $20.375 are the assumed prices on the offering date. Using these assumptions, an expense of $0.067 million will result. No further compensation expense will result from these converted options.

ESPP--Coach will continue to participate in the Sara Lee ESPP until either Sara Lee completes an exchange or other distribution of Coach, or Coach establishes a separate ESPP.

STOCK UNITS--Certain Coach employees who hold in the aggregate approximately 30 Sara Lee restricted stock units will be given the election to convert these stock units into Coach restricted stock units with the same market value and terms on the date of conversion. The Coach IPO price of $15.00 and the Sara Lee stock price on September 13, 2000 of $20.375 are the assumed prices

3.) STOCK-BASED COMPENSATION (CONTINUED)

on the offering date. Using these assumptions, no additional expense would occur from the conversion of the restricted stock units.

4.) MINORITY INTEREST IN SUBSIDIARIES

Coach owned 60% of an Italian manufacturing operation. At the beginning of 1999, Coach purchased equity held by the minority partners and subsequently closed this operation and incurred shutdown costs of $331 that are discussed in Note 8.

5.) LONG TERM DEBT, CREDIT FACILITIES AND CONCENTRATION OF CREDIT RISK

Long-term debt consists of an 8.77% loan that matures in 2015. Interest expense for this loan for fiscal years 1998, 1999 and 2000 was $337, $336 and $334, respectively. Cash interest paid for fiscal years 1998, 1999 and 2000 was $268, $336 and $333, respectively. Debt service payments under this loan for the years ending 2001 through 2005 are $369, $371, $396, $395 and $422, respectively.

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. The balance due under this arrangement is included in the receivable from Sara Lee. For the periods presented, no interest is charged or earned on these balances. As of July 2, 2000, the balance on the receivable from Sara Lee will be capitalized into Sara Lee's investment in Coach. No cash will be paid or collected by either party.

Subsequent to the initial public offering Coach will continue to participate in the Sara Lee cash concentration system through a revolving credit facility entered into between Coach and Sara Lee on July 2, 2000. 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. Primarily all cash flows from operations less capital expenditures must be used by Coach to pay this note.

As described in Note 16 (Subsequent Events), Coach will undergo an equity restructuring which will result in $190,000 of long-term debt to a subsidiary of Sara Lee being recorded on Coach's balance sheet.

6.) LEASES

Coach, as a division of Sara Lee, leases certain office, distribution, retail and manufacturing facilities. The lease agreements, which expire at various dates through 2015, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance.

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

6.) LEASES (CONTINUED)
Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Substantially all existing leases are guaranteed by Sara Lee.

Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target, which triggers the related payment, are considered probable. Rent expense for the Company's operating leases, consisted of the following:

	1998	1999	2000
Minimum rentals	$25,642	$26,191	$25,495
Contingent rentals	2,109	2,163	2,869
Total Rent Expense	$27,751	$28,354	$28,364

Future minimum rental payments under non-cancellable operating leases are as follows:

YEAR ENDED	AMOUNT
2001	$ 26,525
2002	25,188
2003	23,865
2004	23,472
2005	22,310
Subsequent to 2005	126,997
Total minimum future rental payments	$248,357

Certain operating leases provide for renewal for periods of 3 to 5 years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by new leases.

7.) CONTINGENCIES

Coach is a party to several pending legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, Sara Lee's and Coach's general counsel and management are of the opinion that the final outcome should not have a material effect on Coach's results of operations or financial position.

8.) REORGANIZATION COSTS

In the second quarter of 1999, the management of Coach and Sara Lee committed to a plan involving the closure of the Carlstadt, New Jersey warehouse and distribution center; the closure of

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

8.) REORGANIZATION COSTS (CONTINUED)
the Italian manufacturing operation; and the reorganization of the Florida manufacturing facility. The reorganization plan included the elimination of 737 manufacturing and warehouse employee positions. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all distribution functions at the Jacksonville, Florida distribution center.

During 1999, Coach closed the Carlstadt, New Jersey warehouse and distribution center and the Italian manufacturing operation. 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 at the Florida manufacturing facility, 737 employees were terminated. The composition of the reorganization reserves is set forth in the table below. At July 1, 2000, these reorganization actions were complete and remaining workers' separation costs relate to unpaid costs for terminated employees which will be paid by December 2000.

	ORIGINAL REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF JULY 1, 2000
Workers' separation costs....	$5,893	--	$(5,751)	$ 142
Lease termination costs.....	1,155	--	(1,155)	--
Anticipated losses on disposal of fixed assets...	60	$(60)	--	--
Total reorganization reserves.....	$7,108	$(60)	$(6,906)	$ 142

9.) RETIREMENT PLANS

Coach sponsors a noncontributory defined benefit plan, The Coach Leatherware Company, Inc. Supplemental Pension Plan, for individuals who are a part of collective bargaining arrangements.

Employees who meet certain eligibility requirements and are not part of a collective bargaining arrangement participate in defined benefit pension plans sponsored by Sara Lee. These defined benefit pension plans include employees from a number of domestic Sara Lee business units. The annual cost of the Sara Lee defined benefit plans is allocated to all of the participating businesses based upon a specific actuarial computation which is consistently followed. All obligations pursuant to these plans are obligations of Sara Lee and will continue to be obligations of Sara Lee after the initial public offering.

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

9.) RETIREMENT PLANS (CONTINUED)

The annual expense incurred by Coach for the defined benefit plans is as follows:

	1998	1999	2000
Coach Leatherware Company, Inc. Supplemental Pension Plan	$ 326	$ 386	$ 173
Participation in Sara Lee sponsored defined benefit plans	1,331	2,304	2,154
Total defined benefit plan expense	$1,657	$2,690	$2,327

The components of the Coach Leatherware Company, Inc. Supplemental Pension Plan were:

	1998	1999	2000
Components of defined benefit net periodic pension cost:			
Service cost	$ 347	$ 436	$ 192
Interest cost	218	282	314
Expected return on assets	(254)	(361)	(359)
Amortization of:			
Net initial asset	(50)	(50)	(50)
Prior service cost	59	59	29
Net actuarial loss	6	20	47
Net periodic pension cost	$ 326	$ 386	$ 173

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

9.) RETIREMENT PLANS (CONTINUED)

The funded status of the Coach Leatherware Company, Inc. Supplemental Pension Plan at the respective year-ends was:

	1998	1999	2000
Projected benefit obligation:			
Beginning of year	$3,052	$4,583	$5,109
Service cost	348	436	192
Interest cost	218	282	314
Benefits paid	(83)	(105)	(148)
Actuarial (gain) loss	1,048	(87)	(178)
End of year	$4,583	$5,109	$5,289
Fair value of plan assets:			
Beginning of year	$2,952	$4,313	$4,306
Actual return/(loss) on plan assets	952	(99)	541
Employer contributions	492	197	291
Benefits paid	(83)	(105)	(148)
End of year	$4,313	$4,306	$4,990
Funded Status	$ (270)	$ (803)	$ (299)
Unrecognized:			
Prior service cost	$ 526	$ 234	$ 205
Net actuarial loss	729	1,081	674
Net initial asset	(149)	(98)	(48)
Prepaid benefit cost recognized	$ 836	$ 414	$ 532
Amounts recognized on the consolidated balance sheets:			
Other noncurrent assets	$ 526	$ 234	$ 205
Noncurrent benefit liability	(270)	(803)	(299)
Accumulated other comprehensive income	580	983	626
Prepaid benefit cost recognized	$ 836	$ 414	$ 532

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

9.) RETIREMENT PLANS (CONTINUED)

Net pension expense for the Coach Leatherware Company, Inc. Plan is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year. The assumptions used at the respective year-ends were:

	1998	1999	2000
Discount rate	6.25%	6.25%	6.50%
Long-term rate of return on plan assets	8.50	8.50	8.25%
Rate of compensation increase	4.50	4.50	5.50%

10.) INCOME TAXES

The provisions for income taxes computed by applying the U.S. statutory rate to income before taxes as reconciled to the actual provisions were:

	1998		1999		2000	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Income (loss) before provision for income taxes:						
United States	$10,863	43.7%	$ 8,919	46.8%	$43,527	78.2%
Puerto Rico	16,523	66.5	10,241	53.7	13,000	23.4
Foreign	(2,543)	(10.2)	(99)	(0.5)	(897)	(1.6)
	$24,843	100.0%	$19,061	100.0%	$55,630	100.0%
Tax expense at U.S. statutory rate	$ 8,695	35.0%	$ 6,671	35.0%	$19,471	35.0%
State taxes, net of federal benefit	416	1.7	889	4.7	1,888	3.4
Difference between U.S. and Puerto Rican rates	(5,010)	(20.2)	(3,101)	(16.3)	(3,965)	(7.1)
Nondeductible amortization	284	1.1	187	1.0	315	0.6
Product donations	(229)	(0.9)	(968)	(5.1)	(525)	(1.0)
Other, net	24	0.1	(1,332)	(7.0)	(157)	(0.3)
Taxes at effective worldwide tax rates	$ 4,180	16.8%	$ 2,346	12.3%	$17,027	30.6%

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

10.) INCOME TAXES (CONTINUED)

Current and deferred tax provisions (benefits) were:

	1998		1999		2000	
	CURRENT	DEFERRED	CURRENT	DEFERRED	CURRENT	DEFERRED
Federal	$1,553	$1,057	$4,680	$(3,643)	$10,876	$ 2,317
Puerto Rico	815	(42)	585	(102)	585	--
State	640	157	1,367	(541)	2,905	344
	$3,008	$1,172	$6,632	$(4,286)	$14,366	$ 2,661

Following are the components of the deferred tax (benefits) provisions occurring as a result of transactions being reported in different years for financial and tax reporting:

	1998	1999	2000
Depreciation	$(1,783)	$(1,852)	$ --
Employee benefits	1,997	(3,920)	1,843
Advertising accruals	(52)	52	--
Nondeductible reserves	221	3,788	1,076
Other, net	789	(2,354)	(258)
	$ 1,172	$(4,286)	$ 2,661

The deferred tax assets at the respective year-ends were as follows:

	1998	1999	2000
Deferred tax assets			
Reserves not deductible until paid	$12,296	$ 7,245	$ 7,432
Pension and other employee benefits	650	4,570	2,727
Property, plant and equipment	11,127	14,242	12,979
Other	1,487	3,789	4,047
Net deferred tax assets	$25,560	$29,846	$27,185

11.) 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 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

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

11.) SEGMENT INFORMATION (CONTINUED)
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.

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
1998				
Net sales	$333,547	$188,673	--	$522,220
Operating income	78,899	60,708	$(114,594)	25,013
Interest income	--	--	272	272
Interest expense	--	--	508	508
Minority interest income	--	--	66	66
Income before taxes	78,899	60,708	(114,764)	24,843
Depreciation and amortization	9,313	2,274	11,197	22,784
Total assets	136,748	64,238	56,724	257,710
Additions to long-lived assets	7,562	2,118	5,498	15,178

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
1999				
Net sales	$336,506	$171,275	--	$507,781
Operating income	80,615	53,193	$(114,333)(1)	19,475
Interest income	--	--	27	27
Interest expense	--	--	441	441
Income before taxes	80,615	53,193	(114,747)(1)	19,061
Depreciation and amortization	9,876	2,153	10,227	22,256
Total assets	116,200	48,539	117,349	282,088
Additions to long-lived assets	6,308	434	6,777	13,519

Note (1)--Includes reorganization costs totaling $7,108 in 1999.

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
2000				
Net sales	$352,006	$196,912	--	$548,918
Operating income	103,161	68,011	$(115,155)	56,017
Interest income	--	--	33	33
Interest expense	--	--	420	420
Income before taxes	103,161	68,011	(115,542)	55,630
Depreciation and amortization	10,952	1,585	10,091	22,628
Total assets	122,029	51,953	122,671	296,653
Additions to long-lived assets	18,930	1,202	5,928	26,060

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

11.) SEGMENT INFORMATION (CONTINUED)

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

	FISCAL YEAR ENDED		
	1998	1999	2000
Manufacturing variances	$ 10,083	$ 13,641	$ 10,230
Advertising, marketing and design	32,840	32,514	40,336
Administration and information systems	44,678	35,187	41,928
Distribution and customer service	26,993	25,883	22,661
Reorganization costs	--	7,108	--
	$(114,594)	$(114,333)	$(115,155)

12.) GEOGRAPHIC AREA INFORMATION

As of July 1, 2000, Coach operates 106 retail stores and 63 factory stores in the United States, 2 retail locations in the United Kingdom, and operates 5 manufacturing, distribution and product development locations in the United States, Puerto Rico and Italy. Geographic revenue information is based on the location of the end customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period.

	UNITED STATES	INTERNATIONAL(1)	TOTAL
1998			
Net sales	$478,632	$43,588	$522,220
Long-lived assets	90,175	2,432	92,607

	UNITED STATES	INTERNATIONAL(1)	TOTAL
1999			
Net sales	$463,027	$44,754	$507,781
Long-lived assets	77,272	677	77,949

	UNITED STATES	INTERNATIONAL(1)	TOTAL
2000			
Net sales	$488,843	$60,075	$548,918
Long-lived assets	80,382	611	80,933

Note (1)--International sales reflect shipments to third party distributors primarily in East Asia and sales from Coach operated retail stores in the United Kingdom, Germany and Italy. The Germany stores were closed in the first quarter and the Italian store was closed in the second quarter of 1999.

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

13.) EARNINGS PER SHARE

During 2000, Coach operated as a division of Sara Lee and did not have shares outstanding. Therefore, earnings per share is calculated on a pro forma as adjusted basis for 2000 only. Unaudited pro forma as adjusted basic net income per share is computed by dividing unaudited pro forma as adjusted net income by the assumed number of shares outstanding. This share amount is calculated on a pro forma as adjusted basis assuming that prior to the offering a 35,025.333 to 1.0 common stock dividend occurs resulting in 35,026 shares outstanding and the offering results in the sale of 7,380 shares.

Unaudited pro forma as adjusted diluted net income per share reflects the potential dilution that could 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 unaudited pro forma as adjusted basic and diluted net income per share.

	2000
Unaudited pro forma as adjusted net income	$35,112
Shares used in computing unaudited pro forma as adjusted basic net income per share	42,406
Dilutive effect of stock option and stock award plans	177
Shares used in computing unaudited pro forma as adjusted diluted net income per share	42,583
Unaudited pro forma as adjusted basic net income per share	$ 0.83
Unaudited pro forma as adjusted diluted net income per share	$ 0.82

14.) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, trade accounts receivable, bank overdrafts, accounts payable, and long-term debt approximated fair value as of July 3, 1999 and July 1, 2000. Coach uses the present value technique to estimate fair market value using discount rates which management believes are commensurate with the risks involved.

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

15.) RELATIONSHIP WITH SARA LEE

For the periods presented, intercompany transactions and balances between Coach and Sara Lee consisted of the following:

	YEARS ENDED		
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
Payable (receivable) balance at beginning of period	$ 8,300	$ 11,088	$(54,150)
Cash collections from operations	(555,979)	(529,043)	(573,122)
Cash borrowings	533,427	445,154	541,047
Allocations of corporate expenses and charges	25,340	18,651	22,442
Payable (receivable) balance at end of period	$ 11,088	$(54,150)	$(63,783)
Average balance during the period	$ 9,694	$(21,531)	$(58,966)

Three types of intercompany transactions are recorded in the Coach intercompany account with Sara Lee: (1) cash collections from Coach's operations that are deposited into the intercompany account, (2) cash borrowings which are used to fund operations and (3) allocations of corporate expenses and charges. Cash collections include all cash receipts required to be deposited into the intercompany account as part of the Sara Lee cash concentration system. Cash borrowings made by Coach from the Sara Lee cash concentration system are used to fund operating expenses.

Allocations of corporate expenses and charges consist of expenses for business insurance, medical insurance, employee benefit plan amounts, income, employment and other tax amounts and allocations from Sara Lee for certain centralized administration costs for treasury, real estate, accounting, auditing, tax, risk management, human resources, and benefits administration. These allocations of centralized administration costs have been determined on bases that Coach and Sara Lee considered to be reasonable reflections of the utilization of services provided or the benefit received by Coach. The allocation methods include relevant operating profit, fixed assets, sales, tax benefits, and headcount. Allocated costs are included in Selling, General and Administrative expenses in the accompanying consolidated and combined statements of operations.

For purposes of governing certain of the ongoing relationships between Coach and Sara Lee at and after the separation date and to provide for an orderly transition, Coach and Sara Lee have entered into various agreements. A brief description of each of the agreements follows:

MASTER SEPARATION AGREEMENT

The Master Separation Agreement contains the key provisions relating to Coach's separation from Sara Lee, the initial public offering of Coach and Sara Lee's plans to complete the divestiture of Coach. The agreement lists the documents and other items that must be delivered in order to accomplish the transfer of assets and liabilities from Sara Lee to Coach. The agreement also contains the conditions that must occur prior to the initial public offering and contains certain

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)

covenants and other agreements, including covenants to exchange information, engage in certain auditing practices, not take any action that would jeopardize Sara Lee's ownership of over 80% of Coach's outstanding capital stock, maintain confidentiality of certain information, preserve available legal privileges, engage in certain environmental and safety practices and resolve disputes in a particular manner.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The General Assignment and Assumption Agreement identifies the assets that Sara Lee will transfer to Coach and the liabilities that Coach will assume from Sara Lee in the separation. The agreement also describes when and how these transfers and assumptions will occur. In general, the assets that will be transferred and the liabilities that will be assumed are included on the consolidated and combined balance sheet.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

Effective as of the Separation Date, Coach and Sara Lee will each release the other from certain liabilities arising from events occurring on or before the separation date, including events occurring in connection with the activities to implement the separation and the initial public offering. The agreement also contains provisions governing indemnification. In general, Coach will indemnify Sara Lee against liabilities arising from the Coach business and Sara Lee will indemnify Coach against liabilities arising from the Sara Lee business excluding Coach. Coach will be covered under Sara Lee's insurance policies after the initial public offering until such time that Coach is distributed.

REAL ESTATE MATTERS AGREEMENT

The Real Estate Matters Agreement addresses Coach's leased properties that Sara Lee will transfer to Coach. Prior to creating Coach as a stand-alone entity, all leased property was in the name of Sara Lee. The agreement describes the manner in which Sara Lee will transfer the properties and its related obligations to Coach. This agreement provides that Coach will accept the assignment of all leases and will reasonably cooperate and take all steps to obtain landlord lease consents as necessary. This would include Coach using commercially reasonable efforts to remove any Sara Lee guarantee, surety or other security, and if required providing a guarantee, surety, indemnification or other security to the landlord or Sara Lee. The Real Estate Matters Agreement also provides that all reasonable costs required to effect the transfers will be paid by Coach.

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

Under the Real Estate Matters Agreement, Sara Lee will assign to Coach all of the leases relating to retail stores and other property used by Coach in its business; however, Sara Lee may remain liable under certain leases after they are transferred to Coach. The Lease Indemnification and Reimbursement Agreement requires Coach to obtain a letter of credit, for the benefit of Sara Lee, until Sara Lee's liability under the transferred leases decreases to $2,000. Commencing on the date Sara Lee effects a distribution of its Coach shares, Coach must obtain a letter of credit in an

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)

amount equal to the sum of (i) the average annual minimum rent payments for the following fiscal year, plus (ii) six times the average monthly payments for Coach's New York executive office for the following fiscal year, plus (iii) $500,000 (subject to adjustment each year as the amount in (i) changes). This letter of credit is required to be recalculated and renewed annually. The amount of future minimum rental payments included in Note 6 that may be covered by the Lease Indemnification and Reimbursement Agreement for years 2001, 2002, 2003, 2004, 2005 and subsequent to 2005 are $25,582, $24,044, $22,582, $21,991, $20,795, $105,777, respectively.

MASTER TRANSITIONAL SERVICES AGREEMENT

The Master Transitional Services Agreement governs the specific services that will be provided by Sara Lee to Coach. These services include certain treasury, environmental, legal, accounting, tax, risk management and assessment services, investor relations, information services, and internal audit coordination. The services will be provided for a two-year period for a fee of $1,000 per year, payable in monthly installments. This agreement automatically terminates on the date Sara Lee completes its divestiture of Coach. The charges are intended to recover the direct and indirect costs of providing the services. The agreement provides for a 10% increase in the cost if the agreement is extended beyond two years. The fee will be pro rated for the actual term of the agreement if the agreement terminates in its entirety before the end of its two year term. Coach may terminate the agreement with respect to any service at any time upon notice to Sara Lee; however, the termination of any service will have no effect upon the fee.

TAX SHARING AGREEMENT

The Tax Sharing Agreement governs how Coach and Sara Lee will report and account for tax related matters. While Sara Lee owns greater than 80.0% of Coach's outstanding capital stock, Coach will be included in the consolidated Sara Lee tax return. The Tax Sharing Agreement specifies that Sara Lee will prepare and file all income tax reporting on behalf of Coach while Coach remains a member of Sara Lee's affiliated group filing a consolidated U.S. federal income tax return. In this regard, Sara Lee will have the exclusive right to determine the manner in which all tax returns will be prepared, methods of accounting, tax positions and any elections that are made. Coach will reimburse Sara Lee for the incremental tax costs of Coach's inclusion in the consolidated tax return with Sara Lee. Any disputes which arise between Coach and Sara Lee relating to this agreement will be resolved through specific dispute resolution provisions in the agreement.

EMPLOYEE MATTERS AGREEMENT

The Employee Matters Agreement allocates to Coach certain employee related assets, liabilities, and responsibilities relating to Coach employees. Under the agreement, Coach employees will be entitled to continue to participate in the Sara Lee sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan, on terms comparable to those for Sara Lee employees until the earlier of the date (A) that Sara Lee effects a distribution of the Coach common stock or (B) the date that Coach establishes it own plans. This

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)

agreement provides that Coach employees with the title of director and above who hold options to acquire Sara Lee common stock, and Coach employees who hold certain Sara Lee restricted stock unit awards, will be given the option to convert the Sara Lee options or restricted stock units into Coach options or restricted stock units, as applicable, as of the date the initial public offering is completed. Any Sara Lee option or restricted stock unit that is not converted to a comparable Coach option or restricted stock unit will automatically convert into a Coach equivalent instrument on the date Sara Lee ceases to own at least 80% of Coach.

16.) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." These statements outline the accounting treatment for all derivative activity. Coach does not use derivative instruments and these accounting statements will not have an effect on Coach.

In May 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board ("EITF") announced that it reached a conclusion on Issue 00-14 "Accounting for Certain Sales Incentives." Issue 00-14 establishes requirements for the recognition and display of sales incentives such as discounts, coupons and rebates within the financial statements. The EITF conclusions on this issue are effective for reporting periods beginning July 1, 2000. Coach has not historically offered to its customers discount coupons or rebates. Any product discounts offered to customers are reflected as a reduction in the selling price of the product recorded in net sales. Therefore, this new rule will not have a material effect on Coach's reported results or financial position.

In July 2000, the EITF announced they had reached a conclusion on Issue 00-10 "Accounting for Shipping and Handling Fees and Costs." Issue 00-10 indicates that all amounts billed to customers as part of a sale transaction related to shipping and handling represent revenue and should be recorded in net sales. Because of the timing of the release of these conclusions, Coach has not yet fully assessed the effect of this statement on its results of operations. Based upon available information, it is likely that the implementation of these standards will result in the reclassification of shipping and handling fees from selling, general and administrative expense to net sales. At this time, management does not believe that the adoption of this statement will impact operating income, income before income taxes, net income or the financial position of Coach. The EITF conclusions on this issue will become effective for reporting periods beginning no later than April 1, 2001.

17.) SUBSEQUENT EVENTS

BENEFIT PLANS

On April 27, 2000, Sara Lee approved a benefit and compensation program for Coach that includes various short-term and long-term compensation arrangements that will be implemented by Coach effective upon the initial public offering.

17.) SUBSEQUENT EVENTS (CONTINUED)

The Coach 2000 Stock Incentive Plan will become effective upon the closing of the initial public offering. The Coach Stock Incentive Plan permits the granting of stock appreciation rights, stock options and stock grants in the form of restricted stock or performance shares to employees. Concurrent with the initial public offering, Coach is expected to grant, at the initial public offering price, 3,287 non-qualified stock options to selected members of management and the board. These options will have a ten-year life and will vest ratably over a three-year period. These options will be accounted for under APB 25 and no compensation expense will be recorded for the options that are granted to management and the Board.

Certain Coach employees with the title of director or above who hold Sara Lee options, will be given the opportunity to convert their Sara Lee options into Coach options using a conversion ratio of Coach's stock price to Sara Lee's stock price, with a conversion ratio floor of 1.00. Sara Lee options which are converted to Coach options will be remeasured and will result in an expense equal to the intrinsic value (if any) on the date of conversion, being recorded over the remaining vesting period. The Coach IPO price of $15.00 and the Sara Lee stock price on September 13, 2000 of $20.375 are the assumed prices on the offering date. Using these assumptions, an expense of $0.067 million will result. These options will be accounted for under APB 25 and will not result in any compensation expense other than mentioned in the previous sentence. Assuming all employees convert their Sara Lee options, it is estimated that 1.6 million Coach options will be granted.

Also concurrent with the initial public offering, Coach will grant 357 stock options to substantially all full time employees. The options granted will have a five-year life and will vest ratably over a three-year period. The options will be granted at the initial public offering price and will have no compensation expense.

REORGANIZATION COSTS

In the first quarter of 2001, Coach management committed to and announced a plan to close the Medley, Florida manufacturing facility by December 2000. This reorganization plan 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 will record a reorganization cost of approximately $6,300 in the first quarter of fiscal year 2001. The reorganization cost includes $3,800 for worker separation costs, $1,100 for lease termination costs, and $1,400 for the write down of long-lived assets to net realizable value.

EQUITY RESTRUCTURING AND NOTE

Prior to the initial public offering, Coach will undergo an equity restructuring which will result in $190,000 of long-term debt to a subsidiary of Sara Lee being recorded on the balance sheet of Coach with a corresponding reduction in common stockholder's equity. Once recorded, the long-term debt 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

17.) SUBSEQUENT EVENTS (CONTINUED)

Lee owns less than 80% of Coach's capital stock. Coach intends to repay this note using the entire net proceeds from the offering and 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.

RECEIVABLE FROM SARA LEE

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

18.) PRO FORMA BALANCE SHEET INFORMATION (UNAUDITED)

Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of July 1, 2000:

(1) In accordance with the Separation Agreement between Sara Lee and Coach, the receivable from Sara Lee in the amount of $63.8 million was capitalized into Sara Lee Corporation equity.

(2) Coach will assume, prior to the offering, $190 million of indebtedness to a subsidiary of Sara Lee resulting in a reduction in equity.

(3) Prior to the offering, Coach will declare a 35,025.333 to 1.0 common stock dividend that will result in 35,026,333 shares of Coach common stock outstanding after the dividend.

(4) Coach's sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share after deducting an assumed underwriting discount and estimated offering expenses payable by Coach will result in net offering proceeds of $99 million.

(5) Coach employees with the title of Director or above will be given the opportunity to convert any Sara Lee option into an equivalent Coach option upon completion of the offering date using a conversion ratio of Coach's stock price to Sara Lee's stock price with a conversion ratio floor of 1.0. It is assumed that employees will convert all 1.6 million Sara Lee options eligible for conversion, into 1.6 million Coach options. Sara Lee options which are converted into Coach options will result in an expense equal to the intrinsic value of the Coach option (if any) on the date of conversion. The assumed public offering price of $15.00 and the Sara Lee stock price on September 13, 2000 of $20.375 are the assumed prices on the conversion date. Using these assumptions an expense of $0.067 million will result, creating a tax benefit of $0.021 million using the 2000 effective tax rate of 30.6%

(6) The offering proceeds will be used to repay a portion of the indebtedness to a subsidiary of Sara Lee resulting in a net liability of $91 million.

DESCRIPTION OF ARTWORK

Inside back cover

Illustration: The following pictures appear from the left-hand side of the page moving clockwise around the page: (1) a Coach watch, (2) a mixed-material Coach handbag, and (3) a Coach suitcase.

Bi-fold last page in Prospectus

Illustration: The following pictures appear from the left-hand side of the page moving clockwise around the page: (1) a Coach shoe, (2) a Coach wallet and make-up bag, (3) a Coach leather purse, and (4) a Coach personal day-planner and two leather pocket calendars.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

7,380,000 Shares

COACH, INC.

Common Stock

[LOGO]

GOLDMAN, SACHS & CO.
MORGAN STANLEY DEAN WITTER
PRUDENTIAL SECURITIES

Representatives of the Underwriters

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee and the NASD filing fee, are estimates.

SEC registration fee	$ 36,960
NASD filing fee	14,500
New York Stock Exchange listing fee	110,000
Printing and engraving expenses	800,000
Legal fees and expenses	890,000
Accounting fees and expenses	1,300,000
Blue sky fees and expenses	5,000
Transfer agent and registrar fees and expenses	3,500
Miscellaneous fees and expenses	370,000
Total	$3,529,960

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 2-418 of the Maryland General Corporation Law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who has agreed to become a director or officer or who, while a director or officer of the Company and at the request of the Company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer, or a person who has agreed to become a director or officer, of the Company and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company in any of the capacities described above and any employee or agent of the Company or a predecessor of the Company.

Maryland law requires a corporation (unless its charter provides otherwise, which the Company's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability

on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

EXHIBIT NO.	DESCRIPTION
1.1	Form of Underwriting Agreement
2.1	Master Separation Agreement between Sara Lee and Coach*
2.2	Tax Sharing Agreement between Sara Lee and Coach*
2.3	General Assignment and Assumption Agreement between Sara Lee and Coach*
2.4	Form of Employee Matters Agreement between Sara Lee and Coach
2.5	Real Estate Matters Agreement between Sara Lee and Coach*
2.6	Master Transitional Services Agreement between Sara Lee and Coach*
2.7	Indemnification and Insurance Matters Agreement between Sara Lee and Coach*
2.8	Revolving Note*
2.9	Form of Substitute Note*
2.10	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach*
3.1	Articles of Incorporation of Coach*
3.2	Bylaws of Coach*
4.1	Specimen Certificate for Common Stock**
5.1	Opinion of Ballard Spahr Andrews & Ingersoll, LLP, special counsel to Coach*
10.1	Form of Coach, Inc. 2000 Stock Incentive Plan
10.2	Form of Coach, Inc. Executive Deferred Compensation Plan
10.3	Form of Coach, Inc. Performance-Based Annual Incentive Plan
10.4	Form of Coach, Inc. 2000 Non-Employee Director Stock Plan
10.5	Form of Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors of Coach, Inc. (referred to as the Non-Employee Directors' Deferred Compensation Plan)
10.6	Jacksonville, FL Lease Agreement*
10.7	New York, NY Lease Agreement
21.1	List of Subsidiaries of Coach*
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)*
24.1	Power of Attorney (included on signature page)
27.1	Financial Data Schedule*

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* Previously filed.

** To be filed by amendment.

(B) FINANCIAL STATEMENT SCHEDULES:

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000
(DOLLARS IN THOUSANDS)

	BALANCE AT BEGINNING OF YEAR	PROVISION CHARGED TO COSTS AND EXPENSES	WRITE-OFFS (1)/ ALLOWANCE TAKEN	BALANCE AT END OF PERIOD
FOR THE YEAR ENDED JUNE 27, 1998				
Allowances for bad debts	$ 2,341	$ 2,304	$ (2,927)	$1,718
Allowance for returns	11,090	32,530	(36,378)	7,242
Total	$13,431	$34,834	$(39,305)	$8,960
FOR THE YEAR ENDED JULY 3, 1999				
Allowances for bad debts	$ 1,718	$ (171)	$ (653)	$ 894
Allowance for returns	7,242	13,860	(15,877)	5,225
Total	$ 8,960	$13,689	$(16,530)	$6,119
FOR THE YEAR ENDED JULY 1, 2000				
Allowances for bad debts	$ 894	$ (172)	$ (187)	$ 535
Allowance for returns	5,225	13,760	(13,589)	5,396
Total	$ 6,119	$13,588	$(13,776)	$5,931

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(1) Net of collections on accounts previously written off.

All other schedules have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated and combined financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York City, State of New York, on September 15, 2000.

COACH, INC.

By: /s/ LEW FRANKFORT

Name: Lew Frankfort
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to Registration Statement has been signed by the following persons in the capacities indicated below on September 15, 2000:

SIGNATURE	TITLE
/s/ LEW FRANKFORT Lew Frankfort	Chairman, Chief Executive Officer and Director
/s/ KEITH MONDA Keith Monda	Executive Vice President, Chief Operating Officer and Director
* Wayne Szypulski	Vice President--Corporate Controller of Sara Lee (as principal financial officer and principal accounting officer for Coach)
* Gary Grom	Director
* Richard Oberdorf	Director

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* By Keith Monda as attorney-in-fact.

POWER OF ATTORNEY

We the undersigned directors of Coach do hereby constitute and appoint Keith Monda our true and lawful attorney-in-fact and agent, to do any and all acts and things in our names and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our name in the capacities indicated below, which said attorney and agent may deem necessary or advisable to enable said Registrant to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statements, or any registration statement for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated

below, any and all amendments (including post-effective amendments) hereof, and we do hereby ratify and confirm all that said attorney and agent shall do our cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to Registration Statement has been signed by the following persons in the capacities indicated below on September 15, 2000:

SIGNATURE	TITLE
/s/ JOSEPH ELLIS Joseph Ellis	Director
/s/ PAUL FULTON Paul Fulton	Director
/s/ MICHAEL MURPHY Michael Murphy	Director

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.1	Form of Underwriting Agreement
2.1	Master Separation Agreement between Sara Lee and Coach*
2.2	Tax Sharing Agreement between Sara Lee and Coach*
2.3	General Assignment and Assumption Agreement between Sara Lee and Coach*
2.4	Form of Employee Matters Agreement between Sara Lee and Coach
2.5	Real Estate Matters Agreement between Sara Lee and Coach*
2.6	Master Transitional Services Agreement between Sara Lee and Coach*
2.7	Indemnification and Insurance Matters Agreement between Sara Lee and Coach*
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2.9	Form of Substitute Note*
2.10	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach*
3.1	Articles of Incorporation of Coach*
3.2	Bylaws of Coach*
4.1	Specimen Certificate for Common Stock**
5.1	Opinion of Ballard Spahr Andrews & Ingersoll, LLP, special counsel to Coach*
10.1	Form of Coach, Inc. 2000 Stock Incentive Plan
10.2	Form of Coach, Inc. Executive Deferred Compensation Plan
10.3	Form of Coach, Inc. Performance-Based Annual Incentive Plan
10.4	Form of Coach, Inc. 2000 Non-Employee Director Stock Plan
10.5	Form of Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors of Coach, Inc. (referred to as the Non-Employee Directors' Deferred Compensation Plan)
10.6	Jacksonville, FL Lease Agreement*
10.7	New York, NY Lease Agreement
21.1	List of Subsidiaries of Coach*
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)*
24.1	Power of Attorney (included on signature page)
27.1	Financial Data Schedule*

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* Previously filed.

** To be filed by amendment.

EXHIBIT 1.1

COACH, INC.

COMMON STOCK

FORM OF
UNDERWRITING AGREEMENT

_____ __, 2000

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Prudential Securities Incorporated
As representatives of the several Underwriters
named in Schedule I hereto
c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

Coach, Inc. (the "Company"), a Maryland corporation and a wholly-owned subsidiary of Sara Lee Corporation, a Maryland corporation ("Sara Lee"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 7,380,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 1,107,000 additional shares (the "Optional Shares") of Common Stock, par value $0.01 per share ("Stock"), of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

1. The Company and Sara Lee, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-39502) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts

of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus";

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(c) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto, and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in the case of the Registration Statement or an amendment thereto, or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in the case of the Prospectus or any amendment or supplement thereto; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(d) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, except to the extent that any such loss or interference would not, individually or in the aggregate, have a material adverse effect on the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, or would prevent the Company from performing its obligations hereunder (a "Material Adverse Effect"), or otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock of the Company or any of its subsidiaries or long-term debt of the Company or any of its subsidiaries of more than ten percent (10%) from the long-term debt shown on the most recent balance sheet included in the Registration Statement (but not including any debt assumed by the Company in connection with its

separation from Sara Lee), or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole, in each case, otherwise than as set forth or contemplated in the Prospectus;

(e) The Company and its subsidiaries own no real property and have good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as would not have a Material Adverse Effect; and any real property, buildings, stores and other premises held under lease by the Company and its subsidiaries or by Sara Lee for use by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect;

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except to the extent that the failure to be so qualified or in good standing in any such jurisdiction would not have a Material Adverse Effect; and each subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except to the extent that the failure to be in good standing would not have a Material Adverse Effect;

(g) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform in all material respects to the description of the Stock contained in the Prospectus and are owned beneficially and of record by Sara Lee; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares) are owned directly or indirectly by the Company or by Sara Lee (and will be transferred to the Company following the execution of this Agreement), free and clear of all liens, encumbrances, equities or claims, except for any such liens, encumbrances, equities, or claims that would not have a Material Adverse Effect;

(h) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Prospectus;

(i) The issue and sale of the Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not (i) result in any violation of any provisions of the Charter or By-Laws of the Company; or (ii) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the

property or assets of the Company or any of its subsidiaries is subject, or result in any violation of the provisions of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except for such conflicts, breaches, violations, or defaults which have been consented to or waived prior to the execution and delivery of this Agreement or which would not have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and except for such consents, approvals, authorizations, orders, registrations, or qualifications that would not have a Material Adverse Effect;

(j) Neither the Company nor any of its subsidiaries is (i) in violation of its Charter or By-laws or (ii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except for such defaults that would not have a Material Adverse Effect;

(k) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, under the caption "Certain Relationships and Related Transactions", and under the caption "Underwriting", other than information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and complete in all material respects;

(l) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or Sara Lee (with respect to the Company) is a party or of which any property of the Company or any of its subsidiaries or Sara Lee (with respect to the Company) is the subject which, if determined adversely to the Company or any of its subsidiaries or Sara Lee (with respect to the Company), would, individually or in the aggregate, have a Material Adverse Effect and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(m) The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(n) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes;

(o) Arthur Andersen LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

(p) The Company and its subsidiaries own or possess valid licenses or other rights to use all patents, trademarks, service marks, trade names, copyrights, know-how, trade secrets and other intellectual property (collectively, the "Intellectual Property") necessary to conduct and carry on the business of the Company and its subsidiaries as described in the Prospectus, except as would not have a Material Adverse Effect, and except as set forth in the Prospectus, the Company and its subsidiaries and Sara Lee have not received any written notice of infringement or conflict with (and the Company and Sara Lee know of no such infringement or conflict with) asserted rights of others with respect to any Intellectual Property which, if determined adversely to the Company or its subsidiaries, would individually or in the aggregate have a Material Adverse Effect;

(q) Each of the Master Separation Agreement, General Assignment and Assumption Agreement, Employee Matters Agreement, Tax Sharing Agreement, Real Estate Matters Agreement, and Indemnification and Insurance Matters Agreement (collectively, the "Intercompany Agreements"), has been duly authorized, executed and delivered by the Company and Sara Lee, is in full force and effect, and constitutes a valid and legally binding obligation of the Company and Sara Lee, enforceable against each of the Company and Sara Lee in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and

(r) The Company and its subsidiaries, taken as a whole, are insured, or are entitled to the benefits of insurance, by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the business in which they are engaged; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to obtain sufficient insurance coverage as and when such coverage expires as may be necessary to continue its business.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $_____ the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to 1,107,000 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in

Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to Goldman, Sachs & Co., through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to Goldman, Sachs & Co. at least forty-eight hours in advance. The Company will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on _____ __, 2000 or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(n) hereof, will be delivered at the offices of Kirkland & Ellis, 200 E. Randolph Drive, Chicago, Illinois 60601 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at 3 p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly

after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction or to take any other action which would subject it to taxation;

(c) Prior to 12:00, noon, New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder any securities of the Company that are substantially

similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to (i) employee stock option plans or other employee or director incentive plans or (ii) any plan allowing for the exchange of Sara Lee capital stock or rights to acquire Sara Lee capital stock for Company capital stock or rights to acquire Company capital stock, existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), without your prior written consent;

(f) During a period of three years from the effective date of the Registration Statement, to furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information that is available without undue expense concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange (the "Exchange");

(j) To file with the Commission such information on Form 10-Q orForm 10-K as may be required by Rule 463 under the Act; and

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

6. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or

producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey (iv) all fees and expenses in connection with listing the Shares on the Exchange; (v) the filing fees incident to, and the reasonable fees and disbursements of counsel for the Underwriters in connection with, securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates; (vii) the cost and charges of any transfer agent or registrar; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and Sara Lee herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and Sara Lee shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Kirkland & Ellis, counsel for the Underwriters, shall have furnished to you such written opinion or opinions (a draft of each such opinion is attached as Annex II(a) hereto), dated such Time of Delivery, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Skadden, Arps, Slate, Meagher & Flom (Illinois), special counsel for the Company and Sara Lee, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex II(b) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) Each of the Intercompany Agreements constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms under the laws of the State of Illinois, except as (a) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law) and (b) any rights

of indemnification or contribution under the Intercompany Agreements may be limited by the public policy underlying any law, rule or regulation;

(ii) Neither the execution, delivery or performance by the Company and Sara Lee of this Agreement nor the compliance by the Company or Sara Lee with the terms and provisions hereof, including the issuance and sale of the Shares, and neither the execution, delivery or performance by the Company of each of the Intercompany Agreements nor the compliance by the Company with the terms and provisions thereof will contravene any provision of Applicable Law of the State of New York, with respect to this Agreement, or the State of Illinois, with respect to the Intercompany Agreements, or any Applicable Law of the United States of America;

(iii) No Governmental Approval, which has not been obtained or taken and is not in full force and effect, is required to authorize, or is required in connection with, (1) the execution, delivery or enforceability of this Agreement or any of the Intercompany Agreements by the Company or by Sara Lee and (2) the consummation by the Company or Sara Lee of the transactions contemplated by this Agreement, including the issuance and sale of the Shares;

(iv) The execution and delivery by the Company of this Agreement and each of the Intercompany Agreements and the performance by the Company of its obligations under this Agreement and each of the Intercompany Agreements, each in accordance with its terms, do not constitute a violation of, or a default under, any Applicable Contract (in giving the opinion in this subsection (iv), such counsel need not express any opinion as to whether the execution, delivery or performance by the Company of this Agreement or the Intercompany Agreements will constitute a violation of, or a default under, any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of the Company or express an opinion as to the effect of laws other than those as to which such counsel is rendering an opinion);

(v) The execution and delivery by Sara Lee of this Agreement and each of the Intercompany Agreements and the performance by Sara Lee of its obligations under this Agreement and each of the Intercompany Agreements, each in accordance with its terms, do not constitute a violation of, or a default under, any Applicable Contract (in giving the opinion in this subsection (v), such counsel need not express any opinion as to whether the execution, delivery or performance by the Company of this Agreement or the Intercompany Agreements will constitute a violation of, or a default under, any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of the Company or express an opinion as to the effect of laws other than those as to which such counsel is rendering an opinion);

(vi) Neither the execution, delivery or performance by the Company of its obligations under this Agreement or the Intercompany Agreements nor compliance by the Company with the terms hereof or thereof will contravene any Applicable Order against the Company;

(vii) Neither the execution, delivery or performance by Sara Lee of its obligations under this Agreement or the Intercompany Agreements nor compliance by Sara Lee with the terms hereof or thereof will contravene any Applicable Order against Sara Lee;

(viii)The statements set forth in the Prospectus under the captions "Certain Relationships and Related Transactions" and "Underwriting", insofar as such statements constitute summaries of legal matters or certain provisions of the documents referred to therein, are true and correct in all material respects;

(ix) The Company is not, and, upon the consummation of the transactions contemplated by this Agreement, will not be an "investment company" under the Investment Company Act of 1940, as amended; and

(x) The Registration Statement, as of its effective date, and the Prospectus, as of its date, appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the rules and regulations promulgated thereunder, except that, in each case, we express no opinion as to the financial statements, schedules and other financial data included therein or excluded therefrom or the exhibits to the Registration Statement and, except to the extent expressly stated in the opinion in subsection (viii) of this Section 7(c), we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus. In addition, we have participated in conferences with officers and other representatives of the Company and Sara Lee, representatives of the independent public accountants of the Company, you and your counsel at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus and have made no independent check or verification thereof (except to the extent expressly stated in the opinion in subsection (viii) of this Section 7(c)), on the basis of the foregoing, no facts have come to our attention that have led us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of its date and the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that we express no opinion or belief with respect to the financial statements, schedules and other financial information included therein or excluded therefrom or the exhibits to the Registration Statement.

As used in this Subsection 7(c), Subsection 7(e) and Subsection 7(f) below, (1) the term "Applicable Laws" shall mean those laws, rules and regulations which, in such counsel's experience, are normally applicable to transactions of the type contemplated by this Agreement (other than the United States federal securities laws, state and foreign securities or Blue Sky laws, antifraud laws and the rules and regulations of the National Association of Securities Dealers, Inc.) and the Intercompany Agreements, which are not the subject of a

specific opinion herein referring expressly to a particular law or laws; (2) the term "Governmental Authorities" shall mean any court, regulatory body, administrative agency, or governmental body having jurisdiction over the Company or Sara Lee (with respect to the Company) under Applicable Laws; (3) the term "Governmental Approval" shall mean any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authorities required to be made or obtained by the Company under Applicable Laws, other than any consent, approval, license, authorization, validation, filing, recording or registration which may have become applicable because of your legal or regulatory status; (4) the term "Applicable Orders" shall mean orders or decrees of any Governmental Authorities identified on a schedule to a certificate of the Company, with respect to Applicable Orders against the Company, and identified on a schedule to a certificate of Sara Lee, with respect to Applicable Orders against Sara Lee; and (5) the term "Applicable Contracts" shall mean those agreements or instruments filed by the Company as exhibits to the Registration Statement or as otherwise requested by the Representative to be specified on a schedule to the written opinion;

In rendering such opinion, such counsel may state that as to matters of New York law, counsel relies on the opinion of Skadden, Arps, Slate, Meagher & Flom, LLP.

(d) Ballard Spahr Andrews & Ingersoll, LLP, special counsel for the Company, shall have furnished to you their written opinion (a draft of such opinion is attached hereto as Annex II (c) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company is duly incorporated and is validly existing under the laws of the State of Maryland and is in good standing with the State Department of Assessments and Taxation of Maryland;

(ii) The Company has full corporate power to own its properties and to conduct its business as described in the Prospectus;

(iii) The authorized, issued and outstanding stock of the Company is as disclosed in the Prospectus under the caption "Capitalization" and the authorized stock of the Company conforms as to legal matters to the description thereof in the Prospectus under the heading "Description of Capital Stock." All of the shares of Stock issued and outstanding immediately prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and nonassessable;

(iv) The Shares have been duly authorized for issuance and sale to the Underwriters and, when issued and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable;

(v) This Agreement and each of the Intercompany Agreements have been duly authorized, executed and delivered by the Company;

(vi) The execution and delivery of this Agreement and the Intercompany Agreements by the Company and the consummation by the Company of the transactions contemplated therein, including the issuance and sale of the Shares, will not result in a violation of the Charter or the By-laws of the Company; and

(vii) The execution and delivery of this Agreement and the Intercompany Agreements by Sara Lee and the consummation by Sara Lee of the transactions

contemplated therein will not result in a violation of the Charter or the By-laws of Sara Lee;

(e) Carole Sadler, Senior Vice President, General Counsel and Secretary of the Company, shall have furnished to you her written opinion (a draft of such opinion is attached as Annex II (d) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except to the extent that such failure to qualify would not have a Material Adverse Effect (such counsel being entitled to rely upon certificates of state officials or in respect to matters of fact upon certificates of officers of the Company, provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificates);

(ii) Each United States subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, (except for directors' qualifying shares) are owned directly or indirectly by the Company and, to such counsel's knowledge, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect to matters of fact upon certificates of officers of the Company or its subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificates);

(iii) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein and therein contemplated and the performance by the Company of its respective obligations under the Intercompany Agreements will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of any Applicable Law or Applicable Order, except in each case for such conflicts, breaches, violations or defaults that would not have a Material Adverse Effect;

(iv) Neither the Company nor any of its subsidiaries is in violation of its Articles of Incorporation or By-laws or, to the best of such counsel's knowledge, in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except for such defaults which would not have a Material Adverse Effect;

(v) Any real property, buildings, stores or other premises held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions (other than with respect to the leases set forth on a schedule to such counsel's opinion) as would not have a Material Adverse Effect; and the issue and sale of the Shares being delivered at the Time of Delivery by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein and therein contemplated and the performance by the Company and Sara Lee of their respective obligations under the lntercompany Agreements will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any lease to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties may be bound, except in each case (other than with respect to the leases set forth on a schedule to such counsel's opinion) for such conflicts, breaches, violations or defaults that would not have a Material Adverse Effect; and

(vi) To such counsel's knowledge, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject that are required to be described in the Prospectus which are not so described; and, to such counsel's knowledge, no such proceedings are threatened or contemplated by Governmental Authorities or threatened by others;

(f) R. Henry Kleeman, Vice President, General Counsel and Assistant Secretary of Sara Lee, shall have furnished to you his written opinion (a draft of such opinion is attached as Annex II(e) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) Each of the Intercompany Agreements constitutes the valid and binding obligation of Sara Lee, enforceable against Sara Lee in accordance with its terms under the laws of the State of Illinois, except as (a) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law) and (b) any rights of indemnification or contribution under the Intercompany Agreements may be limited by the public policy underlying any law, rule or regulation; and

(ii) The execution, delivery and enforceability of this Agreement by Sara Lee, the compliance by Sara Lee with the terms and provisions hereof and the consummation of the transactions contemplated by this Agreement and the execution, delivery and enforceability of each of the Intercompany Agreements by Sara Lee or the compliance by Sara Lee with the terms and provisions thereof will not (1) violate or conflict with, or result in any contravention of, any Applicable Law of the State of New York, with respect to this Agreement, or the State of Illinois, with respect to the Intercompany Agreements, or any Applicable Law of the United States, or (2) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which Sara Lee or any of its subsidiaries is a party or by which Sara Lee or any of its

subsidiaries is bound or to which any of the property or assets of Sara Lee or any of its subsidiaries is subject, except in each case for such violations, conflicts, breaches and defaults as would not have a Material Adverse Effect;

(g) Foreign counsel reasonably satisfactory to the Representatives shall have furnished to you opinions, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that the Company's foreign subsidiaries are in good standing under the laws of their jurisdiction of incorporation, and, following their transfer from Sara Lee to the Company, will be owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect to matters of fact upon certificates of officers of the Company or its subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificates);

(h) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Arthur Anderson shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letter delivered prior to the execution of this Agreement is attached as Annex I(a) hereto and a draft of the form of letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(i) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock of the Company or any of its subsidiaries or long-term debt of the Company or any of its subsidiaries of more than ten percent (10%) from the long-term debt shown on the most recent balance sheet included in the Registration Statement (but not including any debt assumed by the Company in connection with its separation from Sara Lee), or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole, in each case, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(j) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York or Illinois State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the

judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(k) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the Exchange;

(l) The Company has obtained and delivered to the Underwriters executed copies of an agreement from Sara Lee and each executive officer and director of the Company, all of whom are listed on Annex III hereto, substantially to the effect set forth in Subsection 5(e) hereof in form and substance satisfactory to you;

(m) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(n) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and Sara Lee satisfactory to you as to the accuracy of the representations and warranties of the Company and Sara Lee herein at and as of such Time of Delivery, as to the performance by the Company and Sara Lee of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (e) of this Section and as to such other matters as you may reasonably request.

8. (a) The Company and Sara Lee, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in the case of a Registration Statement or an amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in the case of the Prospectus or any amendment or supplement thereto, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company and Sara Lee shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company and Sara Lee against any losses, claims, damages or liabilities to which the Company and Sara Lee may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, in the case of a Registration Statement or an amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in the case of the Prospectus or any amendment or supplement thereto, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company or Sara Lee by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company and Sara Lee for any legal or other expenses reasonably incurred by the Company or Sara Lee in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and Sara Lee on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and Sara Lee on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and Sara Lee

on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and Sara Lee bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and Sara Lee on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, Sara Lee and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and Sara Lee under this Section 8 shall be in addition to any liability which the Company and Sara Lee may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) or Sara Lee and to each person, if any, who controls the Company or Sara Lee within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with

like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, Sara Lee and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company or Sara Lee, or any officer or director or controlling person of the Company or Sara Lee, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 32 Old Slip, 21st Floor, New York, New York

10005, Attention: Registration Department; if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Secretary; and if to Sara Lee shall be delivered or sent by mail to Three First National Plaza, 70 West Madison, Chicago, Illinois 60602, Attention: R. Henry Kleeman, Esq., provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, Sara Lee and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and Sara Lee and each person who controls the Company and Sara Lee or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us seven counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Company and Sara Lee. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and Sara Lee for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

COACH, INC.

By: _____
Name: _____
Title: _____

SARA LEE CORPORATION

By: _____
Name: _____
Title: _____

ACCEPTED AS OF THE DATE HEREOF:

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Prudential Securities Incorporated

By: _____
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

UNDERWRITER	TOTAL NUMBER OF FIRM SHARES TO BE PURCHASED	NUMBER OF OPTIONAL SHARES TO BE PURCHASED IF MAXIMUM OPTION EXERCISED
Goldman, Sachs & Co.		
Morgan Stanley & Co. Incorporated		
Prudential Securities Incorporated		
[NAMES OF OTHER UNDERWRITERS TO BE PROVIDED BY GS&CO.]		
Total		

ANNEX I

FORM OF COMFORT LETTER OF
ARTHUR ANDERSEN LLP

Pursuant to Section 7(d) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished separately to the representatives of the Underwriters (the "Representatives") and are attached hereto;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus as indicated in their reports thereon copies of which have been separately furnished to the Representatives and are attached hereto and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, nothing came to their attention that cause them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years which were included or incorporated by reference in the Company's Annual Reports on Form 10-K for such fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects

with the disclosure requirements of Items 301, 302, 402 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by

the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

ANNEX II(a)

FORM OF OPINION OF

KIRKLAND & ELLIS

ANNEX II(b)

FORM OF OPINION OF

SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS)

ANNEX II(c)

FORM OF OPINION OF

BALLARD SPAHR ANDREW & INGERSOLL, LLP

ANNEX II(d)

FORM OF OPINION OF

CAROLE SADLER

ANNEX II(e)

FORM OF OPINION OF

R. HENRY KLEEMAN

ANNEX III

EXECUTIVE OFFICERS AND DIRECTORS

1. David DeMattei
2. Lew Frankfort
3. Gary Grom
4. Reed Krakoff
5. Keith Monda
6. Richard Oberdorff
7. Richard Randall
8. Carole Sadler
9. Felice Schulaner

EXHIBIT 2.4

Form of
Employee Matters Agreement

between

SARA LEE CORPORATION

and

COACH, INC.

Effective as of the Effective Date

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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 (including 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 Distribtuion Date shall be treated as vesting service under the Sara Lee Pension Plan.

Section 2.3 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.

Section 2.4 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.

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 (a) fully vested in his or her accrued benefit under the Sara Lee SERP as of the Distribution Date, and (b) treated as terminating employment with Sara Lee on the Distribution Date.

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 as modified by the terms of an employment agreement applicable to any such Coach Employee.

(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 CLOSING DATE. Effective as of the IPO Closing Date, Coach Employees shall cease all future participation in the Sara Lee Executive Restricted Stock Plan. As of or before the IPO Closing Date, 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 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 on the IPO Closing Date, 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 Resticted 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, and actually releases such repurchased shares pursuant to such Coach Restricted Stock Unit agreement. 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 Restriced 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 CLOSING DATE.

(i) At the IPO Closing Date, 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 IPO Closing Date, 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 IPO Closing Date, and (II) the Elective Option Assumption Ratio.

(ii) In the event that the Coach Stock Value divided by the Sara Lee Stock Value is less than one (1), 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 equal to (A) the ratio of (I) the number of shares of Sara Lee common stock that were subject to such Sara Lee Option as of the IPO Closing Date, 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 as of the IPO Closing Date, to (II) the

Elective Option Assumption Ratio. Each such additional option shall be granted on the IPO Closing Date 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. 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, and actually re-issues such repurchased shares pursuant to such 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.

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. Except with respect to Coach Transferred

Employees who enter into employment agreements with Coach, 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) on 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 date of determination, provided that if there should be no sales of Coach common stock on such date, 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 on the IPO Closing Date by the Sara Lee Stock Value on the IPO Closing 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.

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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.

EXHIBIT 10.1

FORM OF
COACH, INC.
2000 STOCK INCENTIVE PLAN

ARTICLE I - PURPOSES

The purposes of the Coach, Inc. 2000 Stock Incentive Plan are to promote the interests of the Corporation and its stockholders by strengthening the Corporation's ability to attract and retain highly competent officers and employees, and to provide a means to encourage stock ownership and proprietary interest in the Corporation. The Stock Incentive Plan is intended to provide Plan participants with stock-based incentive compensation which is not subject to the deduction limitation rules prescribed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and, when applicable should be construed to the extent possible as providing for remuneration which is "performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

ARTICLE II - DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "AWARD" means, individually or in the aggregate, an award granted to a Participant under the Plan in the form of an Option, a Stock Award, or an SAR, or any combination of the foregoing.

(b) "BOARD" means the Board of Directors of Coach, Inc.

(c) "CHANGE OF CONTROL" has the meaning set forth in Article X.

(d) "COMMITTEE" means the Compensation and Employee Benefits Committee of the Board, a subcommittee thereof, or such other committee as may be appointed by the Board; provided, however, that prior to the issuance of any class of equity securities of the Corporation that are required to be registered under Section 12 of the Exchange Act, the Committee shall be the Compensation and Employee Benefits Committee of Sara Lee Corporation. After the issuance of such registered securities, the Committee shall be comprised of three (3) or more members of the Board who are "non-employee directors" under Rule 16b-3 of the Exchange Act and "outside directors" under Section 162(m) of the Code.

(e) "CORPORATION" means Coach, Inc. or any entity that is directly or indirectly controlled by Coach, Inc. and its subsidiaries.

(f) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(g) "FAIR MARKET VALUE" means the average of the highest and lowest sale prices of a Share on the New York Stock Exchange Composite Transactions Tape on the date of determination, provided that if there should be no sales of Shares reported on such

date, the Fair Market Value of a Share on such date shall be the average of the highest and lowest sale prices of a Share on such Composite Tape for the last preceding date on which sales of Shares were reported and, provided further, that the Fair Market Value of Shares on the date on which the Corporation first issues Shares to the public that are required to be registered under the Exchange Act (the "IPO") shall be the initial offering price of Shares on such date.

(h) "INCENTIVE STOCK OPTION" means a stock option that complies with Section 422 of the Code, or any successor law.

(i) "NON-QUALIFIED STOCK OPTION" means a stock option that does not meet the requirements of Section 422 of the Code, or any successor law.

(j) "OPTION" means an option awarded under Article VI to purchase Shares. An option may be either an Incentive Stock Option or a Non-Qualified Stock Option, as determined by the Committee in its sole discretion.

(k) "PARTICIPANT" means any of the following individuals designated by the Committee as eligible to receive an Award or Awards under the Plan: (i) an officer or key employee of the Corporation at or above the "director" level, (ii) all other employees of the Corporation, (iii) a person expected to become an employee of the Corporation, or (iv) a former officer, employee or director of the Corporation for the purposes of adjustments to Awards pursuant to Article V(b) of the Plan. Awards under the Plan to employees described in (ii) above shall be considered as "Founders' Grants" that are subject to the terms and conditions provided in rules that are adopted by the Committee. Notwithstanding the foregoing, an employee of the Corporation who terminated employment prior to the Corporation's IPO shall not be eligible to receive new Awards under the Plan, except to the extent such employee is subsequently rehired by the Corporation and is eligible to become a Participant in the Plan under (i), (ii) or (iii) above.

(l) "PLAN" means this Coach, Inc. 2000 Stock Incentive Plan, as amended and restated from time to time.

(m) "PRIOR PLANS" means the Sara Lee Corporation 1989 Incentive Stock Plan, the Sara Lee Corporation 1995 Long-Term Incentive Stock Plan, the Sara Lee Corporation 1998 Long-Term Incentive Plan and the Sara Lee Corporation Share 2000 Global Stock Plan, as they may be amended and restated from time to time.

(n) "SAR" means a stock appreciation right.

(o) "SHARES" means shares of Coach, Inc. common stock.

(p) "STOCK AWARD" means an Award made under Article VI(a)(iii).

ARTICLE III - EFFECTIVE DATE AND DURATION

The Plan became effective on June 29, 2000, the date it was approved by the sole stockholder of the Corporation. Unless previously terminated by the Board, the Plan shall expire when Shares are no longer available for the grant, exercise or settlement of Awards.

ARTICLE IV - ADMINISTRATION

The Committee shall be responsible for administering the Plan, and shall have full power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or appropriate. This power includes, but is not limited to, selecting Award recipients, establishing all Award terms and conditions, adopting procedures and regulations governing Awards, and making all other determinations necessary or advisable for the administration of the Plan. In no event, however, shall the Committee have the power to cancel outstanding Options or SARs for the purpose of replacing or regranting such Options or SARs with a purchase price that is less than the purchase price of the original Option or SAR. All decisions made by the Committee shall be final and binding on all persons.

The Committee may delegate some or all of its power to the Chairman and Chief Executive Officer or other executive officer of the Corporation as the Committee deems appropriate; provided, that (i) the Committee may not delegate its power with regard to the grant of an Award to any person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period an Award to such employee would be outstanding and (ii) the Committee may not delegate its power with regard to the selection for participation in the Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such an officer or other person.

ARTICLE V - AVAILABLE SHARES

(a) LIMITATIONS - Subject to Article V(b) of the Plan, the aggregate number of Shares which may be issued under the Plan shall be five-million three-hundred thousand seven-hundred and ninety-two (5,300,792) Shares, reduced by the aggregate number of Shares which become subject to outstanding Awards; provided, that the number of Shares subject to Awards that are granted in substitution of an option or other award (a "Substitute Award") issued under the Prior Plans or by an entity acquired by (or whose assets are acquired by) the Corporation shall not reduce the number of Shares available under the Plan. To the extent that Shares subject to an outstanding Award are not issued by reason of the expiration, termination, cancellation or forfeiture of such award or by reason of the tendering or withholding of Shares to pay all or a portion of the purchase price, if any, or to satisfy all or a portion of the tax withholding obligations relating to an award, and to the extent Shares are purchased by the Corporation with the amount of cash obtained upon the exercise of Options, then such Shares shall again be available under the Plan.

The aggregate number of Shares that may be used in settlement or payment of Stock Awards is one-million sixty-thousand one-hundred and fifty-eight (1,060,158) Shares. The number of Shares for which Awards may be granted to any person over the term of the Plan shall not exceed one-million sixty-thousand one-hundred and fifty-eight (1,060,158) Shares; provided, that such limit shall be five-hundred thousand (500,000) Shares with respect to the calendar year in which such person begins service as the Chief Executive Officer of the Corporation; and provided, further, that neither limit shall include any Restoration Options and the number of Shares for which Restoration Options may be granted to any person in any calendar year shall not exceed five-hundred thousand (500,000) Shares. Issued Shares shall consist of authorized and unissued Shares, or treasury Shares, and no fractional Shares shall be issued. Cash may be paid in lieu of any fractional Shares in settlement of Awards.

(b) ADJUSTMENTS - In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of the Corporation to stockholders, or any other similar change or event, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number and class of securities available under the Plan, the limits under Article V(a), the number and class of securities subject to each outstanding Option and the purchase price per security, the terms of each outstanding SAR, and the number and class of securities subject to each outstanding Stock Award shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Options without an increase in the aggregate purchase price. If any such adjustment would result in a fractional security being (a) available under the Plan, such fractional security shall be disregarded, or (b) subject to an Award, the Corporation shall pay the holder of such Award, in connection with the first vesting, exercise or settlement of such award in whole or in part occurring after such adjustment, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the Fair Market Value on the vesting, exercise or settlement date over (B) the exercise price, if any, of such Award.

ARTICLE VI - AWARDS

(a) GENERAL - The Committee shall determine the type or types of Award(s) to be made to each Participant. Awards may be granted singly, in combination or in tandem, and either individually or on the basis of designated groups or categories. In the sole discretion of the Committee, Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under the Prior Plans or any other compensation plan of the Corporation, including a plan of any entity acquired by (or whose assets are acquired by) the Corporation. The types of Awards that may be granted under the Plan are:

(i) OPTIONS - An Option shall represent the right to purchase a specified number of Shares during a specified period up to ten (10) years as determined by the Committee. The purchase price per Share for each Option shall

not be less than one-hundred percent (100%) of the Fair Market Value on the date of grant; provided, that a Substitute Award may be granted with a purchase price per Share that is intended to preserve the economic value of the award being replaced. If an Option is granted retroactively in substitution for an SAR, the Fair Market Value in the Award agreement may be the Fair Market Value on the grant date of the SAR. An Option may be in the form of an Incentive Stock Option, or a Non-Qualified Stock Option, as determined by the Committee; provided that Founders' Grants shall always be Non-Qualified Stock Options. The Shares covered by an Option may be purchased, in accordance with the applicable Award agreement, by cash payment or such other method permitted by the Committee, including (i) tendering (either actually or by attestation) Shares owned at least six (6) months, valued at the Fair Market Value at the date of exercise; (ii) authorizing a third party to sell the Shares (or a sufficient portion thereof) acquired upon exercise of an Option, and assigning the delivery to the Corporation of a sufficient amount of the sale proceeds to pay for all the Shares acquired through such exercise and any tax withholding obligation resulting from such exercise, or (iii) any combination of the above. The Committee may grant Options that provide for the grant of a restoration option ("Restoration Options") if the exercise price and tax withholding obligations are satisfied by tendering (either actually or by attestation) Shares to, or having Shares withheld by, the Corporation. The Restoration Option would cover the number of Shares tendered or withheld, would have an option purchase price per Share set at the Fair Market Value per Share on the date of exercise of the original Option, and would have a term equal to the remaining term of the original Option.

(ii) SARS - An SAR shall represent a right to receive a payment, in cash, Shares or a combination, equal to the excess of the Fair Market Value of a specified number of Shares on the date the SAR is exercised over the Fair Market Value on the grant date of the SAR, as set forth in the Award agreement, except that if an SAR is granted retroactively in substitution for an Option, the designated Fair Market Value in the Award agreement may be the Fair Market Value on the grant date of the Option.

(iii) STOCK AWARDS - A Stock Award shall represent an Award made in or valued in whole or in part by reference to Shares, such as performance shares or units or phantom shares or units. Stock Awards may be payable in whole or in part in Shares. All or part of any Stock Award may be subject to conditions and restrictions established by the Committee and set forth in the Award agreement or other plan or document, which may include, but are not limited to, continuous service with the Corporation and/or the achievement of one or more performance goals. The performance criteria that may be used by the Committee in granting Stock Awards contingent on performance goals shall consist of total stockholder return, appreciation in the fair market value of the Corporation's stock, net sales growth, net revenue, EBITDA, gross margin, cost reductions or savings, funds from operations, operating income, income before income taxes, net income, income per share (basic or diluted), earnings per share (basic or diluted)

profitability as measured by return ratios, including return on invested capital, return on equity, return on sales and return on investment, cash flows, market share or cost reduction goals. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based on Corporation or business unit performance, or based on comparative performance with other companies.

(b) LIMITATIONS - Notwithstanding anything herein to the contrary, the following limitations shall apply:

(i) OPTIONS - No Option may be exercised under any condition: (A) prior to the date that is six (6) months after the date of the IPO; (B) prior to the date that is twelve (12) months after the date of the IPO unless at the time of exercise, Sara Lee Corporation certifies to the Corporation that it no longer owns either (I) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (II) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code); or (C) on and after the date that is twelve (12) months after the date of the IPO, unless at the time of exercise, either (I) Sara Lee Corporation certifies to the Corporation that it no longer owns either (X) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (Y) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code), or (II) the Corporation demonstrates to the satisfaction of Sara Lee Corporation that it has purchased Shares on the open market prior to the exercise in a number sufficient to cover the exercise, and actually reissues such repurchased Shares pursuant to such exercise. Any attempted exercise of an Option that would violate any of the requirements of the previous sentence, and all actions taken in furtherance of any such attempted exercise, shall be null and void ab initio.

(ii) SARS - No SAR may be exercised, in whole or in part, for Shares under any condition: (A) prior to the date that is six (6) months after the date of the IPO; (B) prior to the date that is twelve (12) months after the date of the IPO unless, at the time of exercise, Sara Lee Corporation certifies to the Corporation that it no longer owns either (I) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (II) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code); or (C) on and after the date that is twelve (12) months after the date of the IPO, unless, at the time of exercise, either (I) Sara Lee Corporation certifies to the Corporation that it no longer owns either (X) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (Y) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code), or (II) the Corporation demonstrates to the satisfaction of Sara Lee Corporation that it has purchased Shares on the open market in a number sufficient to cover the exercise, and actually reissues such repurchased Shares pursuant to such exercise. Any attempted exercise of an SAR, in whole or in part,

for Shares, that would violate any of the requirements of the previous sentence, and all actions taken in furtherance of any such attempted exercise, shall be null and void ab initio.

(iii) STOCK AWARDS - Notwithstanding anything to the contrary herein, no Shares shall be issued pursuant to any Stock Award under any condition: (A) prior to the date that is six (6) months after the date of the IPO; (B) prior to the date that is twelve (12) months after the date of the IPO unless at the time of exercise, Sara Lee Corporation certifies to the Corporation that it no longer owns either (I) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (II) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code); or (C) on and after the date that it twelve (12) months after the date of the IPO, unless, at the time of exercise, either (I) Sara Lee Corporation certifies to the Corporation that it no longer owns either (X) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (Y) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code), or (II) the Corporation demonstrates to the satisfaction of Sara Lee Corporation that it has purchased Shares on the open market prior to the grant of any Stock Award or issuance of Shares pursuant to any Stock Award (as the case may be) in a number sufficient to cover the grant or issuance, and actually reissues such repurchased Shares pursuant to such grant or issuance. Any attempted grant of a Stock Award, or attempted issuance of Shares pursuant to a Stock Award, that would violate any of the requirements of the previous sentence, and all actions taken in furtherance of any such attempted grant or attempted issuance, as applicable, shall be null and void ab initio. In addition, in the event that the Corporation liquidates in bankruptcy, recipients of Stock Awards shall be not be entitled to receive Shares pursuant to such Stock Awards and all payments made pursuant to a Stock Award shall be made in cash.

ARTICLE VII - DIVIDENDS AND DIVIDEND EQUIVALENTS

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents; provided, that no dividends or dividend equivalents shall accrue under any Stock Awards prior to the date that Sara Lee Corporation certifies to the Corporation that it no longer owns either (a) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (b) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code). Such dividends or dividend equivalents may be paid currently or may be credited to a Participant's account under a deferred compensation plan maintained by the Corporation (to the extent permitted under such deferred compensation plan). Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional Shares or Share equivalents.

ARTICLE VIII - PAYMENTS AND PAYMENT DEFERRALS

Payment of Awards may be in the form of cash, Shares, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in Share equivalents.

ARTICLE IX - TRANSFERABILITY

Unless otherwise specified in an Award agreement, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. The interests of Participants under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, or pursuant to an agreement between a Participant and the Corporation, may not be voluntarily sold, transferred, alienated, assigned or encumbered.

ARTICLE X - CHANGE OF CONTROL

Either in contemplation of or in the event of a Change of Control (as defined below), the Committee may provide for appropriate adjustments (including acceleration of vesting and settlements of or substitutions for Awards either at the time an Award is granted or at a subsequent date).

A "Change of Control" shall occur when:

(a) a "Person" (which term, when used in this Article X, shall have the meaning it has when it is used in Section 13(d) of the Exchange Act, but shall not include the Corporation, any underwriter temporarily holding securities pursuant to an offering of such securities, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of Voting Stock (as defined below) of the Corporation) is or becomes, without the prior consent of a majority of the Continuing Directors (as defined below), the Beneficial Owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of Voting Stock (as defined below) representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities; or

(b) the stockholders of the Corporation approve and the Corporation consummates a reorganization, merger or consolidation of the Corporation or the Corporation sells, or otherwise disposes of, all or substantially all of the Corporation's property and assets, or the Corporation liquidates or dissolves (other than a reorganization, merger, consolidation or sale which would result in all or substantially all

of the beneficial owners of the Voting Stock of the Corporation outstanding immediately prior thereto continuing to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the resulting entity), more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or such entity resulting from the transaction (including, without limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's property or assets, directly or indirectly) outstanding immediately after such transaction in substantially the same proportions relative to each other as their ownership immediately prior to such transaction); or

(c) the individuals who are Continuing Directors of the Corporation (as defined below) cease for any reason to constitute at least a majority of the Board of the Corporation.

Notwithstanding the foregoing, a "Change of Control" shall not occur upon either (i) a distribution of Shares to the stockholders of Sara Lee Corporation in proportion to their ownership of the common stock of Sara Lee Corporation or (ii) a distribution of Shares owned by Sara Lee Corporation to stockholders of Sara Lee Corporation pursuant to an exchange offer with Sara Lee Corporation stockholders.

The term "Continuing Director" means (i) any member of the Board who is a member of the Board immediately after the issuance of any class of securities of the Corporation that are required to be registered under Section 12 of the Exchange Act, or (ii) any person who subsequently becomes a member of the Board whose nomination for election or election to the Board is recommended by a majority of the Continuing Directors. The term "Voting Stock" means all capital stock of the Corporation which by its terms may be voted on all matters submitted to stockholders of the Corporation generally.

ARTICLE XI - AWARD AGREEMENTS

Awards must be evidenced by an agreement (or rules, in the case of Founders' Grants) that sets forth the terms, conditions and limitations of such Award. Such terms may include, but are not limited to, the term of the Award, the provisions applicable in the event the Participant's employment terminates, and the Corporation's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind any Award. The Committee need not require the execution of any such agreement by a Participant, in which case acceptance of the Award by the respective Participant shall constitute agreement by the Participant to the terms of the Award.

ARTICLE XII - AMENDMENTS

The Board may amend the Plan at any time as it deems necessary or appropriate, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) and Section 422 of the Code; provided, however, that no amendment shall be made without stockholder approval if such amendment would increase the maximum number of Shares available under the Plan (subject to Article V(b)), or effect any change inconsistent with Section 422 of the Code. No amendment may impair the rights of a holder of

an outstanding Award without the consent of such holder. The Board may suspend the Plan or discontinue the Plan at any time; provided, that no such action shall adversely affect any outstanding Award.

ARTICLE XIII MISCELLANEOUS PROVISIONS

(a) EMPLOYMENT RIGHTS - The Plan does not constitute a contract of employment and participation in the Plan will not give a Participant the right to continue in the employ or service of the Corporation on a full-time, part-time, or any other basis. Participation in the Plan will not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

(b) GOVERNING LAW - Except to the extent superseded by the laws of the United States, the laws of the State of New York, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

(c) SEVERABILITY - In the event any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provisions had never been contained in the Plan.

(d) WITHHOLDING - The Corporation shall have the right to withhold from any amounts payable under the Plan all federal, state, foreign, city and local taxes as shall be legally required using statutory rates.

(e) EFFECT ON OTHER PLANS OR AGREEMENTS - Payments or benefits provided to a Participant under any stock, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan.

(f) FOREIGN EMPLOYEES - Without amending the Plan, the Committee may grant awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Corporation or its subsidiaries operates or has employees.

EXHIBIT 10.2

FORM OF
COACH, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN
(Conformed Through the Revised Draft First Amendment)

SECTION 1

INTRODUCTION

1.1 THE PLAN AND ITS EFFECTIVE DATE. The Coach, Inc. Executive Deferred Compensation Plan ("Plan") is established as of June 1, 2000 (the "Effective Date") by action of the Compensation and Employee Benefits Committee of the Board of Directors of Sara Lee Corporation taken at its meeting on April 26, 2000.

1.2 PURPOSE. The Plan is established by Coach, Inc. (the "Company") to enable Eligible Employees (as defined in Section 2.1) to defer future compensation from the Company or an Employer (as defined in Section 6) and to permit such employees to elect to transfer all amounts deferred and not yet paid under the Sara Lee Corporation Executive Deferred Compensation Plan (the "Prior Plan") to the Plan. To the extent that an Eligible Employee elects a transfer of all amounts deferred and not yet paid under the Prior Plan to the Plan, the provisions of the Plan amend and supercede the provisions of the Prior Plan; provided, that elections and beneficiary designations made by such Eligible Employee under the Prior Plan shall remain in effect under the Plan, except as specifically provided in subsection 2.2(i) below. The Plan is intended to be a top-hat plan described in Section 201(2) of the Employee Retirement Income Security Act of 1974 ("ERISA").

1.3 ADMINISTRATION. The Plan shall be administered by the Compensation and Employee Benefits Committee of the Board of Directors of the Company (the "Committee"). The Committee shall have the powers set forth in the Plan and the power to interpret its provisions. Any decisions of the Committee shall be final and binding on all persons with regard to the Plan. The Committee may delegate its authority hereunder to the Senior Vice President, Human Resources of the Company or to such other officers of the Company as it may deem appropriate.

1.4 PLAN YEAR. The Plan shall be administered on the basis of the calendar year (the "Plan Year"). The first Plan Year shall be a short Plan Year beginning on the Effective Date and ending on the next following December 31st.

SECTION 2

PARTICIPATION AND DEFERRAL ELECTIONS

2.1 ELIGIBILITY AND PARTICIPATION. Subject to the conditions and limitations of the Plan, all officers and key employees of the Company at the "C" level and above shall be eligible to participate in the Plan ("Eligible Employees"). Any Eligible Employee who makes a Deferral Election as described in Section 2.2 below shall become a participant in the Plan ("Participant") and shall remain a Participant until the entire balance of his Deferral Account (defined in Section 3.1 below) is distributed to him.

2.2 RULES FOR DEFERRAL ELECTIONS. Any Eligible Employee may make irrevocable elections to defer receipt of the amounts described in Section 2.3 below (each such election shall be referred to as a "Deferral Election" and the amount deferred pursuant to such an election the "Deferral") for a Plan Year in accordance with the rules set forth below.

(a) An Eligible Employee shall be eligible to make a Deferral Election only if he is an active, regular, full-time employee of an Employer on the date such election is made.

(b) For each Plan Year, an Eligible Employee may make no more than one Deferral Election for the Eligible Employee's Annual Bonus and such number of Deferral Elections with respect to the Eligible Employee's Annual Base Salary as the Committee may prescribe.

(c) Subject to the following, all Deferral Elections must be made in such manner as the Committee may prescribe and must be received by the Committee no later than the date specified by the Committee:

(i) In no event will the date specified by the Committee with respect to an Annual Bonus be later than: (A) for the first Plan Year, the thirtieth (30th) day following the Effective Date, or (B) for each Plan Year thereafter, the end of the Plan Year preceding the Plan Year in which the Annual Bonus is anticipated to be paid.

(ii) Any Deferral Election with respect to an Eligible Employee's Annual Base Salary shall only apply to that portion of the Eligible Employee's Annual Base Salary remaining to be paid for service during the Plan Year after the date the Deferral Election is made.

(d) As part of each Deferral Election, the Eligible Employee must specify the date on which the Deferral will be paid (the "Distribution Date"); provided, that notwithstanding the Eligible Employee's Deferral Election, in no event shall such Deferral be paid prior to the date that Sara Lee Corporation certifies to the Company that it no longer owns either (i) shares of Coach, Inc. common stock representing "control" of the Company (within the meaning of Section 368(c) of the Internal Revenue Code of 1986, as amended (the "Code")) or (ii) shares of Coach, Inc. common stock sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code) (the "Spin-Off Date"), unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares

pursuant to such payment. The Distribution Dates specified in an Eligible Employee's Deferral Elections may, but need not necessarily, be the same for all Deferrals. Except as provided in subsection (f) below, each Distribution Date is irrevocable and shall apply only to that portion of the Participant's Deferral Account which is attributable to the Deferral.

(e) The Distribution Date selected by an Eligible Employee shall not be earlier than the January 1 immediately following the first anniversary of the date on which the Deferral Election is made.

(f) A Participant may make an irrevocable election to extend a Distribution Date (a "Re-Deferral Election"); provided, that no Re-Deferral Election shall be effective unless (i) the Committee receives the election prior to the December 1 of the Plan Year preceding the Plan Year in which the Distribution Date to be changed occurs, and (ii) the new Distribution Date is not earlier than the January 1 immediately following the first anniversary of the date the Re-Deferral Election is made. All Re-Deferral Elections must be made in such manner and pursuant to such rules as the Committee may prescribe.

(g) As part of each Deferral Election, an Eligible Employee must elect the manner in which the Deferral will be paid beginning on the selected Distribution Date. The Deferral may be paid in a single lump sum or in substantially equal annual installments over a period not exceeding five (5) years as provided under Section 4.1. Except as provided in Section 4.1, an Eligible Employee's election as to the manner of payment shall be irrevocable. If the Participant elects an installment method of payment the Distribution Date must be as of January 1.

(h) A Deferral Election shall be irrevocable; provided, that if the Committee determines that a Participant has an Unforeseeable Financial Emergency (as defined in Section 4.7), then the Participant's Deferral Elections then in effect shall be revoked with respect to all amounts not previously deferred.

(i) Any Eligible Employee who was a participant in the Prior Plan on the Effective Date may elect to transfer his or her Prior Plan Deferral Account to the Plan at such time and in accordance with such rules as may be established by the Committee. Amounts transferred under this subsection shall be subject to the Deferral Election and any beneficiary designation made under the Prior Plan and shall be treated as a separate Deferral for all purposes of this Plan. Notwithstanding the foregoing, in the event that the Distribution Date specified in the Prior Plan Deferral Election occurs before the Spin-Off Date, distribution of the Prior Plan Deferral Account

shall not be made until the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the Prior Plan Deferral payment, and actually re-issues such repurchased shares pursuant to such payment.

2.3 AMOUNTS DEFERRED. An Eligible Employee may make a Deferral Election to defer receipt of the following amounts:

(a) All or any portion of the Eligible Employee's annual bonus for a year due under an annual bonus plan or any other short-term incentive plan of the Company or an Employer (an "Annual Bonus").

(b) All or any portion of the Eligible Employee's Annual Base Salary. "Annual Base Salary" shall mean the regular rate of compensation to be paid to the Eligible Employee for services rendered during the Plan Year excluding severance or termination payments, commissions, foreign service payments, payments for consulting services and such other unusual or extraordinary payments as the Committee may determine.

(c) Such other bonuses and incentive payments under any plan or arrangement established by the Company or an Employer as the Committee may designate as compensation eligible for deferral under this Plan in such increments and subject to such limitations and restrictions as the Committee may establish.

SECTION 3

DEFERRAL ACCOUNTS

3.1 DEFERRAL ACCOUNTS. All amounts deferred pursuant to a Participant's Deferral Elections under the Plan shall be allocated to a bookkeeping account in the name of the Participant ("Deferral Account") and the Committee shall maintain a separate subaccount under a Participant's Deferral Account for each Deferral. Deferrals shall be credited to the Deferral Account as of the Deferral Crediting Date coinciding with or next following the date on which, in the absence of a Deferral Election, the Participant would otherwise have received the Deferral. A "Deferral Crediting Date" shall mean the business day coinciding with or next following the 15th day of each calendar month and the business day coinciding with or next following the last day of each calendar month.

3.2 INVESTMENT OF DEFERRAL ACCOUNT. A Participant's Deferral Account shall be invested as follows:

(a) PRE-INITIAL PUBLIC OFFERING. Prior to the date of the Company's initial public offering (the "IPO Date"), interest will be credited to the Participant's Deferral Account as of (i) each business day coinciding with or next following the last day of each month and (ii) the business day immediately preceding the IPO Date. The rate of interest to be credited shall be equal to 7.5 percent, compounded annually.

(b) POST-INITIAL PUBLIC OFFERING. On and after the IPO Date, the amount of the Participant's Deferral Account shall be invested in "Deferred Stock Units" under which each Deferred Stock Unit represents the right to receive one share of Coach, Inc. common stock on the Distribution Date (subject to Sections 4.1 and 4.11 below). On the IPO Date, the number of Deferred Stock Units to be credited to the Participant's Deferral Account and appropriate subaccounts shall be determined by dividing the balance of the Participant's Deferral Account on that date by the initial offering price of the common stock of Coach, Inc. After the IPO Date, the number of Coach, Inc. Deferred Stock Units to be credited to the Participant's Deferral Account and appropriate subaccounts on each Deferral Crediting Date shall be determined by dividing the Deferral to be "invested" on that date by the average of the high and low quotes of Coach, Inc. common stock on the applicable day on the New York Stock Exchange Composite Transaction Tape ("Market Value"). Fractional Deferred Stock Units will be computed to two decimal places. On and after the Spin-Off Date, an amount equal to the number of Deferred Stock Units held as of each dividend record date multiplied by the dividend paid on Coach, Inc. common stock on each dividend payment date shall either (a) be credited to the Participant's Deferral Account and appropriate subaccount as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date and "invested" in additional Deferred Stock Units as though such dividend credits were a Deferral or (b) at the election of the Participant at such time and in accordance with such rules as established by the Committee, be paid in cash to the Participant as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date. In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of the Company to stockholders, or any other similar change or event effected without receipt of consideration, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number of Deferred Stock Units credited to a Participant's Deferral Account.

Subject to Sections 4.1 and 4.11, the number of shares of Coach, Inc. common stock to be paid to a Participant on a Distribution Date shall be equal to the number of Deferred Stock Units accumulated in the Deferral Account on such date divided by the total of the payments to be made. Deferred Stock Units shall not have voting rights. Except provided in Section 4.11, all payments from the Plan shall be made in whole shares of Coach, Inc. common stock with fractional shares credited to federal income taxes withheld.

3.3 VESTING. A Participant shall be fully vested at all times in the balance of his Deferral Account.

SECTION 4

PAYMENT OF BENEFITS

4.1 TIME AND METHOD OF PAYMENT. Payment of a Participant's Deferral shall be made in a single lump sum or shall commence in installments as elected by the Participant in the Deferral Election. A Participant may make a one-time election after the original Deferral Election to change the method of payment elected by the Participant; provided, that such election shall not be effective unless the election to change the method of payment is received by the Committee prior to the December 1 of the Plan Year preceding the Plan Year in which the Distribution Date specified in the original Deferral Election occurs. If a Participant's Deferral Account is payable in a single lump sum, the payment shall be made as soon as practicable following the Distribution Date but not later than thirty (30) days following the Distribution Date. If a Participant's Deferral is payable in installment payments, then the Participant's Deferral shall be paid in annual installments of substantially equal shares over the period as elected by the Participant in the Deferral Election commencing as soon as practicable following the Distribution Date but not later than thirty (30) days following the Distribution Date. Notwithstanding anything contained in the Plan or a Participant's Deferral Election(s) to the contrary, no distributions or payments shall be made from the Plan prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover such distributions or payments, and actually re-issues such repurchased shares pursuant to such distributions or payments.

4.2 PAYMENT UPON TOTAL DISABILITY. In the event a Participant becomes totally disabled before all amounts credited to his Deferral Account have been paid, payment of the Participant's Deferral Account shall be made or shall commence in the method of payment elected by the disabled Participant; provided, that the disabled Participant requests payment in writing within one-hundred eighty (180) days of becoming disabled; and provided further, that no payment shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment. If such a request is not made, the disabled

Participant's Deferrals will be paid pursuant to the Deferral Elections and the normal provisions of the Plan. A Participant will be considered to be totally disabled for purposes of the Plan if the Participant is determined to be totally disabled under the Company's disability plan applicable to the Participant.

4.3 PAYMENT UPON RETIREMENT OR OTHER TERMINATION OF EMPLOYMENT. In the event the Participant retires or otherwise terminates employment with the Company for any reason before the entire balance in the Participant's Deferral Account has been paid, the Participant's Deferral Account shall continue to be maintained for the benefit of the Participant and Deferrals shall be paid pursuant to the Deferral Elections and the normal provisions of the Plan; provided, that a Participant's Deferral Election may provide for the immediate payment of the Participant's Deferral Account upon his retirement or other termination of employment; and provided further, that no payment shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment.

4.4 PAYMENT UPON DEATH OF A PARTICIPANT. In the event a Participant dies before all amounts credited to his Deferral Account have been paid, payment of the Participant's Deferral Account shall be made or shall commence in the method of payment elected by the Participant's Beneficiary or the Executor/Executrix of the Participant's estate; provided, that the request is made in writing within one-hundred eighty (180) days of the Participant's death; and provided further, that no payment shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the Deferral payment, and actually re-issues such repurchased shares pursuant to such payment. If such a request is not made, the deceased Participant's Deferrals will be paid pursuant to the Deferral Elections and the normal provisions of the Plan.

4.5 BENEFICIARY. A Participant's Beneficiary shall mean the individual(s) or entity designated by the Participant to receive the balance of the Participant's Deferral Account in the event of the Participant's death prior to the payment of his entire Deferral Account. To be effective, any Beneficiary designation shall be filed in writing with the Committee. A Participant may revoke an existing Beneficiary designation by filing another written Beneficiary designation with the Committee. The latest Beneficiary designation received by the Committee shall be controlling. If no Beneficiary is named by a Participant or if he survives all of his named Beneficiaries, the Deferral Account shall be paid in the following order of precedence:

(a) the Participant's spouse;

(b) the Participant's children (including adopted children), per stirpes; or

(c) the Participant's estate.

4.6 FORM OF PAYMENT. Except as provided in Section 4.11, all payments from the Plan shall be made in whole shares of Coach, Inc. common stock with fractional shares credited to federal income taxes withheld.

4.7 UNFORESEEABLE FINANCIAL EMERGENCY. If the Committee or its designee determines that a Participant has incurred an Unforeseeable Financial Emergency (as defined below), the Participant may withdraw in cash and/or stock the portion of the balance of his Deferral Account needed to satisfy the Unforeseeable Financial Emergency, to the extent that the Unforeseeable Financial Emergency may not be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. An "Unforeseeable Financial Emergency" is a severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant; (ii) loss of the Participant's property due to casualty; or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Committee. A withdrawal on account of an Unforeseeable Financial Emergency shall be paid as soon as possible following the date on which the withdrawal is approved; provided, that no withdrawal shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the withdrawal, and actually re-issues such repurchased shares pursuant to such withdrawal.

4.8 EARLY WITHDRAWAL WITH PENALTY. Notwithstanding the other provisions of the Plan to the contrary, a Participant may request a withdrawal from his Deferral Account by filing a request with the Committee or its designee in writing. Payment will be made to the Participant within thirty (30) days of the approval of such a request; provided, that no withdrawal shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on the open market in a number sufficient to cover the withdrawal, and actually re-issues such repurchased shares pursuant to such withdrawal. Any amount withdrawn under this provision will be charged with a ten (10) percent early withdrawal penalty which will be withheld from the amount withdrawn and forfeited as provided in Section 5.5.

4.9 WITHHOLDING OF TAXES. The Company shall withhold any applicable minimum statutory Federal, state or local income tax from payments due under the Plan. The Company shall also withhold Social Security taxes, including the Medicare portion of such taxes, and any other employment taxes as necessary to comply with applicable laws.

4.10 SMALL AMOUNTS. Notwithstanding any election by the Participant regarding the timing and manner of payment of his Deferrals, in the event of a Participant's retirement or other termination of employment, the Employer may elect to pay the Participant a lump sum distribution of the entire value of the Participant's Deferral Account; provided, that the value is less than ten-thousand dollars ($10,000) determined as of the Valuation Date coinciding with or immediately following the Participant's termination of employment; provided further, that no payment shall be made prior to the Spin-Off Date, unless the Company demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach, Inc. common stock on

the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment.

4.11 PAYMENT UPON BANKRUPTCY LIQUIDATION. Notwithstanding anything contained in the Plan to the contrary, in the event that the Company is liquidated in bankruptcy, (a) no distributions from the Plan shall be made in shares of Coach, Inc. common stock and (b) distributions to a Participant shall be made in cash in an amount determined by multiplying each Deferred Stock Unit in the Participant's Deferral Account by the Market Value of Coach, Inc. common stock on the date such Deferred Stock Unit was first credited to the Participant's Deferral Account.

SECTION 5

MISCELLANEOUS

5.1 FUNDING. Benefits payable under the Plan to any Participant shall be paid directly by the Participant's Employer (including the Company if the Participant is employed by the Company). The Company and the Employers shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the Plan.

5.2 ACCOUNT STATEMENTS. As soon as practical after the end of each calendar year (or after such additional date or dates as the Committee, in its discretion, may designate), each Participant shall be provided with a statement of the balance of his Deferral Account hereunder as of the last day of such calendar year (or as of such other dates as the Committee, in its discretion, may designate).

5.3 EMPLOYMENT RIGHTS. Establishment of the Plan shall not be construed to give any Eligible Employee the right to be retained in the Company's service or to any benefits not specifically provided by the Plan.

5.4 INTERESTS NOT TRANSFERABLE. Except as (a) provided under (i) Section 4.9 or (ii) an agreement between a Participant and the Company, or (b) required for purposes of withholding of any tax under the laws of the United States or any state or locality, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No person shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his benefits under the Plan, or if by any reason of his bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the Plan, then the Committee, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the Plan and hold or apply them for or to the benefit of such person entitled thereto under the Plan or his spouse, children or other dependents, or any of them, in such manner as the Committee may deem proper.

5.5 FORFEITURES AND UNCLAIMED AMOUNTS. Unclaimed amounts shall consist of the amounts of the Deferral Account of a Participant that are not distributed because of the Committee's inability, after a reasonable search, to locate a Participant or his Beneficiary, as applicable, within a period of two (2) years after the date upon which the payment of any benefits becomes due and the amount by which a Participant's Account is reduced under Section 4.8. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures will reduce the obligations of the Company under the Plan and the Participant or Beneficiary, as applicable, shall have no further right to his Deferral Account unless the Committee determines otherwise in a particular case.

5.6 CONTROLLING LAW. The law of New York, except its law with respect to choice of law, shall be controlling in all matters relating to the Plan to the extent not preempted by ERISA.

5.7 GENDER AND NUMBER. Words in the masculine gender shall include the feminine, and the plural shall include the singular and the singular shall include the plural.

5.8 ACTION BY THE COMPANY. Except as otherwise specifically provided herein, any action required of or permitted by the Company under the Plan shall be by resolution of the Board of Directors of the Company or by action of any member of the Committee or person(s) authorized by resolution of the Board of Directors of the Company.

SECTION 6

EMPLOYER PARTICIPATION

Any subsidiary or affiliate of the Company incorporated under the laws of any state in the United States (an "Employer") may, with the approval of the Committee and under such terms and conditions as the Committee may prescribe, adopt the corresponding portions of the Plan. The Committee may amend the Plan as necessary or desirable to reflect the adoption of the Plan by an Employer; provided, however, that an adopting Employer shall not have the authority to amend or terminate the Plan under Section 7.

SECTION 7

AMENDMENT AND TERMINATION

The Company intends the Plan to be permanent, but reserves the right at any time by action of its Board of Directors to modify, amend or terminate the Plan; provided, however, that any amendment or termination of the Plan shall not reduce or eliminate any Deferral Account accrued through the date of such amendment or termination. The Committee shall have the same authority to adopt amendments to the Plan as the Board of Directors of the Company in the following circumstances:

(a) to adopt amendments to the Plan which the Committee determines are necessary or desirable for the Plan to comply with or to obtain benefits or advantages under the provisions of applicable law, regulations or rulings or requirements of the Internal Revenue Service or other governmental or administrative agency or changes in such law, regulations, rulings or requirements; and

(b) to adopt any other procedural or cosmetic amendment that the Committee determines to be necessary or desirable that does not materially change benefits to Participants or their Beneficiaries or materially increase the Company's or adopting Employers' obligations under the Plan.

The Committee shall provide notice of amendments adopted by the Committee to the Board of Directors of the Company on a timely basis.

Executed in multiple originals this ___ day of _____, 2000

COACH, INC.

By:_____
Its: _____

APPENDIX A
TO
COACH, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

GLOSSARY OF TERMS

As used herein, the term:

(1) "Annual Base Salary" means the regular rate of compensation to be paid to the Eligible Employee for services rendered during the Plan Year excluding severance or termination payments, commissions, foreign service payments, payments for consulting services and such other unusual or extraordinary payments as the Committee may determine.

(2) "Annual Bonus" means an Eligible Employee's annual bonus for a year due under an annual bonus plan or any other short-term incentive plan of the Company or an Employer.

(3) "Beneficiary" means the individual(s) or entity designated by a Participant to receive the balance of the Participant's Deferral Account in the event of the Participant's death prior to the payment of the Participant's entire Deferral Account.

(4) "Code" means the Internal Revenue Code of 1986, as amended.

(5) "Committee" means the Compensation and Employee Benefits Committee of the Board of Directors of the Company.

(6) "Company" means Coach, Inc.

(7) "Deferral" means the amount deferred pursuant to a Deferral Election.

(8) "Deferral Account" means the bookkeeping account established in the name of the Participant to hold all amounts deferred pursuant to a Participant's Deferral Elections under the Plan.

(9) "Deferral Crediting Date" means the business day coinciding with or next following the 15th day of each calendar month and the business day coinciding with or next following the last day of each calendar month.

(10) "Deferral Election" means a Participant's irrevocable election to defer receipt of amounts described in Section 2.3 of the Plan for a Plan Year.

(11) "Deferred Stock Unit" means the investment vehicle under the Plan under which each Deferred Stock Unit represents the right to receive one share of Coach, Inc. common stock on the Distribution Date (subject to Sections 4.1 and 4.11).

(12) "Distribution Date" means the date on which an Eligible Employee elects to have a Deferral paid pursuant to a Deferral Election.

(13) "Effective Date" means the effective date of the Plan, June 1, 2000.

(14) "Eligible Employee" means each officer or key executive of the Company who is at the "C" level or above.

(15) "Employer" means any subsidiary of the Company incorporated under the laws of any state in the United States.

(16) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(17) "Financial Gain" means the difference between the fair market value of the common stock of the Company on the date of exercise and the exercise price, multiplied by the number of shares of common stock purchased pursuant to that exercise (without reduction for any shares of common stock surrendered or attested to).

(18) "IPO Date" means the date of the Coach, Inc. initial public offering.

(19) "Market Value" of Coach, Inc. common stock means the average of the high and low quotes for Coach, Inc. common stock on the applicable day on the New York Stock Exchange Composite Transaction Tape.

(20) "Participant" means any Eligible Employee who makes a Deferral Election or has an Account under the Plan.

(21) "Plan" means the Coach, Inc. Executive Deferred Compensation Plan.

(22) "Plan Year" means the calendar year.

(23) "Prior Plan" means the Sara Lee Corporation Executive Deferred Compensation Plan.

(24) "Re-Deferral Election" means a Participant's irrevocable election to extend a Distribution Date.

(25) "Spin-Off Date" means the date that Sara Lee Corporation certifies to the Company that it no longer owns either (a) shares of Coach, Inc. common stock representing "control" of the Company (within the meaning of Section 368(c) of the Code) or (b) shares of Coach, Inc. common stock sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code).

(26) "Unforeseeable Financial Emergency" means a severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant; (ii) loss of the Participant's property due to casualty; or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Committee.

EXHIBIT 10.3

FORM OF
COACH, INC.
PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

ARTICLE I - PURPOSE OF THE PLAN

The purpose of the Coach, Inc. Performance-Based Annual Incentive Plan is to advance the interests of Coach, Inc. and its stockholders by providing certain of its key executives with annual incentive compensation which is tied to the achievement of pre-established and objective performance goals. The Plan is intended to provide participants with annual incentive compensation which is not subject to the deduction limitation rules prescribed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and should be construed to the extent possible as providing for remuneration which is "performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

ARTICLE II - DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

a. "BOARD" means the Board of Directors of Coach, Inc.

b. "COMMITTEE" means the Compensation and Employee Benefits Committee of the Board of Directors, a subcommittee thereof, or such other committee as may be appointed by the Board of Directors. The Committee shall be comprised of two (2) or more non-employee members of the Board of Directors who shall qualify to administer the Plan as "disinterested directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and as "outside directors" under Section 162(m) of the Code.

c. "CORPORATION" means Coach, Inc., or any entity that is directly or indirectly controlled by Coach, Inc.

d. "PLAN" means the Coach, Inc. Performance-Based Annual Incentive Plan, as may be amended and restated from time to time.

e. "PARTICIPANT" means (i) a "covered employee" as defined in Section 162(m) of the Code and the regulations promulgated thereunder, who has been selected by the Committee as a participant in the Plan during a Performance Period and (ii) each other employee who has been selected by the Committee as a participant in the Plan during a Performance Period.

f. "PERFORMANCE AWARD" means an award granted pursuant to the terms of Article IV of this Plan.

g. "PERFORMANCE GOAL" means the performance goal and payout schedules established by the Committee for a Participant (or group of Participants) no later than ninety (90)

days after the commencement of each Performance Period which relates to one or more of the following performance measures of the Corporation and/or its affiliates: cash flow, net income, pre-tax income, net revenue, EBITDA, operating income, diluted earnings per share, earnings per share, gross margin, return on sales, return on equity, return on investment, cost reductions or savings, funds from operations, and/or appreciation in the fair market value of the Corporation's stock.

h. "PERFORMANCE PERIOD" means the Corporation's fiscal year, or such other period as designated by the Committee.

ARTICLE III - PLAN ADMINISTRATION

The Committee shall have full discretion, power and authority to administer and interpret the Plan and to establish rules and procedures for its administration as the Committee deems necessary and appropriate. Any interpretation of the Plan or other act of the Committee in administering the Plan shall be final and binding on all Participants.

ARTICLE IV - PERFORMANCE AWARDS

For each Performance Period, the Committee shall determine the amount of a Participant's Performance Award as follows:

a. GENERAL - Each Participant shall be eligible to receive a Performance Award if the Participant's Performance Goal for the Performance Period has been achieved. The maximum amount of a Participant's Performance Award, expressed as a percentage of base salary, shall be set by the Committee prior to each Performance Period; provided, however, that in no event shall a Participant's Performance Award exceed one million dollars ($1,000,000). The actual amount of a Participant's Performance Award may be reduced or eliminated by the Committee as set forth in paragraph (b) below.

b. REDUCTION OR ELIMINATION OF PERFORMANCE AWARD - The Performance Award for each Participant may be reduced or eliminated by the Committee in its sole discretion; provided, however, that under no circumstances may the amount of any Performance Award to any Participant be increased. In determining whether a Performance Award will be reduced or eliminated, the Committee shall consider any extraordinary changes which may occur during the Performance Period, such as changes in accounting practices or applicable law, extraordinary items of gain or loss, discontinued operations, restructuring costs, sales or dispositions of assets and acquisitions, and shall consider such individual or business performance criteria that it deems appropriate, including, but not limited to, the Corporation's cash flow, net income, pre-tax income, net revenue, EBITDA, operating income, diluted earnings per share, earnings per share, gross margin, return on sales, return on equity, return on investment, cost reductions or savings, funds from operations, appreciation in the fair market value of the Corporation's stock, and other relevant operating and strategic business results applicable to an individual Participant. Once the

Committee has determined the amount of a Participant's Performance award pursuant this Article IV, and upon the certification required under Article V, the Committee shall grant the Participant's Performance Award pursuant to such terms and procedures as the Committee shall adopt under Article III.

ARTICLE V - PAYMENT OF PERFORMANCE AWARDS

Subject to any stockholder approval required by law, payment of any Performance Award to a Participant for any Performance Period shall be made in cash after written certification by the Committee that the Performance Goal for the Performance Period was achieved, and any other material terms of the Performance Award were satisfied. Any Performance Award may be deferred pursuant to the terms and conditions of the Coach, Inc.
Executive Deferred Compensation Plan or a successor thereto.

ARTICLE VI - PLAN AMENDMENT AND TERMINATION

The Committee may amend or terminate the Plan by resolution at any time as it shall deem advisable, subject to any stockholder approval required by law, provided that the Committee may not amend the Plan to change the method for determining Performance Awards or the individual award limit under Article IV without the approval of the majority of votes cast by stockholders in a separate vote. No amendment may impair the rights of a Participant to any Performance Award already granted with respect to any Performance Period.

ARTICLE VII - MISCELLANEOUS PROVISIONS

a. EMPLOYMENT RIGHTS - The Plan does not constitute a contract of employment and participation in the Plan will not give a Participant the right to continue in the employ of the Corporation on a full-time, part-time, or any other basis. Participation in the Plan will not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically been granted by the Committee under the terms of the Plan.

b. COMMITTEE'S DECISION FINAL - Any interpretation of the Plan and any decision on any matter pertaining to the Plan which is made by the Committee in its discretion in good faith shall be binding on all persons.

c. GENDER AND NUMBER - Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the plural form of a word shall include the singular form, and the singular form of a word shall include the plural form.

d. GOVERNING LAW - Except to the extent superseded by the laws of the United States, the laws of the State of New York, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

e. INTERESTS NOT TRANSFERABLE - Any interests of Participants under the Plan may not be voluntarily sold, transferred, alienated, assigned or encumbered, other than by will or pursuant to the laws of descent and distribution.

f. SEVERABILITY - In the event any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provisions had never been contained in the Plan.

g. WITHHOLDING - The Corporation will withhold from any amounts payable under this Plan all federal, state, foreign, city and local taxes as shall be legally required.

h. EFFECT ON OTHER PLANS OR AGREEMENTS - Payments or benefits provided to a Participant under any stock, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan.

ARTICLE VIII - EFFECTIVE DATE

This Plan shall be effective as of June 29, 2000, as approved by Sara Lee Corporation as the sole shareholder of the Corporation. The Plan shall automatically terminate as of the first meeting of shareholders on and after the first anniversary of the date on which the Corporation first issues equity securities of the Corporation that are required to be registered under Article II of the Securities Exchange Act of 1934, as amended, unless resubmitted to and approved by shareholders prior to that date.

EXHIBIT 10.4

FORM OF
COACH, INC.
2000 NON-EMPLOYEE DIRECTOR STOCK PLAN

ARTICLE I - PURPOSE OF THE PLAN

The purpose of the Coach, Inc. 2000 Non-Employee Director Stock Plan is to promote the long-term growth of the Corporation by increasing the proprietary interest of Non-Employee Directors in the Corporation and to attract and retain highly qualified and capable Non-Employee Directors.

ARTICLE II - DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

2.1 "ANNUAL CASH RETAINER" means that portion of the annual retainer fee payable in cash by the Corporation to a Non-Employee Director for services as a director of the Corporation, as such amount may be changed from time to time.

2.2 "ANNUAL OPTION RETAINER" means that portion of the annual retainer fee payable in the form of Options by the Corporation to a Non-Employee Director for services as a director of the Corporation, as such amount may be changed from time to time.

2.3 "AWARD" means an award granted to a Non-Employee Director under the Plan in the form of Options or Shares, or any combination thereof.

2.4 "BOARD" means the Board of Directors of Coach, Inc.

2.5 "CORPORATION" means Coach, Inc.

2.6 "FAIR MARKET VALUE" means, with respect to any date, the average between the highest and lowest sale prices per Share on the New York Stock Exchange Composite Transactions Tape on such date, provided that if there shall be no sales of Shares reported on such date, the Fair Market Value of a Share on such date shall be deemed to be equal to the average between the highest and lowest sale prices per Share on such Composite Tape for the last preceding date on which sales of Shares were reported and, provided further, that the Fair Market Value of a Share on the date the Corporation first offers Shares to the public in an initial public offering shall be the initial offering price of Shares on such date.

2.7 "OPTION" means an option to purchase Shares awarded under Article VIII, which does not meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, or any successor law (the "Code").

2.8 "OPTION GRANT DATE" means the date upon which an Option is granted to a Non-Employee Director.

2.9 "OPTIONEE" means a Non-Employee Director of the Corporation to whom an Option has been granted or, in the event of such Non-Employee Director's death prior to the expiration of an Option, such Non-Employee Director's executor, administrator, beneficiary or similar person, or, in the event of a transfer permitted by Article VII hereof, such permitted transferee.

2.10 "NON-EMPLOYEE DIRECTOR" means a director of the Corporation who is not an employee of the Corporation or any subsidiary of the Corporation.

2.11 "PLAN" means the Coach, Inc. 2000 Non-Employee Director Stock Plan, as amended and restated from time to time.

2.12 "STOCK AWARD DATE" means the date on which Shares are awarded to a Non-Employee Director.

2.13 "SHARES" means shares of the Corporation's common stock.

2.14 "STOCK OPTION AGREEMENT" means a written agreement between a Non-Employee Director and the Corporation evidencing an Option.

ARTICLE III - ADMINISTRATION OF THE PLAN

3.1 ADMINISTRATOR OF THE PLAN. The Plan shall be administered by the Compensation and Employee Benefits Committee of the Board ("Committee").

3.2 AUTHORITY OF COMMITTEE. The Committee shall have full power and authority to: (i) interpret and construe the Plan and adopt such rules and regulations as it shall deem necessary and advisable to implement and administer the Plan and (ii) designate persons other than members of the Committee to carry out its responsibilities, subject to such limitations, restrictions and conditions as it may prescribe, such determinations to be made in accordance with the Committee's best business judgment as to the best interests of the Corporation and its stockholders and in accordance with the purposes of the Plan. The Committee may delegate administrative duties under the Plan to one or more agents as it shall deem necessary or advisable.

3.3 DETERMINATIONS OF COMMITTEE. A majority of the Committee shall constitute a quorum at any meeting of the Committee, and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Plan may be made without notice or a meeting of the Committee by a written consent signed by all members of the Committee.

3.4 EFFECT OF COMMITTEE DETERMINATIONS. No member of the Committee or the Board shall be personally liable for any action or determination made in good faith with respect to the Plan or any Award or to any settlement of any dispute between a Non-

Employee Director and the Corporation. Any decision or action taken by the Committee or the Board with respect to an Award or the administration or interpretation of the Plan shall be conclusive and binding upon all persons.

ARTICLE IV - AWARDS UNDER THE PLAN

Awards in the form of Options or Shares shall be granted to Non-Employee Directors in accordance with Article VIII. Each Option granted under the Plan shall be evidenced by a Stock Option Agreement. Each Option granted under the Plan shall provide for the grant of a restoration Option if the purchase price of the Shares subject to the original Option is satisfied by surrendering (or attesting to the ownership of) Shares in accordance with Section 8.2. Each restoration Option shall (i) be an Option to purchase the number of Shares surrendered (either actually or by attestation), plus the number of Shares that the Optionee would have surrendered to pay withholding taxes, calculated as if such Optionee had been obligated to pay such taxes and had surrendered Shares to satisfy such obligation, (ii) be fully exercisable (subject to the restrictions contained herein and in the applicable restoration Stock Option Agreement) on and after that date which is six (6) months after the Option Grant Date of the restoration Option, (iii) have a purchase price per Share equal to one-hundred percent (100%) of the Fair Market Value per Share on the Option Grant Date of the restoration Option and (iv) have a term equal to the remaining term of the original Option.

ARTICLE V - ELIGIBILITY

Non-Employee Directors of the Corporation other than active employees of Sara Lee Corporation shall be eligible to participate in the Plan in accordance with Article VIII.

ARTICLE VI - SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Article XI, the aggregate number of Shares available for all grants of Options and awards of Shares in any fiscal year shall be two-tenths (2/10) of one (1) percent (.2%) of the outstanding Shares as of the last day of the immediately preceding fiscal year.

ARTICLE VII - TRANSFERABILITY OF OPTIONS

Options granted under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution, except that the Committee may provide for the transferability of any particular Option in the manner set forth in the related Stock Option Agreement.

ARTICLE VIII - ANNUAL RETAINER ELECTIONS

Each Non-Employee Director shall be granted Options or Shares, or a combination thereof, subject to the following terms and conditions:

8.1 GRANT OF OPTIONS OR SHARES. Subject to limitations contained in Section 8.3, on the day that the Corporation first offers Shares to the public in an initial public offering and the day of the last regularly scheduled meeting of the Board held in October of each calendar year after the calendar year of such initial public offering (a) Options shall be granted to each Non-Employee Director equal to the Annual Option Retainer, and (b) Options or Shares, or a combination thereof, shall be granted to each Non-Employee Director who, at least ten (10) business days prior thereto, files with the Committee or its designee a written election to receive Options or Shares, or a combination thereof, in lieu of all or a portion of such Non-Employee Director's Annual Cash Retainer for the one-year period beginning on the next following November. In the event a Non-Employee Director does not file a written election in accordance with the preceding sentence, Options or Shares, or a combination thereof, shall be granted, subject to the limitations contained in Section 8.3, to such Non-Employee Director on the tenth (10th) business day after the date such Non-Employee Director files with the Committee or its designee a written election to receive Options or Shares, or a combination thereof, in lieu of all or a portion of such Non-Employee Director's Annual Cash Retainer. An election pursuant to Section 8.1(b) shall be irrevocable on and after the tenth (10th) business day prior to the date of grant of the Options or Shares, as the case may be. An election pursuant to the second sentence of this Section 8.1 shall be irrevocable.

8.2 NUMBER AND TERMS OF OPTIONS. The number of Shares subject to an Option granted pursuant to Section 8.1(b) above shall be the number of whole Shares equal to (i) the product of three (3) times the portion of the Annual Cash Retainer which the Non-Employee Director has elected pursuant to Section 8.1(b) to be payable in Options, divided by (ii) the Fair Market Value per Share on the Option Grant Date. Any fraction of a Share shall be disregarded and the remaining amount of such Annual Retainer shall be paid in cash or Shares as the Non-Employee Director has elected. The purchase price per Share under each Option granted pursuant to this Article shall be one-hundred percent (100%) of the Fair Market Value per Share on the Option Grant Date.

Subject to Section 8.3, Article IX and any restrictions contained in the applicable Stock Option Agreement, each Option granted to a Non-Employee Director shall be fully vested and exercisable on and after the date which is six (6) months after the Option Grant Date. In no event shall the period of time over which the Option may be exercised exceed ten (10) years from the Option Grant Date. An Option, or portion thereof, may be exercised in whole or in part only with respect to whole Shares.

Shares shall be issued to the Optionee pursuant to the exercise of an Option only upon receipt by the Corporation from the Optionee of payment in full either in cash or by surrendering (or attesting to the ownership of) Shares together with proof acceptable to the

Committee that such Shares have been owned by the Optionee for at least six (6) months prior to the date of exercise of the Option, or a combination of cash and Shares, in an amount or having a combined value equal to the aggregate purchase price for the Shares subject to the Option or portion thereof being exercised. The value of owned Shares submitted (directly or by attestation) in full or partial payment for the Shares purchased upon exercise of an Option shall be equal to the aggregate Fair Market Value of such owned Shares on the date of the exercise of such Option.

8.3 CERTAIN LIMITATIONS.

(a) OPTIONS. Notwithstanding anything to the contrary herein, no Option or restoration Option may be exercised under any condition: (1) prior to the date that is six (6) months after the date on which the Corporation first issues equity securities of the Corporation that are required to be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (the "IPO"); (2) prior to the date that is twelve (12) months after the date of the IPO unless, at the time of exercise, Sara Lee Corporation certifies to the Corporation that it no longer owns either (A) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (B) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code); or (3) on and after the date that is twelve (12) months after the date of the IPO, unless at the time of exercise, either (A) Sara Lee Corporation certifies to the Corporation that it no longer owns either (I) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (II) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code), or (B) the Corporation demonstrates to the satisfaction of Sara Lee Corporation that it has purchased Shares on the open market prior to the exercise in a number sufficient to cover the exercise, and actually reissues such repurchased Shares pursuant to such exercise. Any attempted exercise of an Option or restoration Option that would violate any of the requirements of the previous sentence, and all actions taken in furtherance of any such attempted exercise, shall be null and void ab initio.

(b) SHARES. Notwithstanding anything to the contrary herein, no election to receive Shares may be made under Section 8.1, and no Shares shall be granted, under any condition: (1) prior to the date that is six (6) months after the date of the IPO; (2) prior to the date that is twelve (12) months after the date of the IPO unless, at the time of exercise, Sara Lee Corporation certifies to the Corporation that it no longer owns either (A) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (B) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code); or (3) on and after the date that is twelve (12) months after the date of the IPO, unless, at the time of exercise, either (A) Sara Lee Corporation certifies to the Corporation that

it no longer owns either (I) Shares representing "control" of the Corporation (within the meaning of Section 368(c) of the Code) or (II) Shares sufficient to satisfy the "80-percent voting and value test" (described in Section 1504(a)(2) of the Code), or (B) the Corporation demonstrates to the satisfaction of Sara Lee Corporation that it has purchased Shares on the open market prior to the election or grant (as the case may be) in a number sufficient to cover the election or grant, and actually reissues such repurchased Shares pursuant to such election or grant. Any attempted election to receive Shares pursuant to Section 8.1, or attempted grant of Shares by the Corporation, that would violate any of the requirements of the previous sentence, and all actions taken in furtherance of any such attempted election or attempted grant, as applicable, shall be null and void ab initio.

8.4 NUMBER OF SHARES. The number of Shares granted pursuant to this Article shall be the number of whole Shares equal to (i) the portion of the Annual Retainer which the Non-Employee Director has elected pursuant to Section 8.1 to be payable in Shares, divided by (ii) the Fair Market Value per Share on the Stock Award Date. Any fraction of a Share shall be disregarded and the remaining amount of such Annual Retainer shall be paid in cash or Options as the Non-Employee Director has elected. Upon an Award of Shares to a Non-Employee Director, the stock certificate representing such Shares shall be issued and transferred to the Non-Employee Director, whereupon the Non-Employee Director shall become a stockholder of the Corporation with respect to such Shares and shall be entitled to vote the Shares; PROVIDED, HOWEVER, subject to Section 8.3 and Article IX, any stock certificates representing Shares awarded in respect of, and prior to, the one-year period beginning on the first November 1 after the date of grant of a Stock Award shall not be transferred to the Non-Employee Director until immediately after the first annual meeting of stockholders held after the date of grant of the Stock Award and (x) an amount equal to the amount of dividends that would otherwise be paid on such Shares on or after the date of the meeting at which such Shares are granted and prior to such annual meeting of stockholders shall be held by the Corporation until immediately after such annual meeting of stockholders and (y) such Shares and dividend equivalents shall be forfeited in the event the Non-Employee Director is not elected a director of the Corporation at such annual meeting of stockholders.

ARTICLE IX - CHANGE OF CONTROL

9.1 EFFECT OF CHANGE OF CONTROL. Subject to Section 8.3, upon the occurrence of an event of "Change of Control", as defined below, any and all outstanding Options shall become immediately vested and exercisable and any and all stock certificates representing Shares awarded to a Non-Employee Director pursuant to the first sentence of Section 8.1 and not transferred to such Non-Employee Director pursuant to Section 8.4, and any and all dividend equivalents with respect thereto held by the Corporation pursuant to Section 9.3, shall be transferred to such Non-Employee Director.

9.2 DEFINITION OF CHANGE OF CONTROL. A "Change of Control" shall occur when:

(a) a "Person" (which term, when used in this Section 9.2, shall have the meaning it has when it is used in Section 13(d) of the Exchange Act, but shall not include the Corporation, any underwriter temporarily holding securities pursuant to an offering of such securities, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of Voting Stock (as defined below) of the Corporation) is or becomes, without the prior consent of a majority of the Continuing Directors (as defined below), the Beneficial Owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of Voting Stock (as defined below) representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities; or

(b) the stockholders of the Corporation approve and the Corporation consummates a reorganization, merger or consolidation of the Corporation or the Corporation sells, or otherwise disposes of, all or substantially all of the Corporation's property and assets, or the Corporation liquidates or dissolves (other than a reorganization, merger, consolidation or sale which would result in all or substantially all of the beneficial owners of the Voting Stock of the Corporation outstanding immediately prior thereto continuing to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the resulting entity), more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or such entity resulting from the transaction (including, without limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's property or assets, directly or indirectly) outstanding immediately after such transaction in substantially the same proportions relative to each other as their ownership immediately prior to such transaction): or

(c) the individuals who are Continuing Directors of the Corporation (as defined below) cease for any reason to constitute at least a majority of the Board of the Corporation.

Notwithstanding the foregoing, a "Change of Control" shall not occur upon either (i) a distribution of Shares to the stockholders of Sara Lee Corporation in proportion to their ownership of the common stock of Sara Lee Corporation or (ii) a distribution of Shares owned by Sara Lee Corporation to stockholders of Sara Lee Corporation pursuant to an exchange offer with Sara Lee Corporation stockholders.

The term "Continuing Director" means (i) any member of the Board who is a member of the Board immediately after the issuance of any class of securities of the

Corporation that are required to be registered under Section 12 of the Exchange Act, or (ii) any person who subsequently becomes a member of the Board whose nomination for election or election to the Board is recommended by a majority of the Continuing Directors. The term "Voting Stock" means all capital stock of the Corporation which by its terms may be voted on all matters submitted to stockholders of the Corporation generally.

ARTICLE X - AMENDMENT AND TERMINATION

The Board may amend the Plan from time to time or terminate the Plan at any time; PROVIDED, HOWEVER, that no action authorized by this Article shall adversely change the terms and conditions of an outstanding Award without the Non-Employee Director's consent.

ARTICLE XI - ADJUSTMENT PROVISIONS

11.1 If the Corporation shall at any time change the number of issued Shares without new consideration to the Corporation (such as by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the Shares) or make a distribution of cash or property which has a substantial impact on the value of issued Shares, the total number of Shares reserved for issuance under the Plan shall be appropriately adjusted and the number of Shares covered by each outstanding Option and the purchase price per Share under each outstanding Option shall be adjusted so that the aggregate consideration payable to the Corporation and the value of each such Option shall not be changed.

11.2 Notwithstanding any other provision of the Plan (other than Section 8.3), and without affecting the number of Shares reserved or available hereunder, the Committee shall authorize the issuance, continuation or assumption of outstanding Options or provide for other equitable adjustments after changes in the Shares resulting from any merger, consolidation, sale of assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence in which the Corporation is the continuing or surviving corporation, upon such terms and conditions as it may deem necessary to preserve the rights of Optionees and holders of Shares that are subject to any restrictions under the Plan.

11.3 In the case of any sale of assets, merger, consolidation or combination of the Corporation with or into another corporation other than a transaction in which the Corporation is the continuing or surviving corporation and which does not result in the outstanding Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), any Optionee who holds an outstanding Option shall have the right (subject to the provisions of the Plan and any limitation applicable to the Option) thereafter and during the term of the Option, to receive upon exercise thereof the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of Shares which would have been obtained upon exercise of the Option or portion thereof, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of

Shares of the surviving or new corporation, cash, securities, evidence of indebtedness, other property or any combination thereof receivable in respect of one Share of the Corporation upon consummation of an Acquisition.

ARTICLE XIII - FOREIGN DIRECTORS

Without amending the Plan, Awards granted to Non-Employee Directors who are foreign nationals may have such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Corporation or its subsidiaries operate or have Non-Employee Directors.

ARTICLE XIV - EFFECTIVE DATE AND TERM OF PLAN

The Plan became effective on June 29, 2000, the date it was approved by the sole stockholder of the Corporation, and shall terminate when terminated by the Board.

EXHIBIT 10.5

FORM OF
NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS OF COACH, INC.

SECTION 1. PARTICIPATION.

(a) A member of the Board of Directors of Coach, Inc. ("Coach") who is not an employee of Coach may elect to defer compensation earned for services as a director that such director has not elected to receive in a form other than cash ("Annual Cash Retainer") of not less than twenty-five percent (25%) of the quarterly retainer and meeting fees which would otherwise be payable at the end of each three (3) month period ending on September 30, December 31, March 31 and June 30 ("Retainer Payment Quarter") but for this election to participate in this Plan, in accordance with the terms and conditions of this Non-Qualified Deferred Compensation Plan for Outside Directors of Coach, Inc. ("Plan").

(b) The deferred Annual Cash Retainer ("Deferred Compensation") shall be paid on such future date or dates and in such manner as a director who elects to participate in this Plan ("Participating Director") shall elect in the Deferred Compensation Agreement attached hereto as Exhibit A ("Agreement"); PROVIDED, HOWEVER, that (i) no Deferred Compensation shall be paid from the Plan prior to the date that Sara Lee Corporation certifies to the Company 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 Internal Revenue Code of 1986, as amended (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) (the "Spin-Off Date"), unless Coach demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment, and (ii) no Deferred Compensation shall be paid in the same calendar year in which any portion of the Annual Cash Retainer representing the Deferred Compensation is earned. Any election to defer all or any portion of the Annual Cash Retainer shall be applicable to all future Annual Cash Retainer fees earned until the election is revoked by the Participating Director pursuant to Section 4 hereof.

SECTION 2. ADMINISTRATION. This Plan shall be administered by a committee comprised of the Chief Financial Officer, Senior Vice President, Chief Counsel and Senior Vice President, Human Resources, respectively, of Coach ("Committee"). The

Committee may delegate certain administrative authority to other employees of Coach, but shall retain the ultimate responsibility for the interpretation of, and amendments to, the Plan. The members of the Committee shall not be liable for any of their actions or determinations made in good faith with respect to the administration of this Plan.

SECTION 3. ESTABLISHMENT AND MAINTENANCE OF DEFERRED COMPENSATION ACCOUNTS. Coach shall establish and maintain a separate Deferred Compensation Account ("Account") for each Participating Director. The Deferred Compensation shall be credited to the Account as of the following dates: September 30, December 31, March 31 and June 30 ("Credit Dates"). The value of a Participating Director's Deferred Compensation Account shall be determined as if the Deferred Compensation is invested in Coach common stock equivalents on the Credit Dates. The number of Coach common stock equivalents shall be determined by dividing the Deferred Compensation credited to the Account on the Credit Dates by the average of the high and low quotes on the applicable Credit Date on the New York Stock Exchange Composite Transactions Tape ("Market Value"). Fractional stock equivalents will be computed to four (4) decimal places. On and after the Spin-Off Date, an amount equal to all dividends paid on the shares of Coach common stock after the Spin-Off Date will be converted into whole or fractional shares of common stock equivalents at the Market Value as of the dividend payment dates and credited to the Account. The amount of Deferred Compensation to be paid to a Participating Director on the payment date(s) specified in the Agreement shall be equal to (a) the number of share equivalents accumulated in the Account (b) multiplied by the Market Value on the date upon which the Deferred Compensation is scheduled to be paid and then (c) divided by the total number of payments to be made (or remaining to be paid), as specified in the Agreement; provided, that no payments shall be made from the Plan prior to the Spin-Off Date, unless Coach demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment. All payments from a Participating Director's Deferred Compensation Account will be made in the form of shares of Coach common stock; provided, that upon the bankruptcy liquidation of Coach, (i) no distribution from the Plan shall be made in shares of Coach common stock, and (ii) distributions to a Participating Director shall be made in cash in an amount determined by multiplying each share equivalent in the Account by the Market Value of Coach common stock on the date such share equivalent was first credited to the Account.

SECTION 4. REVOCATION OF ELECTION. A Participating Director may elect to revoke the election to defer his or her Annual Cash Retainer by written notice delivered to the Secretary of Coach at least seven (7) business days prior to the beginning of the next immediate Retainer Payment Quarter which begin on each of October 1, January 1, April 1 and July 1 ("Revocation Notice"). The revocation shall become effective at the beginning of the next immediate Retainer Payment Quarter and shall be applicable only to Annual Cash Retainer fees earned after the effective date of the Revocation Notice, and, thereafter, the Participating Director shall not be entitled to defer any future Annual Cash Retainer fees for the remaining portion of the current Plan Year in which the

Revocation Notice is delivered. "Plan Year" is defined as a twelve-month period beginning on November 1 and ending on October 31.

SECTION 5. PAYMENTS OF DEFERRED COMPENSATION.

(a) A Participating Director may elect to receive payments of Deferred Compensation either in a lump sum payment or in annual installments as specified in the Agreement.

(b) The Account shall continue to be maintained for the benefit of the participating Director and paid in accordance with the Agreement in the event that the Participating Director's service as a director shall terminate prior to all of the outstanding balance in the Account being paid out.

(c) If a Participating Director shall die while an active director of Coach prior to all the payments being made from the Account, the unpaid balance of the Account shall be paid on the thirtieth (30th) day after the date the Secretary of Coach has been duly notified of his or her death to either of the Participating Director's estate or to his or her designated beneficiary or beneficiaries, as designated in the Agreement, or in the absence of such designation, to his or her personal representative; provided, that no payments shall be made from the Plan prior to the Spin-Off Date, unless Coach demonstrates to the satisfaction of Sara Lee Corporation that it has purchased shares of Coach common stock on the open market in a number sufficient to cover the payment, and actually re-issues such repurchased shares pursuant to such payment. Such death payment shall be made in a single lump sum, irrespective of the time and manner of payment specified in the Agreement.

SECTION 6. UNFUNDED OBLIGATION OF COACH. The balances accumulated in the Accounts shall constitute general contractual obligations of Coach to the Participating Directors. Coach shall not segregate assets, create any security interest or encumber its assets in order to provide for or fund the payment(s) of the balance(s) accumulated in the Accounts. Notwithstanding the foregoing, Coach may, in its sole discretion, establish an irrevocable grantor trust, the assets of which shall not be subject to the claims of Coach's creditors, to fund its obligations of all or designated Participating Directors under this Plan. If such a trust is established, benefits payable under the Plan shall be paid from the assets of the trust to the extent not otherwise paid from Coach's general assets.

SECTION 7. NON-ASSIGNABILITY. The rights and benefits of a Participating Director under the Plan are personal and cannot be pledged, transferred or assigned except by designation of a beneficiary (or beneficiaries), by will or the laws of descent and distribution.

SECTION 8. AMENDMENTS. Any substantive amendment to the Plan shall be approved by the Committee. No amendment shall be made which would adversely affect the tax status of the Deferred Compensation accumulated in the Accounts.

SECTION 9. EFFECTIVE DATE; TERMINATION. This Plan was approved by the Board of Directors of Coach on June 23, 2000 and became effective on June 29, 2000, the date it was approved by the sole stockholder of Coach. The Board of Directors of Coach may terminate this Plan at any time; PROVIDED THAT, such termination shall not affect the rights of Participating Directors which have accrued under this Plan prior to such termination. In the event of a termination, the payment schedule specified in the Agreement or under the terms of the Plan shall continue to be followed.

STANDARD FORM OF LOFT LEASE
THE REAL ESTATE BOARD OF NEW YORK, INC.

AGREEMENT OF LEASE, made as of this 1st day of July in the year 2000, between Linda Seff Beswick, Victoria Winteringham and Jack Anfang, as Executors of the Last Will and Testament of Viola Seff Goldberg, deceased, Patricia Bauman, Jeffrey D. Bauman, Amy Bauman and Jessica Bauman, having an address for notices and other communications as set forth in Article 58, party of the first part, hereinafter referred to as OWNER and Coach, Inc., a Maryland corporation, having an address for notices and other communications as set forth in Article 58, party of the second part, hereinafter referred to as TENANT,

WITNESSETH: Owner hereby leases to Tenant and Tenant hereby hires from Owner the entire rentable area of the 7th, 8th, 9th, 10th, 11th and 12th floors and, commencing May 1, 2005, the entire rentable area of the 5th floor, in the building known as 516 West 34th Street in the borough of Manhattan, City of New York, for the term of 15 years (or until such term shall sooner cease and expire as hereinafter provided) to commence on the 1st day of July in the year 2000 (and, with respect to the entire rentable area of the 5th floor, the 1st day of May in the year 2005), and to end on the 30th day of June in the year 2015, both dates inclusive, at an annual rental rate set forth in Article 44, which Tenant agrees to pay in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, in equal monthly installments in advance on the first day of each month during said term, at the office of Owner or such other place as Owner may designate, without any setoff or deduction whatsoever.

In the event that, at the commencement of the term of this lease, or thereafter, Tenant shall be in default in the payment of rent to Owner pursuant to the terms of another lease with Owner or with Owner's predecessor in interest, Owner may at Owner's option and without notice to Tenant add the amount of such arrears to any monthly installment of rent payable hereunder, and the same shall be payable to Owner as additional rent.

The parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, successors and assigns, hereby covenant as follows:

Rent:

1. Tenant shall pay the rent as above and as hereinafter provided.

Occupancy:

2. Tenant shall use and occupy the demised premises for executive and general offices, showrooms, warehousing, shipping and light manufacturing, and uses ancillary to those uses, in connection with Tenant's business and the business of any other occupant of the demised premises permitted pursuant to this lease provided such use is in accordance with the certificate of occupancy for the building, if any, and for no other purpose.

Alterations:

3. Tenant shall make no changes in or to the demised premises of any nature. Tenant agrees to carry, and will cause Tenant's contractors and sub-contractors to carry, such worker's compensation, general liability, personal and property damage insurance as Owner may reasonably require. If any mechanic's lien is filed against the demised premises, or the building of which the same forms a part, for work claimed to have been done for, or materials furnished to, Tenant, whether or not done pursuant to this article, the same shall be discharged by Tenant within thirty (30) days thereafter, at Tenant's expense, by payment or filing a bond as permitted by law. All fixtures and all paneling, partitions, railings and like installations, installed in the demised premises at any time, either by Tenant or by Owner on Tenant's behalf, shall, upon installation, become the property of Owner and shall remain upon and be surrendered with the demised premises unless Owner, by notice to Tenant no later than twenty (20) days prior to the date fixed as the termination of this lease, elects to relinquish Owner's right thereto and to have them removed by Tenant, in which event the same shall be removed from the demised premises by Tenant prior to the expiration of the lease, at Tenant's expense. Nothing in this article shall be construed to give Owner title to, or to prevent Tenant's removal of, trade fixtures, moveable office furniture and equipment, but upon removal of same from the demised premises or upon removal of other installations as may be required by Owner, Tenant shall immediately, and at its expense, repair and restore the demised premises to the condition existing prior to any such installations, and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed by Tenant at the end of the term remaining in the demised premises after Tenant's removal shall be deemed abandoned and may, at the election of Owner, either be retained as Owner's property or removed from the demised premises by Owner, at Tenant's expense.

Repairs:

4. Owner shall maintain and repair the exterior of and the public portions of the building, including, without limitation, the mechanical systems of the building (but not the air conditioning system). Tenant shall, throughout the term of this lease, take good care of the demised premises including the bathrooms and lavatory facilities (if the demised premises encompass the entire floor of the building), the windows and window frames, and the fixtures and appurtenances therein, and at Tenant's sole cost and expense promptly make all repairs thereto and to the building, whether structural or non-structural in

nature, caused by, or resulting from, the carelessness, omission, neglect or improper conduct of Tenant, Tenant's servants, employees, invitees, or licensees, and whether or not arising from Tenant's conduct or omission, when required by other provisions of this lease, including Article 6. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture or equipment. All the aforesaid repairs shall be of quality or class equal to the original work or construction. If Tenant fails, after 30 days notice, to proceed with due diligence to make repairs required to be made by Tenant, the same may be made by Owner at the reasonable expense of Tenant, and the expenses thereof incurred by Owner shall be collectible, as additional rent, after rendition of a bill or statement therefor. If the demised premises be or become infested with vermin, Tenant shall, at its expense, cause the same to be exterminated. Tenant shall give Owner prompt notice of any defective condition in any plumbing, heating system or electrical lines located in the demised premises and following such notice, Owner shall remedy the condition with due diligence, but at the expense of Tenant, if repairs are necessitated by damage or injury attributable to Tenant, Tenant's servants, agents, employees, invitees or licensees as aforesaid. Except as specifically provided in Article 9 or elsewhere in this lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner, Tenant or others making or failing to make any repairs, alterations, additions or improvements in or to any portion of the building or the demised premises, or in and to the fixtures, appurtenances or equipment thereof. It is specifically agreed that Tenant shall not be entitled to any setoff or reduction of rent by reason of any failure of Owner to comply with the covenants of this or any other article of this lease. Tenant agrees that Tenant's sole remedy at law in such instance will be by way of an action for damages for breach of contract. The provisions of this Article 4 with respect to the making of repairs shall not apply in the case of fire or other casualty with regard to which Article 9 hereof shall apply.

Window Cleaning:

5. Tenant will not clean nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of Section 202 of the New York State Labor Law or any other applicable law, or of the Rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction.

Requirements of Law, Fire Insurance, Floor Loads:

6. Prior to the commencement of the lease term, if Tenant is then in possession, and at all times thereafter, Tenant shall, at Tenant's sole cost and expense, promptly comply with all present and future laws, orders and regulations of all state, federal, municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law, and all orders, rules and regulations of the New York Board of Fire Underwriters, Insurance Services Office, or any similar body which shall impose any violation, order or duty upon Owner or Tenant with respect to the demised premises, whether or not arising out of Tenant's use or manner of use thereof, or, with respect to the building, if arising out of Tenant's use or manner of use of the demised premises of the building (including the use permitted under the lease). Except as provided in Article 30 hereof, nothing herein shall require Tenant to make structural repairs or alterations unless Tenant has, by its manner of use of the demised premises or method of operation therein, violated any such laws, ordinances, orders, rules, regulations or requirements with respect thereto. Tenant shall not do or permit any act or thing to be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies of insurance at any time carried by or for the benefit of Owner. Tenant shall not keep anything in the demised premises

except as now or hereafter permitted by, the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization and other authority having jurisdiction, and then only in such manner and such quantity so as not to increase the rate for fire insurance applicable to the building, nor use the demised premises in a manner which will increase the insurance rate for the building or any property located therein over that in effect prior to the commencement of Tenant's occupancy. If by reason of failure to comply with the foregoing the fire insurance rate shall, at the beginning of this lease or at any time thereafter, be higher than it otherwise would be, then Tenant shall reimburse Owner, as additional rent hereunder, for that portion of all fire insurance premiums thereafter paid by Owner which shall have been charged because of such failure by Tenant. In any action or proceeding wherein Owner and tenant are parties, a schedule or "makeup" or rate for the building or demised premises issued by a body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates then applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Owner reserves the right to prescribe to the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient, in Owner's reasonable judgement, to absorb and prevent vibration noise and annoyance.

Subordination ground:

7. This lease is subject and subordinate to all or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which the demised premises are a part, and to all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying lessor or by any mortgagee, affecting any lease or the real property of which the demised premises are a part. In confirmation of such subordination, Tenant shall from time to time execute promptly any certificate that Owner may request.

Tenant's Liability Insurance Property Loss, Damage, Indemnity:

8. Owner or its agents shall not be liable for any damage to property of Tenant or of others entrusted to employees of the building, nor for loss of, or damage to, any property of Tenant by theft or otherwise, nor for any injury or damage to persons or property resulting from any cause of whatsoever nature, unless caused by, or due to, the negligence of Owner, its agents, servants or employees: Owner or its agents shall not be liable for any damage caused by other tenants or persons in, upon or about said building or caused by operations in connection of any private, public or quasi public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up, if required by law) for any reason whatsoever including, but not limited to, Owner's own acts, Owner shall not be liable for any damage Tenant may sustain thereby, and Tenant shall not be entitled to any compensation therefor nor abatement or diminution of rent, nor shall the same release Tenant from its obligations hereunder nor constitute an eviction. Tenant shall indemnify and save harmless Owner against and from all liabilities, obligations, damages, penalties, claims, costs and expenses for which Owner shall not be reimbursed by insurance, including reasonable attorney's fees, paid, suffered or incurred as a result of any breach by Tenant, Tenant's agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of Tenant, Tenant's agents, contractors, employees, invitees or licensees. Tenant's liability under this lease extends to the acts and omissions of any subtenant, and any agent, contractor, employee, invitee or licensee of any subtenant. In case any action or proceeding is brought against Owner by reason of any such claim, Tenant, upon written notice from Owner, will, at Tenant's expense, resist or defend such action or proceeding by counsel approved by Owner in writing, such approval not to be unreasonably withheld (and counsel retained by Tenant's insurance carrier shall be deemed approved by Owner).

Destruction, Fire and Other Casualty:

9. (a) If the demised premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Owner and this lease shall continue in full force and effect except as hereinafter set forth. (b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by, and at the expense of, Owner, and the rent and other items of additional rent, until such repair shall be substantially completed, shall be apportioned from the day following the casualty according to the part of the demised premises which is usable. (c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent and other items of additional rent as hereinafter expressly provided shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the demised premises shall have been repaired and restored by owner (or sooner reoccupied in part by Tenant then rent shall be apportioned as provided in subsection (b) above), subject to Owner's right to elect not to restore the same as hereinafter provided. (d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Owner shall decide to demolish it or rebuild it, then, in any of such events, provided Owner terminates all other leases in the building which Owner is then permitted to terminate pursuant to a provision similar to this Article, Owner may elect to terminate this lease by written notice to Tenant, given within ninety (90) days after such fire or casualty, or thirty (30) days after adjustment of the insurance claim for such fire or casualty, whichever is sooner, specifying a date for the expiration of the lease, which date shall not be more than sixty (60) days after the giving of

such notice, and upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease, and Tenant shall forthwith quit, surrender and vacate the demised premises without prejudice however, to Owner's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date, and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Owner shall serve a termination notice as provided for herein, Owner shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition, subject to delays due to adjustment of insurance claims, labor troubles and causes beyond Owner's control. After any such casualty, tenant shall cooperate with Owner's restoration by removing from the demised premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Owner that the demised premises are substantially ready for Tenant's occupancy. (e) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding the foregoing, including Owner's obligation to restore under subparagraph (b) above, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible, and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery with respect to subparagraphs (b), (d) and (e) above, against the other or any one claiming through or under each of them by way of subrogation or otherwise. The release and waiver herein referred to shall be deemed to include any loss or damage to the demised premises and/or to any personal property, equipment, trade fixtures, goods and merchandise located therein. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance. If, and to the extent, that such waiver can be obtained only by the payment of additional premiums, then the party benefitting from the waiver shall pay such premium within ten (10) days after written demand or shall be deemed to have agreed that the party obtaining insurance coverage shall be free of any further obligation under the provisions hereof with respect to waiver of subrogation. Tenant acknowledges that Owner will not carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements, or appurtenances removable by Tenant, and agrees that Owner will not be obligated to repair any damage thereto or replace the same. (f) Tenant hereby waives the provisions of Section 227 of the Real Property Law and agrees that the provisions of this article shall govern and control in lieu thereof.

Eminent Domain:

10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then and in that event, the term of this lease shall cease and terminate from the date of title vesting in such proceeding and Tenant and shall have no claim for the value of any unexpired term of said lease. Tenant shall have the right to make an independent claim to the condemning authority for the value of Tenant's moving expenses and personal property, trade fixtures and equipment, provided Tenant is entitled pursuant to the terms of the lease to remove such property, trade fixtures and equipment at the end of the term, and provided further such claim does not reduce Owner's award.

Assignment, Mortgage, Etc.:

11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign by operation of law or otherwise, mortgage or encumber this agreement, nor underlet, or suffer or permit the demised premises or any part thereof to be used by others, without the prior written consent of Owner in each instance. If this lease be assigned, or if the demised premises or any part thereof be underlet or occupied by anybody other than Tenant, Owner may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained or the release of any guarantor. The consent by Owner to an assignment or underletting shall not in any wise be construed

to relieve Tenant from obtaining the express consent in writing of Owner to any further assignment or underletting, by operation of law or otherwise.

Electric Current:

12. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation, and Tenant may not use any electrical equipment which, in Owner's opinion, reasonably exercised, will overload such installations or interfere with the use thereby by other tenants of the building. The change at any time of the character of electric service will in no wise make Owner liable or responsible to Tenant, for any loss, damages or expenses which Tenant may sustain or the release of any guarantor.

Access to Premises:

13. Owner or Owner's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time without prior notice, and, at other reasonable times on reasonable prior notice (which may be oral), to examine the same and to make such repairs, replacements and improvements as Owner may deem necessary and reasonably desirable to any portion of the building, or which Owner may elect to perform in the demised premises after Tenant's failure to make repairs, or perform any work which Tenant is obligated to perform under this lease, or for the purpose of complying with laws, regulations and other directions of governmental authorities. Tenant shall permit Owner to use, maintain and replace pipes and conduits in and through the demised premises, and to erect new pipes and conduits therein provided, wherever possible, they are within walls or otherwise concealed. Owner may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction, nor shall Tenant be entitled to any abatement of rent while such work is in progress, nor to any damages by reason of loss or interruption of business or otherwise. Throughout the term hereof Owner shall have the right to enter the demised premises at reasonable hours on reasonable prior notice (which may be oral) for the purpose of showing the same to prospective purchasers or mortgagees of the building, and during the last (12) months of the term for the purpose of showing the same to prospective tenants. If Tenant is not present to open and permit an entry into the demised premises, Owner or Owner's agents may enter the same whenever such entry may be necessary or permissible by master key or forcibly, and provided reasonable care is exercised to safeguard Tenant's property, such entry shall not render Owner or its agents liable therefor, nor in any event shall the obligations of Tenant hereunder be affected. If during the last month of the term Tenant shall have removed all or substantially all of Tenant's property therefrom, Owner may immediately enter, alter, renovate or redecorate the demised premises without limitation or abatement of rent, or incurring liability to Tenant for any compensation, and such act shall have no effect on this lease or Tenant's obligation hereunder.

Vault, Vault Space, Area:

14. No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the building is leased hereunder, anything contained in or indicated on any sketch, blue print or plan, or anything contained elsewhere in this lease to the contrary notwithstanding. Owner makes no representation as to the location of the property line of the building. All vaults and vault space and all such areas not within the property line of the building, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Owner shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such revocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant, if used by Tenant, whether or not specifically leased hereunder.

Occupancy:

15. Tenant will not at any time use or occupy the demised premises in violation of the certificate of occupancy issued for the building of which the demised premises are a part. Tenant has inspected the demised premises and accepts them as is, subject to the riders annexed hereto with respect to Owner's work, if any. In any event, Owner makes no representation as to the condition of the demised premises and Tenant agrees to accept the same subject to violations, whether or not of record. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business, Tenant shall be responsible for, and shall procure and maintain, such license or permit.

Bankruptcy:

16. (a) Anything elsewhere in this lease to the contrary notwithstanding, this lease may be cancelled by Owner by sending of a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant as the debtor; or (2) the making by Tenant of an assignment or any other arrangement for the benefit of creditors under any state statute. Neither Tenant nor any person claiming through or under Tenant, or by reason of any statute or order of court, shall thereafter be entitled to possession of the premises demised, but shall forthwith quit and surrender the demised premises.

If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest in this lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pursuant to (a) hereof, Owner shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant, as and for liquidated damages, an amount equal to the difference between the rental reserved hereunder for the unexpired portion of the term demised and the fair and reasonable rental value of the demised premises for the same period. In the computation of such damages the difference between any installment of rent becoming due hereunder after the date of termination and the fair and reasonable rental value of the demised premises for the period for which such installment was payable shall be discounted to the date of termination at the rate of four percent (4%) per annum. If the demised premises or any part thereof be relet by Owner for the unexpired term of said lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the demised premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Owner to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

Default:

17. (1) If Tenant defaults in fulfilling any of the covenants of this lease, or if the demised premises becomes vacant or deserted, or if this lease be rejected under Section 365 of Title 11 of the U.S. Code (Bankruptcy Code); or if any execution or attachment shall be issued against Tenant or any of Tenant's property whereupon the demised premises shall be taken or occupied by someone other than Tenant; or if Tenant shall be in default with respect to any other lease between Owner and Tenant; or if Tenant shall have failed, after five (5) days written notice, to redeposit with Owner any portion of the security deposited hereunder which Owner has applied to the payment of any rent and additional rent due and payable hereunder, then in any one or more of such events, upon Owner serving a written 10 days notice with respect to a default in the payment of rent or additional rent or 30 days notice with respect to any other default upon Tenant specifying the nature of said default, and upon the expiration of said 10 or 30 days, as the case may be, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that the same cannot be completely cured or remedied within said 30 day period (it being intended that a default in the payment of rent or additional rent shall not have the benefit of this extension of the cure period), and if Tenant shall not have diligently commenced during such default within such 30 day period, and shall not thereafter with reasonable diligence and in good faith, proceed to remedy or cure such default, then Owner may serve a written five (5) days notice of cancellation of this lease upon Tenant, and upon the expiration of said five (5) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such five (5) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof, and Tenant shall then quit and surrender the demised premises to Owner, but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given, and the term shall expire as aforesaid; Owner may without notice, re-enter the demised premises either by force or otherwise, and dispossess Tenant by summary proceedings or otherwise, and the legal representative of Tenant or other occupant of the demised premises, and remove their effects and hold the demised premises as if this lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease, Owner may cancel and terminate such renewal or extension agreement by written notice.

Remedies of Owner and Waiver of Redemption:

18. In case of any such default, re-entry, expiration and/or dispossess by summary proceedings or otherwise, (a) the rent, and additional rent, shall become due thereupon and be paid up to the time of such an entry, dispossess and/or expiration, (b) Owner may re-let the demised premises or any part or parts thereof, either in the name of Owner or otherwise, for a term or terms, which may at Owner's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease, and may grant concessions or free rent or charge a higher rental than that in this lease, (c) Tenant or the legal representatives of Tenant shall also pay to Owner as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained, any deficiency between the rent hereby reserved and or covenanted to be paid and the net amount, if any, of the rents collected on account of the subsequent lease or leases of the demised premises for each month of the period which would otherwise have constituted the balance of the term of this lease. The failure of Owner to re-let the demised premises or any part or parts thereof shall not release or affect Tenant's

liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Owner may incur in connection with re-letting, such as legal expenses, reasonable attorneys' fees, brokerage, advertising, and for keeping the demised premises in good order or for preparing the same for re-letting. Any such liquidated damages shall be paid in monthly installments by Tenant on the rent day specified in this lease, and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Owner to collect the deficiency for any subsequent month by a similar proceeding. Owner, in putting the demised premises in good order or preparing the same for re-rental may, at Owner's option, make such alterations, repairs, replacements, and/or decorations in the demised premises as Owner, in Owner's sole judgment, considers advisable and necessary for the purpose of re-letting the demised premises, and the making of such alterations, repairs, replacements, and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Owner shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in the event that the demised premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rents collected over the sums payable by Tenant to Owner hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Owner shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this lease of any particular remedy, shall not preclude Owner or Tenant from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws.

Fees and Expenses:

19. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under, or by virtue of, any of the terms or provisions in any article of this lease, after notice if required, and upon expiration of the applicable grace period, if any, (except in an emergency), then, unless otherwise provided elsewhere in this lease. Owner may immediately, or at any time thereafter, and without further notice, perform the obligation of Tenant thereunder. If Owner, in connection with the foregoing, or in connection with any default by Tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to reasonable attorneys' fees, in instituting, prosecuting or defending any action or proceeding or in connection with any other dispute under this lease, and prevails in any such action or proceeding or dispute, then Tenant will reimburse Owner for such sums so paid or obligations incurred with interest and costs. The foregoing expenses incurred by reason of Tenant's default shall be deemed to be additional rent hereunder and shall be paid by Tenant to Owner within ten (10) days of rendition of any bill or statement to Tenant therefor. If Tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by Owner as damages.

Building Alterations and Management:

20. Owner shall have the right, at any time, without the same constituting an eviction and without incurring liability to Tenant therefor, to change the arrangement and or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the building, and to change the name, number or designation by which the building many be known (subject to Article 51). There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or other Tenant making any repairs in the building or any such alterations, additions and improvements. Furthermore, Tenant shall not have any claim against Owner by reason of Owner's imposition of any controls of the manner of access to the building by Tenant's social or business visitors, as Owner may deem necessary, for the security of the building and its occupants.

No Representations by Owner:

21. Neither Owner nor Owner's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected, the demised premises, the rents, leases, expenses of operation, or any other matter or thing affecting or related to the demised premises or the building, except as herein expressly set forth, and no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. Tenant has inspected the building and the demised premises and is thoroughly acquainted with their condition and agrees to take the same "as is" on the date possession is tendered, and acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises, and the building of which the same form a part, were in good and satisfactory condition at the time such possession was so taken, except as to latent defects. All understandings and agreements heretofore made between the parties hereto are merged in this contract, which alone fully and completely expresses the agreement between Owner and Tenant, and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

End of Term:

22. Upon the expiration or other termination of the term of this lease,

Tenant shall quit and surrender to Owner the demised premises, "broom-clean", in good order and condition, ordinary wear and damages which Tenant is not required to repair as provided elsewhere in this lease excepted, and Tenant shall remove all its property from the demised premises. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of this lease. If the last day of the term of this Lease, or any renewal thereof, falls on Sunday, this lease shall expire at noon on the preceding Saturday, unless it be a legal holiday, in which case it shall expire at noon on the preceding business day.

Quiet Enjoyment:

23. Owner covenants and agrees with Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this lease including, but not limited to, Article 34 hereof, and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

No Waiver:

24. The failure of Owner to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this lease, or of any of the Rules or Regulations, set forth or hereafter adopted by Owner, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Owner of rent with knowledge of the breach of any covenant of this lease shall not be deemed a waiver of such breach, and no provision of this lease shall be deemed to have been waived by Owner or Tenant unless such waiver be in writing signed by Owner and Tenant. No payment by Tenant, or receipt by Owner, of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy in this lease provided. All checks tendered to Owner as and for the rent of the demised premises shall be deemed payments for the account of Tenant. Acceptance by Owner of rent from anyone other than Tenant shall not be deemed to operate as an attornment to owner by the payor of such rent, or as a consent by Owner to an assignment or subletting by Tenant of the demised premises to such payor, or as a modification of the provisions of this lease. No act or thing done by Owner or Owner's agents during the term hereby demised shall be deemed an acceptance of a surrender of said premises, and no agreement to accept such surrender shall be valid unless in writing signed by Owner. No employee of Owner or Owner's agent shall have any power to accept the keys of said premises prior to the termination of the lease, and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the demised premises.

Waiver of Trial by Jury:

25. It is mutually agreed by and between Owner and Tenant that the respective parties hereto shall, and they hereby do, waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except for personal injury or property damage) on any matters whatsoever arising out of or in any way connected with this lease, the relationship of owner and Tenant, Tenant's use of or occupancy of demised premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Owner commences any proceeding or action for possession, including a summary proceeding for possession of the demised premises, Tenant will not interpose any counterclaim, of whatever nature or description, in any such proceeding, including a counterclaim under Article 4, except for statutory mandatory counterclaims.

Inability to Perform:

26. This Lease and the obligation of Tenant to rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no wise be affected, impaired or excused because Owner is unable to fulfill any of its obligations under this lease, or to supply, or is delayed in supplying, any service expressly or impliedly to be supplied, or is unable to make, or is delayed in making, any repairs, additions, alterations or decorations, or is unable to supply, or is delayed in supplying, any equipment, fixtures or other materials. If Owner is prevented or delayed from doing so be reason of strike or labor troubles, or any cause whatsoever beyond Owner's sole control including, but not limited to, government preemption or restrictions, or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency, or by reason of the conditions which have been or are affected, either directly or indirectly, by war or other emergency.

Water Charges:

27. If Tenant requires, uses or consumes water

for any purpose in addition to ordinary lavatory purposes (of which fact Owner shall be the sole judge) Owner may install a water meter and thereby measure Tenant's water consumption for all purposes. Tenant shall pay Owner for the cost of the meter and the cost of the installation. Throughout the duration of Tenant's occupancy, Tenant shall keep said meter and installation equipment in good working order and repair at Tenant's own cost and expense. In the event Tenant fails to maintain the meter and installation equipment in good working order and repair (of which fact owner shall be the sole judge) Owner may cause such meter and equipment to be replaced or repaired, and collect the cost thereof from Tenant as additional rent. Tenant agrees to pay for water consumed, as shown on said meter as and when bills are rendered, and in the event Tenant defaults in the making of such payment, Owner may pay such charges and collect the same from Tenant as additional rent. Tenant covenants and agrees to pay, as additional rent, the sewer rent, charge or any other tax, rent or levy which now or hereafter is assessed, imposed or a lien upon the demised premises, or the realty of which they are a part, pursuant to any law, order or regulation made or issued in connection with the use, consumption, maintenance or supply of water, the water system or sewage or sewage connection or system. If the building, the demised premises, or any part thereof, is supplied with water through a meter through which water is also supplied to other premises, Tenant shall pay to Owner, as additional rent, $100 per floor (or prorated part) on the first day of each month. Independently of, and in addition to, any of the remedies reserved to Owner hereinabove or elsewhere in this lease, Owner may sue for and collect any monies to be paid by Tenant, or paid by Owner, for any of the reasons or purposes hereinabove set forth.

Sprinklers:

28. Anything elsewhere in this lease to the contrary notwithstanding, if the New York Board of Fire Underwriters or the New York Fire Insurance Exchange or any bureau, department or official of the federal, state or city government recommend or require the installation of a sprinkler system, or that any changes, modifications, alterations, or additional sprinkler heads or other equipment be made or supplied in an existing sprinkler system by reason of Tenant's business, the location of partitions, trade fixtures, or other contents of the demised premises, or for any other reason related to Tenant's manner of use of the demised premises, or if any such sprinkler system installations, modifications, alterations, additional sprinkler heads or other such equipment, become necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate set by said Exchange or any other body making fire insurance rates, or by any fire insurance company, Tenant shall, at Tenant's expense, promptly make such sprinkler system installations, changes, modifications, alterations, and supply additional sprinkler heads or other equipment as required, whether the work involved shall be structural or non-structural in nature. Tenant shall pay to Owner as additional rent the sum of $50 per floor (or prorated part), on the first day of each month during the term of this lease, as Tenant's portion of the contract price for sprinkler supervisory service.

Elevators, Heat, Cleaning:

29. As long as Tenant is not in default under any covenants of this lease, beyond the applicable grace period provided in this lease for the curing of such defaults, Owner shall: (a) provide necessary passenger elevator facilities on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (b) if freight elevator service is provided, same shall be provided only on regular business days, Monday through Friday inclusive, and on those days only between the hours of 8 a.m. and 12 noon and between 1 p.m. and 5 p.m.; (c) furnish heat, water and other services supplied by Owner to the demised premises, when and as required by law, on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (d) clean the public halls and public portions of the building which are used in common by all tenants. Tenant shall, at Tenant's expense, keep the demised premises, including the windows, clean and in order, to the reasonable satisfaction of Owner, and for that purpose shall employ person or persons, or corporations approved by Owner. Owner shall remove Tenant's refuse and rubbish from the building. Tenant shall, at Tenant's expense, deliver Tenant's refuse and rubbish to a location within the building designated by Owner. Owner reserves the right to stop service of the heating, elevator, plumbing and electric systems, when necessary, by reason of accident or emergency, or for repairs, alterations, replacements or improvements, which in the judgment of Owner are desirable or necessary to be made, until said repairs, alterations, replacements or improvements shall have been completed. If the building of which the demised premises are a part supplies manually operated elevator service, Owner may proceed diligently with alterations necessary to substitute automatic control elevator service without in any way affecting the obligations of Tenant hereunder.

Captions:

30. The Captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this lease nor the intent of any provision thereof.

Definitions:

31. The term "Owner" as used in this lease means only the owner of the fee or of the leasehold of the building, or the mortgagee in possession for the time being, of the land and building (or the owner of a lease of the building or of the land and building) of which the demised premises form a part, so that in the event of any sale or sales of said land and building or of said lease, or in the event of a lease of said building, or of the land and building, the said Owner shall be and hereby is entirely freed and relieved of all covenants and obligations of Owner hereunder, and it shall be deemed and construed without

further agreement between the parties or the successors in interest, or between the parties and the purchaser, at any such sale, or the said lessee of the building, or of the land and building, that the purchaser or the lessee of the building has assumed and agreed to carry out any and all covenants and obligations of Owner hereunder. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "rent" includes the annual rental rate whether so expressed or expressed in monthly instalments, and "additional rent". "Additional rent" means all sums which shall be due to Owner from Tenant under this lease, in addition to the annual rental rate. The term "business days" as used in this lease, shall exclude Saturdays, Sundays and all days observed by the State or Federal Government as legal holidays, and those designated as holidays by the applicable building service union employees service contract, or by the applicable Operating Engineers contract with respect to HVAC service. Wherever it is expressly provided in this lease that consent shall not be unreasonably withheld, such consent shall not be unreasonably delayed.

Adjacent Excavation-Shoring:

32. If an excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, a license to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the building, of which demised premises form a part, from injury or damage, and to support the same by proper foundations, without any claim for damages or indemnity against Owner, or diminution or abatement of rent.

Rules and Regulations:

33. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faith fully, and comply with, the Rules and Regulations annexed hereto and such other and further reasonable Rules and Regulations as Owner or Owner's agents may from time to time adopt. Notice of any additional Rules or Regulations shall be given in such manner as Owner may elect. In case Tenant disputes the reasonableness of any additional Rules or Regulations hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of the reasonableness of such Rules or Regulations for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto. The right to dispute the reasonableness of any additional Rules or Regulations upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing, upon Owner, within 60 days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant, and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

Glass:

34. Owner shall replace, at the expense of Ten ant, any and all plate and other glass damaged or broken from any cause whatsoever in and about the demised premises. Owner may insure, and keep insured, at Tenant's expense, all plate and other glass in the demised premises for and in the name of Owner. Bills for the premiums therefor shall be rendered by Owner to Tenant at such times as Owner may elect, and shall be due from, and payable by, Tenant when rendered, and the amount thereof shall be deemed to be, and be paid as, additional rent.

Directory Board Listing:

35. If, at the request of, and as accommodation to, Tenant, Owner shall place upon the directory board in the lobby of the building, one or more names of persons or entities other than Tenant, such directory board listing shall not be construed as the consent by Owner to an assignment or subletting by Tenant to such persons or entities.

Successors and Assigns:

36. The covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Owner and Tenant and their respective heirs, distributees, executors, administrators, successors, and except as otherwise provided in this lease, their assigns.

The Rider attached to this lease is hereby made a part of this lease.

In Witness Whereof, Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

Owner
By: George Comfort & Sons, Inc.,
Owner's Managing Agent

By: /s/ Peter S. Duncan

Peter S. Duncan, President
Coach, Inc.

By: /s/ Keith Monda

Name: Keith Monda

Title: Executive Vice President
& Chief Operating Officer

Rider To Lease Dated July 1, 2000,
Between Linda Seff Beswick, Victoria Winteringham and Jack Anfang,
as Executors of the Last Will and Testament of Viola Seff Goldberg, deceased,
Patricia Bauman, Jeffrey D. Bauman, Amy Bauman, and Jessica Bauman, Owner
and Coach, Inc., Tenant

41. CONFLICTS. In the event of any conflict between any of the provisions of this Rider and any of the provisions, printed or typewritten, of the printed portion of this lease, the provisions of this Rider shall control.

42. EXISTING LEASES. (a) Tenant is the present tenant under the following leases with Owner ("Existing Leases"), in the aggregate covering the demised premises (other than the 5th floor):

(i) Agreement of Lease dated February 11, 1991 (originally with Tricots St. Raphael, Inc., and assigned to Tenant pursuant to Agreement to Assign Lease dated October 31, 1995), amended by First Amendment to Lease dated January, 1996 (covering the entire 7th floor, which under its current terms expires February 28, 2001).

(ii) Agreement of Lease dated May 11, 1979, amended by Agreement dated May 1, 1981, Extension Agreement dated July 1, 1982, Agreement dated January 1, 1989, and Lease Modification Agreement dated August 3, 1993 (covering the entire 8th, 9th and 10th floors, which under its current terms expires January 31, 2002);

(iii) Agreement of Lease dated September 14, 1994 (covering a portion of the 11th floor, which under its current terms expires January 31, 2002);

(iv) Agreement of Lease dated July 1, 1982, amended by Agreement dated January 1, 1989, Lease Modification Agreement dated October 30, 1990, and Lease Modification Agreement dated August 3, 1993 (covering a portion of the 11th floor, which under its current terms expires January 31, 2002); and

(v) Agreement of Lease dated August 3, 1993, amended by Lease Modification Agreement, dated August 16, 1993 (covering the entire 12th floor, which under its current terms expires January 31, 2002);

(b) Effective on the date the term of this lease commences, the term of each of the Existing Leases shall be deemed terminated, in the same manner and with the same effect as if the termination date was the date set forth in each of the Existing Leases as the expiration date. Notwithstanding any provision of this lease to the contrary, the additional rent payable under the Existing Leases shall be payable through January 31, 2002 with respect to the 8th, 9th, 10th, 11th and 12th floors, and February 28, 2001 with respect to the 7th floor.

43. AS IS; OWNER'S WORK. (a) Notwithstanding any provision of this lease to the contrary (except as provided in paragraph (b) of this Article), Tenant shall continue in possession of the demised premises (including, without limitation, the 5th floor) "AS IS" on the date of the term of this lease shall commence (and, with respect to the 5th floor, on May 1, 2005) and Owner shall have no obligation to furnish, render or supply any work, labor, services, equipment, materials, decorations, furniture or fixtures to make the demised premises ready or suitable for Tenant's use or occupancy.

(b) Owner shall, at Owner's expense, in a building standard manner, using building standard materials, perform the following work ("Owner's Work") in a first class workmanlike manner, in accordance with EXHIBIT A attached to this lease ("Owner's Work Description"): furnish and install new double-hung thermal pane windows throughout the building (which can be opened in a manner which permits them to be cleaned from inside the demised premises; such cleaning to be performed by Tenant, at Tenant's expense); upgrade the mechanical system and cab appearance of the two existing passenger elevators; convert one freight elevator to a passenger elevator; and upgrade the main lobby and entrance of the building (including, without limitation, the installation of a 24-hour access system, which shall be a card access system or other system reasonably acceptable to Tenant; the "Access System"; and any card access system shall be compatible with Tenant's existing ADT - Wells Fargo System. On or before the 90th day following the commencement of the term of this lease, Owner shall deliver to Tenant for its approval (which shall not be unreasonably withheld or delayed), plans and specifications for the design of the windows, the three passenger elevators and the main lobby and entrance of the building which shall be consistent with Owner's Work Description ("Owner's Plans"). Tenant shall approve or disapprove Owner's Plans by notice to Owner within 15 business days following Owner's delivery of

Owner's Plans (time being of the essence). If Tenant fails to do so, Owner's Plans shall be deemed approved by Tenant. If Tenant timely disapproves Owner's Plans, Tenant's notice of disapproval shall give the details of the disapproval and make suggestions for those items disapproved by Tenant. If Tenant's suggestions are consistent with Owner's Work Description and shall not increase the cost of, or time required for, Owner's Work, or affect any other area or tenant of the building (collectively, the "Criteria"), Owner shall incorporate Tenant's suggestions into Owner's Plans. If Tenant's suggestions do not meet the Criteria, Owner shall give notice thereof to Tenant, detailing the aspects in which they do not meet the Criteria, within 15 business days following Owner's receipt of Tenant's disapproval (time being of the essence). If Owner fails to do so, Owner shall be deemed to have approved Tenant's suggestions. If Owner timely disapproves Tenant's suggestions, the dispute shall be resolved by arbitration in accordance with Article 63(b), but the arbitrator cannot approve any of Tenant's suggestions which do not meet the Criteria.

(c) Owner shall use commercially reasonable efforts to substantially complete Owner's Work within 24 months following the date Owner and Tenant agree on Owner's Plans (or the date any dispute is resolved by arbitration as provided in this Article), subject to extension for delays as provided in Article 27 (which shall include, without limitation, delays due to any act or omission of Tenant or any of Tenant's employees, agents or contractors). Owner's Work shall be deemed substantially completed at such time as Owner's Work is completed but for (i) decorating and touching-up of painting and (ii) minor or insubstantial details of construction or mechanical adjustment. If Owner shall fail to substantially complete Owner's Work within the period of 24 months set forth in this paragraph (as extended), this lease shall remain in full force and effect according to its terms, Owner shall have no obligation or liability to Tenant, Tenant shall not be entitled to any damages or rent abatement and Tenant's sole remedy shall be an action for specific performance.

44. FIXED RENT. The annual fixed rent under this lease (subject to increase as provided in this lease) shall be as follows:

(i) from July 1, 2000 through February 28, 2001, $1,466,966 per annum (representing the annual fixed rent under the Existing Leases, as the same may have been increased);

(ii) from March 1, 2001 through January 31, 2002 (x) $1,230,000 per annum (represent ing the annual fixed rent under the Existing Leases, as the same may have been increased, for the 8th through 12th floors), plus (y) $380,000 per annum for the 7th floor, except that the annual fixed rent for the 7th floor shall be increased (A) on March 1, 2001, by an amount equal to $380,000 multiplied by the greater of 1 percent or 50% of the percentage increase of the Index (as defined below) for February 2001 over the Index for June 2000, and (B) on July 1, 2001, by an amount equal to the annual fixed rent then payable with respect to the 7th floor multiplied by the greater of .50 percent or 50 percent of the percentage increase of the Index for June 2001 over the Index for February 2001;

(iii) from February 1, 2002 through June 30, 2002 (x) the annual fixed rent then payable with respect to the 7th floor as determined above, plus $1, 900,000 per annum for the 8th through 12th floors, except that the annual fixed rent for the 8th through 12th floors shall be increased (A) on February 1, 2002, by an amount equal to $1,900,000 multiplied by the greater of 2.375 percent or 50 percent of the percentage increase of the Index for January 2002 over the Index for June 2000 and (B) on July 1, 2002, by an amount equal to the annual fixed rent then payable with respect to the 8th through 12th floors multiplied by the greater of .625 percent or 50 percent of the percentage increase of the Index for June 2002 over the Index for January 2002;

(iv) from July 1, 2002 through June 30, 2003 (x) the annual fixed rent then payable with respect to the 8th through 12th floors as determined above, plus (y) the annual fixed rent then payable with respect to the 7th floor, which 7th floor annual fixed rent shall be increased on July 1, 2002 by an amount equal to the annual fixed rent then payable for the 7th floor multiplied by the greater of 1.5 percent or 50 percent of the increase of the Index for June 2002 over the Index for June 2001; and

(v) commencing on July 1, 2003 and on the first day of each July thereafter during the term (the "Adjustment Date"), the annual fixed rent shall be increased by an amount equal to the annual fixed rent then payable under this lease multiplied by the greater of 1.5 percent or 50 percent of the percentage increase of the Index for the June immediately prior to the Adjustment Date in question over the Index for the prior June.

(b) In addition to all other rent and additional rent, and all other increases, under this lease, the annual fixed rent shall be increased by $360,000 per annum on July 1, 2003, an additional $440,000 per annum on May 1, 2005, and an additional $420,000 per annum on each of July 1, 2006, July 1, 2009, July 1, 2012, and, if the term of this lease is timely extended by Tenant pursuant to this lease, July 1, 2015, July 1, 2018, July 1, 2021 and July 1, 2024.

(c) The term "Index" shall mean the All-Items figures in the Consumer Price Index-All Urban Consumers (1982-84=100) of the Bureau of Labor Statistics of the United States Department of Labor for New York, New York-Northwestern New Jersey. If the Index is discontinued or changed, or the Index is no longer published for the applicable months, Owner shall designate a suitable substitute index, adjust the Index to take account of the changes or change the periods for comparison. As soon as practicable after the publication of the Index or the determination of a substitute index, Owner shall determine the new annual fixed rent. Pending such determination, Tenant shall continue to pay the annual fixed rent then in effect. When the new annual fixed rent has been determined, Tenant shall promptly pay any increase to Owner retroactive to the beginning of the period in question.

(d) The following is an illustration of the fixed rent payments through July 1, 2004, assuming an annual percentage increase of the Index of 1 percent (so that the Index increase is not relevant):

(i) from July 1, 2000 through February 28, 2001, $1,466,966;

(ii) from March 1, 2001 through January 31, 2002 (x) $1,230,000, plus (y) $380,000, but on March 1, 2001 the 7th floor rent shall be increased to $383,800 ($380,000 plus 1% of $380,000 or $3,800) and on July 1, 2001 to $385,719 ($383,800 plus .50 percent of $383,800 or $1,919);

(iii) from February 1, 2001 through June 30, 2002 (x) $385, 719, plus (y) $1,900,000, but on February 1, 2001 the 8th through 12th floors rent shall be increased to $1,945,125 ($1,900,000 plus 2.375 percent of $1,900,000) and on July 1, 2002 to $1,957,282.03 ($1,945,125 plus .625 percent of $1,945,125);

(iv) from July 1, 2002 through June 30, 2003 (x) $1,957,282.03 plus (y) $391,504.79 ($385,719 plus 1.5 percent of $385,719); and

(v) July 1, 2003 through June 30, 2004, $2,348,786.82 plus $35,231.80 (1.5 percent of $2,348,786.82), plus $360,000.

45. REAL ESTATE TAXES. For the purpose of this Article:

(i) The term "Taxes" shall mean (1) the real estate taxes, assessments and special assessments imposed on the building and/or the land on which the building is erected (including, without limitation, business improvement district charges) and (2) any reasonable expenses incurred by Owner in contesting the same. If at any time during the term of this lease the methods of taxation prevailing on the date hereof shall be altered so that in lieu of, or as an addition to, or as a substitute for, the whole or any part of such real estate taxes, assessments and special assessments now imposed on real estate, there shall be levied, assessed and imposed (x) a tax, assessment, levy, imposition, license fee or charge wholly or partially as a capital levy or otherwise on the rents received therefrom, or (y) any other additional or substitute tax, assessment, levy, imposition, fee or charge, then all such taxes, assessments, levies, impositions, fees or charges shall be deemed to be included within the term "Taxes" for the purposes hereof (in no event, however, shall Taxes include any income, estate or inheritance tax of Owner, or any transfer taxes).

(ii) The term "Base Tax Year" shall mean the Tax Year ending June 30, 2000.

(iii) The term "Base Tax" shall mean the Taxes for the Base Tax Year.

(iv) The term "Tax Year" shall mean the period of 12 calendar months beginning July 1st.

(v) The term "Tenant's Share" shall mean 50 percent through April 30, 2005, and 58.333 percent thereafter (subject to increase as provided in this lease; and for purposes of this Article, Tenant's Share with respect to the 7th floor shall be 8.333 percent).

(b) If the Taxes for any Tax Year shall exceed the Base Tax, Tenant shall pay for such Tax Year an amount ("Tax Payment") equal to Tenant's Share of such excess (except that the Tax Payment under this Article shall not commence until March 1, 2001 with respect to the 7th floor, not until February 1, 2002 with respect to the 8th through 12th floors and not until May 1, 2005 with respect to the 5th floor). If a Tax Year ends after the expiration or termination of the term of this lease, the Tax Payment therefor shall be prorated to correspond to that portion of such Tax Year occurring within the term of this lease. In addition, the Tax Payment shall be prorated for the Tax Year in which the payment of additional rent under this Article commences. If the real estate fiscal tax year of the City of New York shall be changed during the term of this lease, any Taxes for a real estate fiscal tax year, a part of which is included within a particular Tax Year and a part of which is not so included,

shall be apportioned on the basis of the number of days in the real estate fiscal tax year included in the particular Tax Year for the purpose of making the computations under this Article.

(c) The Tax Payment shall be payable by Tenant within 30 days after receipt of a demand from Owner (but not more than 30 days before the tax is due, subject to Owner's option set forth in the following sentence), which demand shall be accompanied by Owner's computation of the Tax Payment (a copy of the relevant tax bills shall be sent by Owner to Tenant with each such demand). Notwithstanding the foregoing, at Owner's option, to be exercised at any time during the term of this lease upon notice to Tenant, Tenant shall pay on the first day of each month, on account of the Tax Payment for the next Tax Year, an amount equal to one-twelfth of the Tax Payment for the preceding Tax Year. If the aggregate payments on account of the Tax Payment in any Tax Year shall exceed the Tax Payment for that Tax Year, the excess shall, at Owner's option, either be credited against subsequent payments under this lease or promptly refunded to Tenant; and if the Tax Payment for any Tax Year shall exceed the aggregate payments on account of the Tax Payment, the excess shall be promptly paid by Tenant.

(d) If in any Tax year the building or the land is entitled to any abatement of or exemption from Taxes (or any assessment or rate which comprises Taxes) as the result of any work performed or expenditures made by Owner, such abatement or exemption shall not be taken into account in determining Tenant's Tax Payment for that Tax Year, but the Tax Payment shall be based on the Taxes which would have been payable without that abatement or exemption. If Owner shall receive a refund of the Taxes for any Tax Year, Owner shall pay to Tenant, Tenant's Share of the net refund (after deducting from such total refund the reasonable costs and expenses of obtaining same which have not previously been included in Taxes under this lease); but (i) such payment to Tenant shall not exceed Tenant's Tax Payment actually paid for such Tax Year and (ii) if Tenant is then in default in the payment of any fixed rent or additional rent, Owner shall first apply that refund to the defaulted payments.

46. ELECTRIC ENERGY. (a) Notwithstanding any provision of this lease to the contrary, Owner shall have no obligation to supply to Tenant or the demised premises any electric energy. Tenant shall, at Tenant's expense, make all arrangements for electric energy to be furnished to the demised premises, including, without limitation, the furnishing, installing and maintaining of all meters and other components of the electric energy system within or servicing the demised premises. Owner shall not be liable to Tenant in damages or otherwise for any failure of Tenant to make arrangements for or to obtain any electric energy. Tenant shall not be released or excused from the performance of any of its obligations under this lease for any such failure or for any interruption or curtailment of any electric energy, and no such failure, interruption or curtailment shall constitute a constructive or partial eviction, except that nothing contained in this paragraph shall be deemed to release Owner from liability resulting from the negligence of Owner or its contractors (subject, however, to the provisions of this lease, including, without limitation, Article 61). Tenant shall not overload any electric energy facility.

(b) Tenant shall pay directly to the company, companies or governmental units supplying electric energy to Tenant promptly as and when due, all charges for electric energy used by Tenant or in connection with the demised premises.

(c) Notwithstanding any provision of this lease to the contrary, Tenant shall, at Tenant's expense, maintain and promptly make all repairs, ordinary and extraordinary, to all components of the electric energy system servicing exclusively the demised premises, including, without limitation, all meters.

(d) Owner shall select the company or companies that supply electric energy to the building (and to the demised premises), and shall have the right at any time and from time to time during the term of this lease to change the company or companies that supply electric energy to the building (and to the demised premises). Tenant shall cooperate with Owner and the company or companies that supply electric energy to the building (and to the demised premises) and, as reasonably necessary, shall allow Owner and such company or companies reasonable access to the demised premises and Tenant's electric lines, feeders, risers, wiring, and any other machinery. Owner shall not be liable or responsible for any loss, damage, or expense that Tenant may sustain or incur by reason of any change of the company or companies supplying electric energy to the building (and to the demised premises), including, without limitation, in connection with the failure, interference or disruption in the supply of the electric energy furnished to the demised premises, and no such change, failure, defect, interference or disruption shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent or additional rent, or relieve Tenant from any of its obligations under this lease.

47. TENANT'S RIGHT OF FIRST OFFER - AVAILABLE SPACE. (a) Provided (i) Tenant is not then in default under this lease following any required notice and the expiration of the applicable grace period, (ii) this lease is otherwise in full force and effect and (iii) Tenant named herein (or an Affiliate or Successor, as those terms are

defined in Article 53) is the tenant under this lease and is occupying not less than 100,000 rentable square feet of the demised premises, if on or before the date which is 5 years prior to the expiration of the term of this lease (as the same may have been extended pursuant to Articled 49), any space ("Expansion Space") in the building shall become, or Owner anticipates that within the next 365 days same shall become, available for leasing (other than in connection with the first lease entered into by Owner following the date of this lease of any portions of the 2nd or 3rd floors of the building, which shall not be subject to Tenant's right under this Article), Owner shall give notice thereof to Tenant, which notice shall include an offer by Owner to Tenant for Tenant to include the Expansion Space in the demised premises on all of the terms of this lease (including, without limitation, the terms set forth in paragraphs (b) and (c) of this Article) at an initial annual fixed rent set forth in Owner's notice. Tenant shall have the right, to be exercised by notice to Owner within 10 business days following receipt of Owner's notice (time being of the essence), to include in the demised premises the Expansion Space on the terms of this lease and at the initial fixed rent set forth in Owner's notice. During the initial term of this lease, if Tenant has not than exercised Tenant's right to extend the term of this lease pursuant to Article 49, there is less than 5 years remaining in the initial term, and Tenant is then permitted to exercise Tenant's right to extend the term of this lease pursuant to the provisions of Article 49, Owner shall give to Tenant the notice required by this Article and Tenant shall have the right to exercise Tenant's right under this Article so long as Tenant shall simultaneously with the exercise of Tenant's right under this Article also exercise Tenant's right to extend the term of this lease pursuant to Article 49 (provided that on the date Tenant exercises Tenant's right Tenant has the right to extend the term of this lease pursuant to the provisions of Article 49). Nothing contained in this Article shall be deemed to prohibit Owner from renewing or extending any lease or making any new lease with any then existing tenant (or its Affiliate or Successor).

(b) If Tenant shall not timely exercise Tenant's right to include the Expansion Space in the demised premises, Owner may lease the Expansion Space to any third party on any terms desired by Owner but if the effective average annual fixed rent to be charged to said third party (taking into account only the following terms of the proposed lease: the initial fixed rent; any fixed increases (not escalations, CPI increases or other increases which cannot then be calculated) of the initial fixed rent; and any Owner's work, allowances and free rent period) is less than 90 percent of the average annual fixed rent set forth in Owner's notice, Owner must first offer the Expansion Space to Tenant at the effective average annual fixed rent offered to said third party. If Tenant shall timely exercise Tenant's right to include the Expansion Space in the demised premises, it shall be included in the demised premises on the date the Expansion Space is vacant and available, on the terms of this lease, except that the initial fixed rent shall be as set forth in Owner's notice, the Base Tax Year shall be the Tax Year then in progress and Tenant's Share shall increase by the percentage obtained by dividing the rentable square feet of the Expansion Space (as reasonably determined by Owner and using a measurement of 22,412 rentable square feet for a full floor) by 268,944.

(c) Tenant shall accept possession of the Expansion Space included in the demised premises pursuant to this Article "As Is" (and otherwise on the terms of this lease) on the date the Expansion Space is included in the demised premises, and Owner shall have no obligation to furnish, render or supply any work, labor, services, equipment, materials, decorations, furniture or fixtures to make that space ready or suitable for Tenant's use or occupancy, except that Owner shall, at Owner's expense, in a building standard manner, using building standard materials, in compliance with all applicable laws, as soon as practicable following the inclusion of the Expansion Space in the demised premises, remove or, at Owner's option, encapsulate any asbestos located in the Expansion Space (and the fixed rent for the Expansion Space shall not commence until same is substantially complete).

(d) As soon as practicable, Owner and Tenant shall execute, acknowledge and deliver an amendment of this lease prepared by Owner confirming the terms on which the Expansion Space is included in the demised premises.

48. TENANT'S RIGHT OF FIRST OFFER - SALE OF THE BUILDING. (a) Provided (i) Tenant is not then in default under this lease following any required notice and the expiration of the applicable grace period, (ii) this lease is otherwise in full force and effect, and (iii) Tenant named herein (or an Affiliate or Successor) is the tenant under this lease and is occupying not less than 100,000 rentable square feet of the demised premises, if at any time during the term of this lease Owner desires to sell the building or all of its interest in the building (in one transaction or a series of related transactions) to an unrelated third party, Owner shall give notice thereof to Tenant, which notice shall include an offer by Owner to Tenant for Tenant to purchase the building pursuant to the contract of sale delivered by Owner to Tenant with Owner's notice. Tenant shall have the right, to be exercised by Tenant signing and returning to Owner four copies of the contract (without change), together with the 5% deposit required by the contract, within 10 business days following receipt of Owner's notice (time being of the essence).

(b) If Tenant shall not timely exercise Tenant's right to purchase the building, Owner may sell the building to any third party on any terms desired by Owner, but if the purchase price to be

charged to said third party is less than 90 percent of the purchase price set forth in the contract delivered to Tenant, Owner must first offer to sell the building to Tenant at the purchase price offered to said third party (and otherwise on the terms of the contract first delivered to Tenant). If Tenant shall timely exercise Tenant's right to purchase the building, Owner shall sell to Tenant, and Tenant shall purchase from Owner, the building in accordance with the contract. Any default by Tenant under the contract shall be deemed a default under this lease and any default by Tenant under this lease shall be deemed a default by Tenant under the contract, in which event Owner shall have all rights and remedies of Owner, including, without limitation, the right to terminate either or both of this lease and the contract (and Tenant shall no longer have Tenant's rights under this Article or Articles 47, 49 or 51(b)).

49. TENANT'S RIGHT TO EXTEND. Provided (i) Tenant is not in default under this lease following any required notice and the expiration of the applicable grace period on the date Tenant exercises Tenant's right under this Article or on the date the extended term commences, (ii) this lease is otherwise in full force and effect, and (iii) Tenant named herein (or an Affiliate or Successor) is the tenant under this lease and is occupying not less than 100,000 rentable square feet of the demised premises on the date Tenant exercises Tenant's right under this Article and the date the extended term commences, Tenant shall have the right to extend the term of this lease with respect to the entire demised premises, for a period of 10 years, commencing on July 1, 2015 and ending on June 30, 2025. The extended period shall be on the terms of this lease, except that (i) the initial annual fixed rent shall be the higher of (x) the annual Fair Market Fixed Rent determined pursuant to this Article or (y) the annual fixed rent then payable under this lease, and (ii) Tenant shall have no further right or option to extend the term of this lease.

(a) The annual Fair Market Fixed Rent shall be (at the date of its determination) the annual fixed rent which an unrelated third party would pay for the demised premises for a 10-year lease commencing July 1, 2015 and otherwise on the terms of this lease (including, without limitation, the Base Tax Year, no Owner's work, no Owner's allowance, no rent concession, no brokerage commissions and no vacancy period). If Tenant timely exercises Tenant's right under this Article, on or about January 1, 2015, Owner shall give notice to Tenant of Owner's determination of the annual Fair Market Fixed Rent. If Tenant disputes Owner's determination, Tenant shall give notice to Owner of the dispute within 30 days after receipt of Owner's notice stating Tenant's determination of the Fair Market Fixed Rent (time being of the essence). If Tenant shall not submit that notice, then the initial annual fixed rent for the extended period shall be Owner's determination of the Fair Market Fixed Rent. If Tenant shall submit that notice, Owner and Tenant shall, within 10 days following Tenant's notice, designate one independent arbitrator to determine the annual Fair Market Fixed Rent. The arbitrator must be a person having not less than 15 years' experience as a commercial leasing broker in the City of New York. If they fail to designate an arbitrator within 10 days, the arbitrator shall be designated by the President of the New York City Real Estate Board, Inc. at the request of either Owner or Tenant. The arbitrator shall determine the Fair Market Fixed Rent by selecting either the Fair Market Fixed Rent submitted by Owner or the Fair Market Fixed Rent submitted by Tenant, whichever Fair Market Fixed Rent the arbitrator determines is closer to the Fair Market Fixed Rent. The determination of the arbitrator shall be binding and conclusive upon both Owner and Tenant. The determination of the arbitrator shall be requested within 30 days. The costs and expenses of the arbitrator shall be paid 50 percent by Owner and 50 percent by Tenant. Each party shall pay the costs and expenses of its own attorneys and experts and of presenting its evidence. If the dispute shall not be resolved prior to July 1, 2015, then pending the resolution of the dispute, Tenant shall pay the annual fixed rent based upon Owner's determination of the Fair Market Fixed Rent, and within 30 days following resolution of the dispute any adjustment shall be refunded by Owner to Tenant retroactive to July 1, 2015. Except for the change, if any, of the annual fixed rent, no other term of this lease shall change.

(b) Tenant's right under this Article must be exercised by Tenant giving Owner notice of such exercise on or before June 30, 2013 (time being of the essence).

(c) If Tenant shall timely exercise Tenant's right under this Article (i) the term of this lease shall be deemed extended for the extended term without any other or further document being required, except to confirm the initial annual fixed rent, and (ii) any reference in this lease to the term of this lease shall be deemed to include the extended term.

50. TENANT'S USE OF THE ROOF. Subject to and upon all of the terms of this Article and this lease, and the rules and regulations of the building now or hereafter in effect, Tenant shall have the nonexclusive right, at its expense (but without charge by Owner) to use up to 300 square feet of contiguous space on the roof of the building (the initial location of that space to be mutually agreed upon by Owner and Tenant) for the installation (and connection to the demised premises) of satellite dishes, antennae, HVAC equipment and other equipment used in Tenant's business (which shall include a screen reasonably acceptable to Owner designed to block those items from view) (collectively, the "Equipment").

(a) Prior to installing the Equipment, (i) detailed plans and specifications for the Equipment and its installation, and an engineer's report on the affect the installation and operation of the Equipment shall have on the roof or structural integrity of the building, shall be submitted to Owner for its approval (which shall not be unreasonably withheld or delayed) and (ii) a full maintenance contract covering the Equipment, the portion of the roof and parapet wall affected by the Equipment is, at Tenant's expense, obtained by Tenant, from a maintenance company approved by Owner (which shall not be unreasonably withheld or delayed).

(b) Owner may, at its expense, change the location of the Equipment, provided the new location shall not adversely effect the functioning of the Equipment.

(c) Tenant's access to the roof shall be in common with all others to whom Owner gives access to the roof.

(d) Owner, other tenants of the building and all others to whom Owner grants such right, shall have the right to use the roof (but not the portion of the roof used by Tenant) and Tenant shall allow unrestricted access to the roof through the 12th floor portion of the demised premises, but only by way of stairway B adjacent to the southeast freight elevator. The use of that stairway from the 12th floor to the roof shall not interfere with the conduct of Tenant's business in the demised premises and Owner shall repair any damage to the demised premises caused by Owner or others permitted by Owner to use that stairway (but not Tenant) as the result of the use of that stairway. Owner shall provide Tenant with reasonable prior notice (which may be oral and, if Owner determines that Owner cannot wait a longer period, may be less than one day's notice) if Owner or others shall need to use that stairway (but prior notice shall not be required in an emergency).

(e) Tenant shall, at its expense, maintain and make all repairs to the Equipment, maintain the Equipment in good order and condition, comply with all laws and requirements of any public authorities and comply with all requirements of insurance bodies, with respect to the use, furnishing, installing, maintaining and repair of the Equipment.

(f) Tenant shall, at its expense, obtain and keep in force all permits and licenses required for the Equipment, and the insurance carried by Tenant in accordance with this lease shall cover the Equipment.

(g) Tenant shall (i) not overload the roof, (ii) install, mount and anchor the Equipment in a manner which shall not permit the same to transmit vibration to the building, (iii) otherwise install, mount and anchor the Equipment in a manner reasonably satisfactory to Owner and its engineer and (iv) make such changes as may be reasonably necessary so that the Equipment shall not interfere with the functioning of any other equipment on the roof or in the building (and Owner shall require others to do the same if any such equipment interferes with the functioning of the Equipment).

(h) Owner shall have no obligation, liability or responsibility whatsoever with respect to the Equipment.

(i) Tenant shall indemnify, defend and hold harmless Owner from and against any and all claims, actions, proceedings, damages, losses, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees), and shall make all repairs and maintenance to the roof, parapet and coping, arising out of the use, furnishing, installation, maintenance and repair of the Equipment.

(j) On or before the expiration of the term of this lease, or the date Tenant ceases the use of any Equipment, or on the date any public authorities or insurance bodies require the removal thereof, Tenant shall, at its expense, remove the Equipment (or the portion which is no longer used), and repair any damage caused by Tenant, the Equipment or the removal of the Equipment.

51. NAME OF BUILDING; SIGNAGE; ACCESS; ELEVATORS.

(a) Provided (i) Tenant is not then in default under this lease following any required notice and the expiration of the applicable grace period, (ii) this lease is otherwise in full force and effect, and (iii) Tenant named herein (or an Affiliate or Successor) is the tenant under this lease and is occupying not less than 100,000 rentable square feet of the demised premises, (x) the building shall be known as "the Coach Building", (y) Tenant shall have the exclusive right to place two tasteful signs on the wall of the building facing 34th Street identifying the building as "The Coach Building", and one additional tasteful sign on that wall advertising Tenant's products, subject to Owner's consent, which consent shall not be unreasonably withheld or delayed, and (z) there shall be no other signs on that wall, except for existing sign rights (Owner shall, however, use commercially reasonable efforts to have such signs removed and not replaced, but shall not be required to pay a fee or other consideration therefor, and shall have the "Vantage Press" sign removed not later than promptly following

the expiration date of the lease with Vantage Press, which expiration date is February 29, 2004). At Owner's option, Tenant's signs shall be removed from the building upon the expiration or earlier termination of this lease, and Tenant shall repair any damage caused by Tenant, the signs or the removal of the signs.

(b) Owner shall have the right to place third party advertising on the roof, east wall and balance of the building (other than the wall facing 34th Street) ("Landlord's Advertising Area"), provided such signs (i) shall not advertise any goods, or any company which sells primarily goods, which are competitive with any goods sold by Tenant on the date which is the earlier of the date Owner gives Tenant notice of any such advertising or the date the advertising is placed on the building, (ii) are not pornographic, (iii) do not advertise alcohol, tobacco or firearms and (iv) do not block the windows of the demised premises or Tenant's views, light or air. If Owner receives or desires to solicit an offer from an unrelated third party (including, without limitation, any tenant of the building), other than an advertiser who then has an advertisement on the building, for the right to place advertising on any portion of Landlord's Advertising Area, which offer or solicitation is acceptable to Owner, then provided (i) Tenant is not then in default under this lease following any required notice and the expiration of the applicable grace period, (ii) this lease is otherwise in full force and effect, and (iii) Tenant named herein (or an Affiliate or Successor) is the tenant under this lease and is occupying not less than 100,000 rentable square feet of the demised premises, Owner shall give notice thereof to Tenant, which notice shall include an offer by Owner to Tenant for Tenant to place advertising for Tenant's products on the space covered by, and on the terms set forth in, the third party's offer or Owner's solicitation. Tenant shall have the right, to be exercised by notice to Owner within 10 days following receipt of Owner's notice (time being of the essence), to license the space covered by said third party's offer or Owner's solicitation for the advertisement of Tenant's products on the terms set forth in said third party's offer or Owner's solicitation (net of any advertising or other commissions or fees not payable if Tenant exercises Tenant's right). If Tenant shall not timely exercise Tenant's right, Owner shall have the right to license that space to said third party on substantially the terms set forth in said third party's offer. If Tenant shall timely exercise Tenant's right, Tenant shall be deemed to have licensed the area covered by the thirty party's offer on the terms of the third party's offer, for the advertisement of Tenant's products, and Owner and Tenant shall execute a confirmation of the license prepared by Owner (but Tenant's failure to execute same shall not negate Tenant's rights or obligations with respect to that license). Any default by Tenant under the license shall be deemed a default under this lease and any default by Tenant under this lease shall be deemed a default by Tenant under the license, in which event Owner shall have all rights and remedies of Owner, including, without limitation, the right to terminate either or both of this lease and the license (and Tenant shall no longer have Tenant's rights under this paragraph or Articles 47, 48, or 49).

(c) Subject to the provisions of this lease, provided same is permitted by law, as soon as the Access System is operational, Tenant shall have access to the demised premises, 24 hours per day, seven days per week (Tenant recognizing that the building is not staffed by Owner after Owner's normal business hours).

(d) The freight elevator which Owner shall convert to a passenger elevator as part of Owner's Work, shall service only the 5th and the 7th through 12th floors, inclusive, and the main lobby of the building, so long as Tenant (or an Affiliate or Successor) occupies all such floors. The two existing passenger elevators on the date of this lease shall continue to service all floors in the building (including, without limitation, the demised premises and the main lobby of the building).

52. ASSIGNMENT AND SUBLEASING. If Tenant shall at any time during the term of this lease desire to assign this lease or sublet all or any portion of the demised premises, Tenant shall give notice thereof to Owner, which notice shall be accompanied by (i) a copy of the proposed assignment or sublease and a term sheet setting forth all of the material terms of the assignment or sublease (which Tenant shall certify as being agreed upon by the parties), the effective or commencement date of which shall be at least 30 days after the giving of such notice, (ii) a statement setting forth in reasonable detail the identity of the proposed assignee or subtenant, the nature of its business and its proposed use of the demised premises, and (iii) current financial information with respect to the proposed assignee or subtenant, including, without limitation, its most recent financial report (if available). Tenant's notice shall be deemed an offer from Tenant to Owner whereby Owner may, at its option, terminate this lease if the proposed transaction is an assignment of this lease or a sublet of all or substantially all of the demised premises (for any term), terminate this lease with respect to the space to be sublet if the proposed transaction is a sublease of less than substantially all of the demised premises for all or substantially all of the remaining term of this lease, or terminate this lease with respect to the space to be sublet for the term of the sublease if the proposed transaction is a sublease of less than substantially all of the demised premises for less than substantially all of the remaining term of this lease. The options may be exercised by Owner by notice to Tenant at any time within 30 days after such notice has been given by Tenant to Owner, and during such 30-day period Tenant shall not assign this lease or sublet such space to any person.

(a) If Owner exercises the option to terminate this lease pursuant to paragraph (a) of this Article, then this lease shall expire on the date that the assignment or sublease was to be effective or

commence, as the case may be, Tenant (and all other occupants) shall vacate the demised premises on or before that date, and the fixed rent and additional rent shall be paid and apportioned to that date.

(b) If Owner exercises the option to terminate this lease in part pursuant to paragraph (a) of this Article then (i) this lease shall expire with respect to that part of the demised premises on the date that the proposed sublease was to commence, (ii) from and after that date the fixed rent and all additional rent shall be adjusted, based upon the proportion that the rentable area of the demised premises remaining bears to the total rentable area of the demised premises, (iii) Tenant shall pay to Owner, upon demand, the costs incurred by Owner to physically separate that part of the demised premises from the balance of the demised premises and in complying with any laws and requirements of any public authorities relating to the separation, and (iv) if the sublease was for less than substantially all of the remaining term of this lease, on the date the sublease was to expire that space shall again be deemed included in the demised premises pursuant to the terms of this lease in its then "AS IS" condition.

(c) If Owner does not exercise any option pursuant to paragraph (a) of this Article, provided Tenant is not then in default under this lease following any required notice and the expiration of any applicable cure period, Owner's consent (which must be in writing and in form reasonably satisfactory to Owner) to the proposed assignment or sublease shall not be unreasonably withheld or delayed, provided that:

(i) Tenant shall have complied with the provisions of paragraph (a) of this Article, and Owner shall not have exercised any option under said paragraph (a) of this Article within the time permitted therefor;

(ii) In Owner's reasonable judgment the proposed assignee or subtenant is engaged in a business and the demised premises will be used in a manner which (x) is in keeping with the then standards of the building, (y) is limited to the uses set forth in Article 2, and (z) will not violate any negative covenant as to use contained in any other lease of space in the building;

(iii) The proposed assignee or subtenant is reputable, of good character and has sufficient financial worth considering the responsibility involved, and Owner has been furnished with reasonable proof thereof; and is not any of the following: employment or travel agency (or offices therefor); government or quasi-government or agency or department thereof or owned in whole or in part by a government or quasi-government or agency or department thereof (or offices therefor); foreign airline; charity, not-for-profit organization or other organization dependent in whole or in part on charitable contributions (or offices therefor); or any person or entity who shall create, in Owner's reasonable opinion, any excessive traffic or use of the building services;

(iv) Neither (x) the proposed assignee or subtenant nor (y) any person which, directly or indirectly, controls, is controlled by, or is under common control with, the proposed assignee or subtenant or any person who controls the proposed assignee or sublessee, is then an occupant of any part of the building, if Owner then has available, or reasonably anticipates having available within 60 days, space in the building of approximately the same rentable square feet as the proposed subleased space;

(v) The proposed assignee or subtenant is not a person with whom Owner is then negotiating (or with whom Owner has within the prior 60-day period negotiated) the lease of space in the building;

(vi) The sublease or assignment shall be in substantially the form furnished to Owner pursuant to paragraph (a) of this Article, and shall comply with the applicable provisions of this Article;

(vii) The rent and other material terms of the sublease or assignment are substantially the same as those contained in the term sheet furnished to Owner pursuant to paragraph (a) of this Article;

(viii) Tenant shall reimburse Owner on demand for any reasonable costs that may be incurred by Owner in connection with said assignment or sublease, including, without limitation, reasonable legal costs incurred in connection with the granting of any requested consent, all such costs not to exceed an aggregate of $2,500 per consent;

(ix) Any sublease shall be for a term ending not later than one day prior to the fixed expiration date of this lease, and shall provide that (x) it is subject and subordinate to this lease and to the matters to which this lease is or shall be subordinate, and (y) in the event of termination, re-entry or dispossess by Owner under this lease, Owner may, at its option, take over all of the right, title and interest of Tenant, as sublessor, under the sublease, and the subtenant shall, at Owner's option, attorn to Owner pursuant to the then executory provisions of the sublease, except that Owner shall not be (1) liable for any previous act or omission of Tenant under the sublease, (2) subject to any offset, not expressly provided in the sublease, which theretofore accrued to

the subtenant against Tenant, or (3) bound by any previous modification of the sublease or by any previous prepayment of more than one month's rent;

(x) Tenant shall not have advertised or publicized in any way the availability of the demised premises without prior notice to Owner, nor shall any advertisement or publication state the proposed rental; and

(xi) No more than three occupants (including Tenant) shall occupy any floor which is a part of the demised premises.

(d) Each assignment or subletting pursuant to this Article shall be subject to all of the terms of this lease. Notwithstanding any such subletting or assignment and/or acceptance of rent or additional rent by Owner from any subtenant or assignee, Tenant shall remain fully liable for (and any assignee shall assume the obligation for) the payment of the fixed rent and additional rent due and to become due under this lease and for the performance of all Tenant's obligations under this lease. All acts and omissions of any subtenant or assignee or anyone claiming under or through any subtenant or assignee which shall be in violation of any of the obligations of this lease shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting or assignment, no further subletting or assignment by Tenant or any person claiming through or under Tenant shall be made except upon compliance with and subject to the provisions of this Article (but Owner shall have the unrestricted right to deny its consent or approval to any assignment or sublease by a subtenant). If Owner shall decline to give its consent to any proposed assignment or sublease, or if Owner shall exercise an option under paragraph (a) of this Article, Tenant shall indemnify, defend and hold harmless Owner against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Owner by the proposed assignee or subtenant or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease.

(e) If Owner shall give its consent to any assignment or sublease, Tenant shall in consideration therefor, pay to Owner, as additional rent (as and when paid to Tenant):

(i) in the case of an assignment, an amount equal to 50 percent of all sums and other consideration paid to Tenant by the assignee for or by reason of such assignment, less the aggregate amount of any brokerage commissions paid to an unrelated third party, reasonable attorneys' fees, and other reasonable costs paid by Tenant in connection with the assignment; and

(ii) in the case of a sublease, 50 percent of any rents, additional charges or other consideration paid under the sublease to Tenant by the subtenant which is in excess of the fixed rent and additional rent accruing during the term of the sublease allocable to the subleased premises, less any brokerage commissions paid to an unrelated third party, reasonable attorneys fees, and other reasonable costs paid by Tenant in connection with the sublease.

53. CERTAIN ASSIGNMENTS AND SUBLEASES. Notwithstanding any provision of this lease to the contrary, provided that (a) Tenant is not then in default under this lease following the giving of any required notice and the expiration of the applicable cure period, (b) Tenant shall give Owner not less than 15 days prior notice of the assignment or sublease, enclosing with the notice the proposed form of all documents relating to the assignment or sublease, including, without limitation, an assignment or sublease (with an assumption by the assignee), a reasonably detailed description of the assignee or subtenant and its principals, and reasonably detailed financial information covering the assignee or subtenant, (c) the business conducted in the demised premises prior to the assignment or sublease shall be continued in substantially the same manner after the assignment or sublease (and otherwise in accordance with this lease, including, without limitation, this Article and Article 2), (d) there shall be no more than three occupants (including Tenant) on any floor, (e) the transaction shall be for a business purpose and not merely for the assignment of this lease, and (f) (unless the assignee is a wholly-owned subsidiary of Tenant) the net worth of any assignee shall be not less than 80% of the net worth of the assignor (on the date of this lease or the transaction in question, whichever is greater) and Tenant shall provide Owner with reasonable proof thereof, Owner's consent shall not be required (and Owner shall not have the right to terminate this lease, in whole or in part, pursuant to paragraph (a) of Article 52) for an assignment or sublease by Tenant to any entity ("Affiliate") controlling, under common control with or controlled by Tenant or an assignment of this lease to an entity ("Successor") succeeding to Tenant's business pursuant to a merger, consolidation or sale of all or substantially all of Tenant's stock or assets. The term "control" shall mean the direct or indirect ownership of more than 50% of all classes of capital stock (or other ownership interests) and the ability to manage the business of Tenant.

54. SALE OF STOCK, PARTNERSHIP INTERESTS OR OTHER INTERESTS. Subject to the provisions of this lease, if Tenant shall be a corporation, partnership or other entity (the shares, partnership interests or other ownership

interests of which are not publicly traded), any transfer of voting stock, partnership interests or other interests resulting in the person or persons who shall have controlled the corporation, partnership or other entity immediately before the transfer ceasing to control same, except as the result of transfers by inheritance or a registered public offering of such interests, shall be deemed to be an assignment of this lease as to which Owner's consent shall be required as provided in this lease.

55. TENANT'S WORK. Subject to the provisions of this Article, Article 3, all other provisions of this lease, and the rules and regulations of the building now or hereafter in effect, Owner's consent to the performance by Tenant of work ("Tenant's Work") consisting of nonstructural alterations to the demised premises in accordance with Tenant's Plans (as defined below) shall not be unreasonably withheld or delayed, provided that (i) Tenant is not then in default under this lease following any required notice and the expiration of any applicable cure period, (ii) Tenant's Work is not structural (except that Tenant shall have the right, subject to and in accordance with all of the provisions of this lease, including, without limitation, the obligation to remove same if requested by Owner, to install internal stairs between the contiguous full floors constituting the demised premises), (iii) the outside appearance of the building shall not be affected, (iv) Tenant's Work shall not affect any structural part of the building (except as provided in clause (ii) of this paragraph (a)), (v) no part of the building outside of the demised premises shall be affected, (vi) the mechanical, electrical, plumbing and other service and utility systems of the building shall not be materially and adversely affected, and (vii) Tenant's Work shall comply with the applicable provisions of this lease and law. Notwithstanding the foregoing, Owner's consent shall not be required for decorative work within the demised premises such as painting, carpeting and wall covering, provided that the foregoing provisions of clauses (i) through (vii) of this paragraph are satisfied, prior notice of the work in reasonable detail is provided to Owner, and the work shall not require the filing of plans. Any Tenant's Work which is required to be performed by Tenant pursuant to any provision of this lease which is structural or which affects any mechanical, electrical, plumbing or other service or utility system of the building shall be performed in accordance with this Article and all other applicable provisions of this lease, or may, at Owner's option, be performed by Owner at Tenant's expense (in which event, Tenant shall pay Owner in installments, in advances, as the work progresses).

(a) Prior to the commencement of any Tenant's Work requiring Owner's consent, Tenant shall submit to Owner for its approval five sets of complete plans, drawings and specifications, suitable for filing if filing is required ("Tenant's Plans"), including, without limitation, all mechanical, electrical, air conditioning and other utility systems and facilities, for Tenant's Work, prepared by an architect and/or engineer duly licensed in the State of New York. Within 10 days following Owner's receipt of Tenant's Plans, Owner shall review or cause the same to be reviewed and shall thereupon return to Tenant four sets of Tenant's Plans with Owner's approval (which shall not be unreasonably withheld or delayed) or disapproval noted thereon, and if same shall be disapproved in any respect Owner shall state in reasonable detail the reasons for such disapproval. If Owner shall not approve Tenant's Plans, Tenant shall, within 10 days of receipt thereof, cause its architect or engineer to make such changes to Tenant's Plans as Owner shall require and shall thereupon resubmit the same to Owner for its approval. To the extent required pursuant to any mortgage affecting the building, Tenant's Plans shall also be subject to the prior approval of the holder of such mortgage. Following the approval of Tenant's Plans, the same shall be final and shall not be materially changed by Tenant without the prior approval of Owner, which shall not unreasonably be withheld or delayed (and such mortgagee, if required), except as may be required by law. Tenant shall give prior notice to Owner of any changes required by law and shall furnish Owner (and such mortgagee, if required) with copies of all such required changes in Tenant's Plans. Owner's approval of Tenant's Plans or of any revisions shall not constitute an opinion or agreement by Owner that the same are structurally sufficient or the Tenant's Plans are in compliance with law, nor shall such approval impose any present or future liability on Owner or waive any of Owner's rights under this lease. Owner's approval of Tenant's Plans shall be conditioned upon Tenant employing licensed persons and firms and labor for the performance of Tenant's Work so as not to cause any jurisdictional or other labor disputes in the building. In any event, all contractors Tenant proposes to employ shall be subject to Owner's prior approval, which will not be unreasonably withheld or delayed. Such approval shall be requested by Tenant prior to the commencement of any Tenant's Work.

(b) Promptly following Owner's approval of Tenant's Plans (if such approval is required pursuant to this Article), Tenant shall secure or cause to be secured, at Tenant's expense, all necessary approvals of Tenant's Plans from all governmental authorities having jurisdiction and all permits and licenses necessary to perform Tenant's Work. Prior to the commencement of any Tenant's Work, Tenant shall furnish Owner with (i) copies of Tenant's Plans as approved by such governmental authorities and copies of such permits and licenses, and (ii) if required by a mortgagee of the building, security reasonably acceptable to said mortgagee to secure the performance by Tenant of all of its obligations relating to the performance of and payment for Tenant's Work.

(c) Following compliance by Tenant with its obligations under the foregoing provisions of this Article, Tenant shall promptly commence or cause to be commenced Tenant's Work and shall

complete or cause the same to be completed with reasonable diligence, in a first-class, workmanlike manner in accordance with the approved Tenant's Plans, all licenses and permits, this lease, all applicable laws, ordinances and regulations of all governmental and insurance authorities and all applicable requirements of the Board of Fire Underwriters. All of Tenant's Work shall be performed in a manner so as to minimize inconvenience or disturbance to other tenants or contractors in the building. Any heavy demolition work, core drilling or other slab penetrations to be performed by Tenant as part of Tenant's Work shall be performed on business days before 8:00 A.M. or after 6:00 P.M. Tenant shall cause all construction work to be performed in a reasonable manner and shall comply with Owner's work regulations for the building (including, without limitation, the payment of charges for services and the review of Tenant's Plans).

(d) Tenant shall pay its contractors, laborers, subcontractors, materialmen and suppliers in accordance with their respective agreements with Tenant, shall not cause or suffer any liens, mortgages, chattel liens, or other title retention or security agreements to be placed on the demised premises, any leasehold improvements therein or the building. Nothing contained in this Article or elsewhere in this lease shall be construed in any way as constituting any consent or authorization to Tenant to subject the land or the building or any part of the land or the building or any leasehold improvements or other personal property of Owner or the interest or estate of Owner or of the lessor under any underlying lease to any lien or charge in respect of Tenant's Work. All contracts or agreements made by Tenant with any third party for the furnishing of any labor or materials in connection with Tenant's Work (or any other work or alterations by Tenant) shall expressly provide that the contractor or materialman shall look solely to Tenant for the payment of any labor or materials furnished to the demised premises pursuant to such contract or agreement and that neither Owner nor the lessor under any underlying lease shall have any responsibility or liability for the payment thereof.

(e) Promptly following the completion of Tenant's Work, Tenant shall (i) obtain and submit to Owner copies of all final governmental and fire underwriters' approvals or certificates evidencing the completion thereof in compliance with all governmental and fire underwriters' requirements, and (ii) deliver to Owner the general contractor's affidavit to the effect that (x) all work and materials have been completed and/or installed in accordance with Tenant's Plans, or such changes thereto which Owner may have previously approved, and (y) all laborers, materialmen and subcontractors employed by the general contractor have been paid in full, which affidavit shall be accompanied by lien releases from all such parties performing work costing $25,000 or more and/or such other data reasonably establishing payment or satisfaction of all other obligations in respect of Tenant's Work.

(f) Nothing contained in this Article shall limit the provisions of Article 3 or any other provisions of this lease, except as specifically set forth in this Article. The provisions of this Article are in addition to the provisions contained in Article 3 and elsewhere in this lease.

(g) Notwithstanding the provisions of Article 3, Tenant shall not be required to remove from the demised premises (i) normal office installations, other than bathrooms, kitchens, raised flooring, stairs and other installations the removal of which involves a material cost, (ii) any installations in the demised premises existing on the date of this lease or (iii) any installation which Owner, in Owner's written consent to any Tenant's Work, expressly agrees need not be removed, in response to Tenant's specific written request.

56. NONDISTURBANCE AGREEMENTS. Notwithstanding any provision of this lease to the contrary, (a) if Owner shall not obtain from the present mortgagee a nondisturbance agreement in favor of Tenant in form and substance acceptable to the present mortgagee within 180 days following the date of this lease, Tenant shall have the right, by notice to Owner within five days following the end of that 180-day period (time being of the essence), to cancel this lease, in which event this lease shall be cancelled without further obligation or liability of either Owner or Tenant to the other and the Existing Leases shall remain in full force and effect according to their respective terms (otherwise, this lease shall continue in full force and effect according to its terms), and (b) notwithstanding the provisions of this Article, Owner shall obtain from any future mortgagee or overlandlord a nondisturbance agreement in favor of Tenant in form and substance acceptable to the mortgagee or overlandlord in question. Owner represents to Tenant that on the date of this lease there is no overlease and the only mortgage is held by Apple Bank for Savings.

57. INSURANCE. Tenant, at its expense, shall maintain at all times during the term of this lease and at all times when Tenant is in possession of the demised premises (and cause its subtenants or any other occupant of any portion of the demised premises by, through or under Tenant to maintain) (i) public liability insurance in respect of the demised premises and the conduct or operation of Tenant's business therein, with Owner and Owner's managing agent, if any, as additional insureds, with a combined single limit (annually and per occurrence) of not less than $5,000,000 (with a deductable not exceeding $500,000) and (ii) insurance (with a deductible not exceeding $500,000) covering all of Tenant's property, including, without limitation, Tenant's furniture, fixtures, machinery, equipment and other personal property and any property of third parties located in

the demised premises ("Tenant's Property") against all risks and perils for physical loss and damage, including, without limitation, additional expense coverage, in an amount equal to the full replacement value of Tenant's Property (as increased from time to time), the policy for which shall, if obtainable (and subject to the payment of any additional premium by Owner as provided in Article 9), contain a clause providing that the release or waiver referred to in Article 9 shall not invalidate the insurance.

(a) Tenant shall deliver to Owner such policies or certificates of such policies (in form reasonably acceptable to Owner) prior to the commencement of the term of this lease (and with respect to any insurance required by Owner pursuant to Article 3, prior to the commencement of any alteration). Tenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Tenant shall deliver to Owner and any additional insureds such renewal policy or certificate at least 30 days before the expiration of any existing policy. All such policies (and all insurance required by Owner pursuant to Article 3) shall name as additional insureds Owner, Owner's managing agent and Owner's mortgagees, if required by said mortgagees, shall be issued by companies reasonably satisfactory to Owner and all such policies shall contain a provision whereby the same cannot be canceled or modified unless Owner and any additional insureds are given at least 30 days' prior written notice of such cancellation or modification, including, without limitation, any cancellation resulting from the non-payment of premiums. Owner shall have the right at any time and from time to time, but not more frequently than once every two years, to require Tenant to increase the amount of the insurance maintained by Tenant under this Article, as reasonably determined by Owner, provided that such amount shall not exceed the amount which is comparable to the amount then generally required of tenants in similar space in similar buildings in the general vicinity of the building.

(b) Owner, at its expense, shall maintain insurance covering the building against loss or damage by fire and such other risks as Owner shall determine, in such amounts, with such companies and with such deductibles as Owner shall determine. The policy shall, if obtainable (and subject to the payment of any additional premium by Tenant as provided in Article 9), contain a clause providing that the release or waiver referred to in Article 9 shall not invalidate the insurance.

(c) Any reference in this lease to Tenant's contractors shall include, without limitation, all contractors, subcontractors, materialmen and others performing any work in the demised premises for Tenant (other than Tenant's employees), whether retained directly by Tenant or by any contractor.

58. NOTICES. (a) All notices and other communications under this lease (other than invoices for fixed rent or additional rent) must be in writing and shall be deemed to have been properly given if delivered by hand or sent by (i) registered or certified mail, postage prepaid, return receipt requested, (ii) reputable overnight delivery service, or (iii) telecopy, as follows: if to Owner: c/o Jack Anfang, 139 Haddon Road, New Hyde Park, New York 11040 (fax: none), and c/o Patricia Bauman, The Bauman Foundation, Jewett House, 2040 S Street, N.W. Washington, D.C. 20009-1110 (fax: 212-328-2003), with a copy in the same manner to: Graubard Mollen & Miller, 600 Third Avenue, New York, New York 10016-2097, attention: Lester Henner, Esq. (fax: 212-818-8881) and Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York, 10178, attention: Mitchell N. Baron, Esq. (fax: 212-309-6273); and if to Tenant: 516 West 34th Street, New York, New York 10001, attention: General Counsel (fax: 212-629-2398), with a copy in the same manner to: Sara Lee Corporation, Three First National Plaza, 70 West Madison, Chicago, Illinois 60602, attention: General Counsel (fax: 312-558-8687) and Phillips, Lytle, Hitchcock, Blaine & Huber LLP, 437 Madison Avenue, 34th floor, New York, New York 10022, attention: Kenneth R. Crystal, Esq. (fax: 212-308-9079).

(b) Any party may, by notice given in accordance with this Article, designate different addresses and recipients for notices and other communications. Notices and other communications shall be deemed given on the date the same is received as evidenced by a receipt or an acknowledgment of receipt (and the failure of a party to accept a communication shall be deemed receipt).

59. ESTOPPEL CERTIFICATES. Owner and Tenant shall, at any time and from time to time, as requested by the other, upon not less than 10 days' prior notice, execute and deliver to the other or any other party designated by it, a statement certifying: (a) that this lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications); (b) the dates to which the rent and additional rent have been paid; (c) whether or not, to the best of its knowledge, the other is in default in the performance of any of its obligations under this lease, and, if so, specifying each such default of which it shall have knowledge; (d) whether or not, to the best of its knowledge, any event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default and, if so, specifying each such event; and (e) any other matter relating to this lease reasonably requested by that party. Any such statement delivered pursuant to this Article shall be deemed a representation to be relied upon by the requesting party and by others with whom it may be dealing and who are disclosed to the certifying party, regardless of independent

investigation. Notwithstanding the foregoing, Tenant shall not request a statement under this Article more often than once in each calendar year.

60. BROKER. Tenant shall indemnify, defend and hold harmless Owner, Newmark & Company Real Estate, Inc. ("Owner's Broker"), as Owner's broker, George Comfort & Sons, Inc. ("Owner's Managing Agent"), as Owner's Managing Agent, and Judd S. Meltzer Co. Inc. and Landauer Realty Group, Inc. (collectively, "Owner's Consultants"), as Owner's consultants, against and from any claims for any brokerage commissions or other compensation which are made by any broker, consultant or other person (excluding Owner's Broker, Owner's Managing Agent and Owner's Consultants) claiming to have dealt with Tenant (or claiming to have dealt with Tenant, and any or all of Owner, Owner's Broker, Owner's Managing Agent or Owner's Consultants) in connection with this lease, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses. Owner shall indemnify, defend and hold harmless Tenant against and from any claims for any brokerage commissions or other compensation which are made by any broker, consultant or other person (including, without limitation, Owner's Broker, Owner's Managing Agent and Owner's Consultants, but excluding any broker, consultant or other person covered by Tenant's indemnity) claiming to have dealt only with Owner, Owner's Broker, Owner's Managing Agent or Owner's Consultants in connection with this lease, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses.

61. NO OWNER LIABILITY. Owner, its partners, members, officers, directors and principals, disclosed or undisclosed, shall have no personal liability under this lease. Tenant shall look only to Owner's interest in the land and the building for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Owner in the event of any default by Owner under this lease, and no other property or assets of Owner or its partners, members, officers, directors or principals, disclosed or undisclosed, shall be subject to lien, levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this lease, the relationship of Owner and Tenant under this lease or Tenant's use or occupancy of the demised premises. If Tenant shall acquire a lien on such other property or assets by judgment or otherwise, Tenant shall promptly release such lien by executing and delivering to Owner any instrument, prepared by Owner, required for such lien to be released.

62. DEFAULTS.

(a) As used in this lease, the term "default" shall mean a default under this lease following any required notice and the expiration of the applicable grace period.

(b) If Tenant is in arrears in the payment of rent or additional rent, Tenant waives Tenant's right, if any, to designate the items against which any payments made by Tenant are to be credited, and Tenant agrees that Owner may apply any payments made by Tenant to any items Owner sees fit, irrespective of and notwithstanding any designation or request by Tenant as to the items against which any such payments shall be credited.

(c) In addition to any other remedies Owner may have under this lease, Tenant shall pay to Owner interest at the lower of (i) 3% per annum above the Prime Rate published in the Wall Street Journal (or, if no longer published, then Owner shall substitute a similar rate) or (ii) the highest rate permitted by law, on any rent or additional rent paid more than ten days after the same is due, which interest shall be paid for the period commencing on the date such rent or additional rent was first due and ending on the date the same is paid.

(d) If the demised premises are not surrendered and vacated as and at the time required by this lease (time being of the essence), Tenant shall be liable to Owner for (i) all losses, costs, liabilities and damages which Owner may incur by reason thereof, including, without limitation, reasonable attorneys' fees, and Tenant shall indemnify, defend and hold harmless Owner against all claims made by any succeeding tenants against Owner or otherwise arising out of or resulting from the failure of Tenant timely to surrender and vacate the demised premises in accordance with the provisions of this lease, and (ii) per diem use and occupancy in respect of the demised premises equal to two times the fixed rent and additional rent payable under this lease for the last year of the term of this lease (which amount Owner and Tenant presently agree is the minimum to which Owner would be entitled, is presently contemplated by them as being fair and reasonable under such circumstances and is not a penalty). In no event, however, shall this paragraph be construed as permitting Tenant to hold over in possession of the demised premises after the expiration or termination of the term of this lease. Notwithstanding any provision of this paragraph to the contrary, if Owner and Tenant are actively engaged in bona fide negotia tions with regard to an extension of this lease after the date which is 180 days prior to the expiration date of the term of this lease, then the provisions of this paragraph shall not apply for a period of 180 days following the date either

Owner or Tenant gives notice to the other that such negotiations have been terminated. Nothing herein shall obligate Owner or Tenant to negotiate for an extension of this lease.

(e) The losing party shall promptly reimburse the prevailing party for any attorneys' fees and court costs incurred by the prevailing party in connection with any action, proceeding or dispute under this lease between Owner and Tenant.

63. OWNER'S CONSENT. If Tenant shall request Owner's approval or consent and Owner shall fail or refuse to give such consent or approval, Tenant shall not be entitled to any damages for any withholding or delay of such approval or consent by Owner, it being intended that Tenant's sole remedy shall be an action for injunction or specific performance.

(b) If (i) Tenant shall request Owner's consent or approval in connection with any matter under this lease, (ii) Owner denies its consent or approval, and (iii) within 30 days following Owner's denial of consent or approval Tenant shall give notice to Owner that Owner's denial was unreasonable (which notice shall set forth the respects in which such denial was unreasonable), then either party may apply to the New York office of the American Arbitration Association to appoint an individual to determine whether Owner unreasonably withheld Owner's consent or approval. The individual must be a person who has experience in commercial real estate in New York for at least the past 15 years. The application shall request that such decision be made within 30 days. If the American Arbitration Association or the appointed individual fails or refuses to act within the required time period, either party may apply to the President of the Real Estate Board of New York, Inc. for such determination. To the extent the same are relevant to the decision of such individual, the provisions of this lease shall apply. If such individual determines that Owner unreasonably denied its consent or approval, then Owner shall be deemed to have given its consent or approval but Owner shall not be liable or responsible for, and such individual shall not award, any costs, expenses, damages or losses whatsoever in connection with or arising out of Owner's denial of consent or approval. The determination of such individual shall be binding and conclusive on Owner and Tenant. All fees, cost and expenses of the foregoing shall be paid by the parties equally, but each party shall be responsible for its own attorney's and witness fees.

(c) In any instance under this lease when Owner's consent or approval is required, Owner shall (i) not unreasonably withhold, delay or condition Owner's consent or approval, subject, however, to the terms of this lease, and (ii) respond to Tenant within 10 business days (unless a different time period is set forth in this lease) and, if Owner fails to respond within that time period, Owner shall be deemed to have given Owner's consent or approval.

64. CERTAIN RESTRICTIONS. In addition to any other restrictions set forth in this lease, except as otherwise provided in this lease, Tenant shall not (a) use any other area outside the demised premises within or adjacent to the building for the sale or display of any merchandise, for solicitations or demonstrations or for any other business, occupation, undertaking or activity (subject to Tenant's rights with respect to signs and the roof as expressly set forth in this lease), (b) store any trash or garbage in any area other than inside the demised premises (and Tenant shall, at Tenant's sole cost and expense, attend to the daily disposal of trash), (c) suffer, permit or commit any waste or any nuisance or other act or thing in the demised premises which may disturb any other tenant or occupant in the building or permit any activity within or from the demised premises which, in Owner's reasonable judgment, is obscene, pornographic or lewd, (d) permit music or any other sounds in the demised premises to be heard outside of the demised premises, (e) use or permit or suffer the use of any machines or equipment in the demised premises which cause vibration or noise that may be transmitted to or heard outside of the demised premises, (f) permit odors or fumes beyond the demised premises, (g) to the extent possible, permit its customers or delivery men to loiter immediately outside the demised premises or the building, (h) except as specifically set forth in this lease, place or install, or permit or suffer to be placed or installed, on the glass of any window or door of the demised premises, any sign, decoration, lettering, advertising matter, display (which can be seen from outside the demised premises), shade or blind or other thing of any kind, (i) park trucks or other delivery vehicles so as to interfere with the use of any driveways, walks or entrances, (j) place or install, or permit or suffer to be placed, installed or maintained, any awning, canopy, banner, flag, pennant, aerial, or the like upon or outside the demised premises or the building, (k) use any portion of the demised premises for the conduct of any public auction, gathering, meeting or exhibition, the rendering of any health or related services, the conduct of a school, the conduct of any business which results in the presence of the general public in the demised premises, or in any other manner which, in Owner's reasonable opinion, creates excessive traffic or use of the building services, (l) grant or create, or permit to be created, any security interest in or lien upon any fixtures, installed or placed in the demised premises by Tenant or Owner which may remain in the demised premiss upon the expiration of this lease, or (m) cause or permit, as the result of any intentional act or omission on the part of Tenant, its agents, employees, tenants, subtenants or other occupants of the demised premises to release Hazardous Substances (as defined in this Article) in or from any portion of the demised premises in violation of any Environmental Laws. Tenant shall indemnify, defend and hold harmless Owner, and its successors, assigns,

and each of their partners, employees, agents, officers and directors from and against any claims, demands, penalties, fines, liabilities, settlements, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, including, without limitation, reasonable attorneys' and consultants' fees and disbursements and investigation and laboratory fees arising out of: (i) the presence, disposal, release or threat of release of any Hazardous Substance as a result of any act or omission of Tenant, its agents, employees, tenants, subtenants, invitees or other occupants of the demised premises, in or from or affecting the demised premises; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of any such Hazardous Substance; (iii) any lawsuit brought, settlement reached or government order relating to such Hazardous Substance; and (iv) any violations of laws, orders, regulations, requirements or demands or governmental authorities by Tenant. "Hazardous Substance" shall mean "solid waste" or "hazardous waste", "hazardous material", "hazardous substance", and "petroleum product" as defined in the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Hazardous Material Transportation Act, the Federal Water Pollution Control Act and the Superfund Amendments and Reauthorization Act of 1986, any laws relating to underground storage tanks, and any similar or successor federal law, state law or local statutes and ordinances and any rules, regulations and policies promulgated thereunder, as any of such federal, state and local statutes, ordinances and regulations may be amended from time to time (collectively, "Environmental Laws").

65. FIRE OR OTHER CASUALTY. Notwithstanding any provision of Article 9 to the contrary, subject to Owner's right to terminate this lease as provided in Article 9, if more than 50 percent of the demised premises shall be rendered untenantable by fire or other casualty and (a) Tenant is not then in default under this lease following any required notice and the expiration of the applicable cure period and (b) Tenant has not caused the fire or other casualty, Owner shall, within 30 days following the fire or other casualty, obtain and deliver to Tenant an estimate from Owner's architect, engineer or contractor of the time required to substantially complete the restoration of the demised premises. If the estimate shall be 270 days or more following the fire or other casualty, Tenant shall have the right to terminate this lease by notice to Owner within 30 days following Tenant's receipt of the estimate (time being of the essence), in which event this lease shall terminate effective the date which is 60 days following the date of Owner's delivery of such estimate, Tenant shall pay the fixed rent and additional rent to the date of termination (or the date of the fire or other casualty for that portion of the demised premises which is untenantable), and this lease shall expire as if that date were the date set forth in this lease for the expiration of the term. If this lease shall not be terminated as provided in this Article, or if the estimate is less than 270 days, and for any reason the restoration is not substantially completed within 365 days following the fire or other casualty, Tenant shall have the right, by notice to Owner within 10 days following the end of that 365-day period (time being of the essence), to terminate this lease effective the date which is 60 days following the date of Tenant's notice, in which event Tenant shall pay the fixed rent and additional rent to the date of termination (or the date of the fire or other casualty for that part of the demised premises which is untenantable), and this lease shall expire as if that date were the date set forth in this lease for the expiration of the term.

66. RENT CONTROL. If the fixed rent or any additional rent shall be or become uncollectible by virtue of any law, governmental order or regulation, or direction of any public officer or body pursuant to law, Tenant shall enter into such agreement or agreements and take such other action as Owner may reasonably request, as may be legally permissible, to permit Owner to collect the maximum fixed rent and additional rent which may from time to time during the continuance of such rent restriction be legally permissible, but not in excess of the amounts of fixed rent and additional rent payable under this lease. Upon the termination of such rent restriction prior to the expiration of the term of this lease (a) the fixed rent and additional rent, after such termination, shall become payable under this lease in the amount of the fixed rent and additional rent set forth and (b) Tenant shall pay to Owner, if legally permissible, an amount equal to (i) the fixed rent and additional rent which would have been paid pursuant to this lease, but for such rent restriction, less (ii) the fixed rent and additional rent paid by Tenant to Owner during the period that such rent restriction was in effect.

67. AIR CONDITIONING. Notwithstanding any provision of this lease to the contrary, Owner shall have no obligation to furnish to Tenant or the demised premises any air conditioning. Any air-conditioning unit and equipment located in the demised premises on the date the term of this lease shall commence may be utilized by Tenant; provided that Owner shall have no obligation with respect thereto and that Tenant shall accept the same in its "AS IS" condition. Tenant shall, at its sole cost and expense (a) maintain and promptly make all repairs, structural or otherwise, ordinary and extraordinary, to all components of the air-conditioning system within the demised premises, (b) maintain, and prior to the commencement of the term of the lease deliver to Owner, a full service contract covering the air conditioning system with a company reasonably acceptable to Owner and (c) pay all permit fees and other costs associated with any air-conditioning units in the demised premises. Tenant shall not be released or excused from the performance of any of its obligations under this lease for any failure or for interruption or curtailment of any air conditioning, for any reason whatsoever, and no such failure, interruption or curtailment shall constitute a constructive or partial eviction.

68. MANAGING AGENT. Any bill, statement, notice or communication given by Owner to Tenant in accordance with this lease may be signed and delivered by the managing agent of the building with the same force and effect as if signed and delivered by Owner. Until Owner shall give notice to Tenant of a change, the managing agent of the building shall be George Comfort & Sons, Inc..

69. SURVIVAL. Any obligation of Owner or Tenant which by its nature or under the circumstances can only be, or by the provisions of this lease may be, performed after the expiration or earlier termination of this lease, and any liability for a payment which shall have accrued to or with respect to any period ending at the time of such expiration or termination, unless expressly otherwise provided in this lease, shall survive the expiration or earlier termination of this lease. No delay by Owner in rendering any bill or statement shall be deemed a waiver or release of Tenant's obligation to make the payment reflected on that bill or statement.

70. INTERPRETATION. Irrespective of the place of execution or performance, this lease shall be governed by and construed in accordance with the law of the State of New York. If any provision of this lease or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this lease and the application of that provision to other persons or circumstances shall not be affected but rather shall be enforced to the extent permitted by law. This lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this lease to be drafted. Each covenant, agreement, obligation or other provision of this lease on Tenant's part to be performed, shall be deemed and construed as a separate and independent covenant of Tenant, not dependent on any other provision of this lease. All terms and words used in this lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. If Tenant consists of two or more persons or entities, the obligations and liabilities of Tenant shall be joint and several.

71. EXECUTION OF LEASE. Notwithstanding any provision of this lease, or any law or rule, to the contrary, or the execution of this lease by Tenant, this lease shall not bind Owner, nor shall Tenant be permitted the benefits of this lease, unless and until one or more counterparts of this lease are executed by Owner and delivered to Tenant.

72. AMERICANS WITH DISABILITIES ACT. Notwithstanding any provision of this lease to the contrary, Tenant shall, at its expense, subject to all of the provisions of this lease, comply with all aspects of the Americans with Disabilities Act, as now or hereafter constituted (the "ADA"), with respect to the demised premises, whether or not such compliance is required as the result of Tenant's business, Tenant's Work, Tenant's use or manner of use of the demised premises or the building (including the use permitted under this lease), or Tenant's method of operation or whether or not such compliance requires structural changes to the demised premises. If Tenant's business, Tenant's Work, Tenant's use or manner of use or Tenant's method of operation requires changes to any portion of the building or areas adjacent to the building in order to comply with the ADA, Tenant shall either (i) discontinue such business, Tenant's Work, use or method of operation or (ii) authorize Owner to perform same, at Tenant's expense. Except as set forth in the prior sentence, if any area of the building outside the demised premises must comply with the ADA, Owner shall comply with same at Owner's expense (subject to Owner's right to contest the need for such compliance). Owner shall comply with the ADA in connection with Owner's Work (but not to the extent compliance is required in connection with the demised premises, which compliance shall be performed by Tenant, at Tenant's expense, in accordance with this lease).

73. CONFIDENTIALITY. Tenant shall hold in confidence and shall not disclose to third parties, and shall cause its officers, directors, employees, representatives, brokers, attorneys and advisers to hold in confidence and not disclose to third parties, the terms of this lease, except to the extent same (a) must be disclosed by order of any court or regulatory agency, or by law, including, without limitation, in connection with a public offering of securities, (b) is publicly known or becomes publicly known other than through the acts of Tenant, or any of its officers, directors, employees, representatives, brokers, attorneys or advisers, or (c) must be disclosed by Tenant in connection with any financing or sale, any subletting of the demised premises, or any assignment of this lease.

74. MINIMIZE INTERFERENCE. Owner shall exercise Owner's rights under Articles 13 and 20 in a manner which shall minimize interference with the conduct of Tenant's business in the demised premises, but Owner shall not be required to incur overtime labor charges or any other substantial changes. Upon the completion of any work by Owner pursuant to said Articles, the usable area of any floor of the demised premises shall not have been reduced as a result of that work (other than by a diminimis amount) and Owner shall restore the portions of the demised premises affected by the work to their condition immediately prior to the performance of the work.

75. JURISDICTION. All suits, actions or proceedings arising out of or relating to this lease shall be adjudicated in the state courts of the State of New York, or the federal courts, sitting in New York County (collectively, "New York Courts"). Owner and Tenant irrevocably consent to the personal and subject matter jurisdiction of the New York Courts in any suit, action or proceeding arising out of or relating to this lease. This consent to jurisdiction shall be self-operative and no further instrument or action, other than service of process in any manner permitted by law or this Article, shall be necessary in order to confer jurisdiction upon the person of Owner and Tenant and the subject matter in question in any New York Court. Tenant hereby appoints and authorizes its council, Phillips, Lytle, Hitchcock, Blaine & Huber LLP, at its office in the City of New York, or its then counsel, to accept service of process on its behalf, under this lease. Owner hereby appoints and authorizes either of its counsel, Morgan, Lewis & Bockius LLP, at its office in the City of New York or Graubard Mollen & Miller, at its office in the City of New York, or any of their then counsel, to accept service of process on their behalf, under this lease.

(a) Owner and Tenant irrevocably waive and agree not to assert, by way of motion, as a defense or otherwise, any objection which it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this lease brought in any New York Court, any claim that any suit, action or proceeding arising out of or relating to this lease brought in any New York Court has been brought in an inconvenient forum, or any claim that Owner or Tenant is not personally subject to the jurisdiction of that court. The judgment of any New York Court in any suit, action or proceeding arising out of or relating to this lease may be enforced, and execution on any such judgment may be had, in any New York Court.

(b) Service in any suit, action or proceeding arising out of or relating to this lease may be made by delivery of the summons and complaint, or the petition and notice of petition by certified or registered mail, return receipt requested, sent to Tenant at the demised premises in compliance with Article 58.

76. DUE AUTHORIZATION. (a) If Tenant is a corporation, the person executing this lease on behalf of Tenant hereby represents and warrants that Tenant is a duly incorporated or duly qualified (if foreign) corporation and is authorized to do business in the State of New York (a copy of evidence thereof to be supplied to Owner upon request); and that the person executing this lease on behalf of Tenant is an officer of Tenant and that he or she is duly authorized to execute and deliver this lease to Owner (a copy of a resolution to that effect to be supplied to Owner upon request).

(b) Owner hereby represents and warrants to Tenant that the party executing this lease on behalf of Owner is duly authorized to execute and deliver this lease to Tenant.

77. REPAIRS AND MAINTENANCE BY OWNER. Owner shall perform all maintenance and repair work required to be performed by Owner pursuant to this lease with due diligence and in a workmanlike manner. Notwithstanding Tenant's obligations to give Owner prompt notice of any defective condition in the demised premises for which Owner may be responsible, Tenant's failure to do so shall not relieve Owner of its obligations to remedy the defect. Tenant shall not be required to make any repairs (whether structural or non-structural) to the extent the same are necessitated by the act, omission or negligence of Owner, or its agents or employees.

78. ESSENTIAL SERVICES. (a) Notwithstanding any provision of this lease to the contrary, if Owner shall fail to provide any Essential Service (as defined in this Article) for a period of 10 consecutive business days and, as a result thereof, Tenant is unable to use all or substantially all of the demised premises for the conduct of business, then the fixed rent shall abate as of the commencement of such 10-day period through the day preceding the day on which the service is substantially restored. If such failure and inability shall continue for 90 consecutive days, Tenant shall have the right, until the service is substantially restored, to terminate this lease by notice to Owner (in which event this lease shall terminate without obligation or liability of Owner to Tenant as a result thereof). Notwithstanding the foregoing, if the failure to provide an Essential Service is not the result of the willful misconduct or negligence of Owner and such Essential Service cannot reasonably be restored within 10 business days or 90 days, as the case may be, then such periods shall be extended for so long as it shall require Owner in the exercise of reasonable diligence to restore the service provided that Owner commences to restore the interrupted Essential Service within such 10 business day period. Tenant shall be deemed unable to use all or substantially all of the demised premises for the conduct of its business on any business day when, as the result of Owner's failure to provide an Essential Service, more than 50 percent of Tenant's employees who are regularly employed at the demised premises, are not there for all or most of Tenant's ordinary working hours on that day.

(b) "Essential Service" shall be deemed to mean and be limited to reasonable toilet facilities, reasonable access to the demised premises through the main lobby of the building (but not if such access is disrupted by the performance of Owner's Work), heating (as the season may then require), electric power for light and the operation of Tenant's equipment (if the interruption is caused by Owner) and the service of

at least one passenger elevator, to the extent such services are required to be furnished by Owner under this lease.

(c) To the extent reasonably practicable, Owner shall give Tenant 14 days notice prior to performing any work which shall adversely affect any Essential Service.

79. RULES AND REGULATIONS. Any rules or regulations promulgated by Owner shall be consistent with the provisions of this lease, and shall be enforced in a nondiscriminatory manner.

EXHIBIT A

OWNER'S WORK DESCRIPTION

WINDOWS

- - New double hung windows model TR-9000 aluminum manufactured by TRACO or equivalent. Window features to include:

Tilt-in sash for cleaning.
Preventive stops for limiting opening of sashes.
Choice of color of frames from Manufacturer's standard color chart to be mutually acceptable to Owner and Tenant.

Duel sealed insulated glass and thermally broken frame and sash members.

ELEVATORS

Based upon the recommendations of an independent elevator consultant, work to include:

- - A new microprocessor passenger elevator will be installed in place of the existing manual freight elevator.

- - Group controls to permit a 3 car operation, as well as to allow independent operation of converted freight elevator.

- - New ADA compliant panels and indicators on all floors.

- Upgrade existing passenger elevators to include:

- Disassembly of machinery
- Removal and disassembly of spider
- Replacement of main shaft bearings (gear side and traction sheave side)
- Replacement of thrust bearings
- Removal and tuning of armature
- Reassemble, seal and test machinery
- Exhaust Fans

and such other mechanical repairs and replacements as shall be reasonably recommended by the Owner's elevator consultant. Owner shall furnish the elevator consultant's report to Tenant.

Upgrade of existing interior cabs to match the converted freight elevator with new finishes to include carpeting, decorative metal, and decorative stone, as well as new ventilation. Finishes are to be mutually acceptable to Owner and Tenant.

LOBBY AND ENTRANCE

Based upon architectural plans and specifications, work to include:

- - Extend lobby to the south approximately 20' - 0" to incorporate a former freight elevator that is being converted for passenger use.
- - New concierge desk built of materials which are complimentary to the overall lobby design and materials (but Owner is not responsible for staffing the desk).
- - Radiator covers in the vestibule.
- - New air conditioning unit to provide cooling for existing and extended lobby.
- - Card Key Access System which will be ADT compatible.
- - Replacement of interior vestibule and exterior entry doors and store fronts with a more complementing design for both the facade and lobby.
- - Renovations to lobby to include new wall treatments, new ceiling, new lighting, and new floor in expanded lobby which will compliment existing floor. Finishes to consist of decorative stone, wood and wall coverings appropriate to the building and which are mutually acceptable to Owner and Tenant.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
September 15, 2000