

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 20, 2000

REGISTRATION NO. 333-39502

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COACH, INC.

(Exact Name of Registrant as Specified in Its Charter)

MARYLAND
(State or Other Jurisdiction
of Incorporation or Organization)

3171
(Primary Standard
Industrial
Classification Code Number)

52-2242751
(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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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.

SUBJECT TO COMPLETION. DATED SEPTEMBER 20, 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. The common stock has been approved for listing, subject to official notice of issuance, 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

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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.

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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-subsubsidiary 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.

COACH, COACH AND LOZENGE design, COACH AND TAG design, "C" SIGNATURE FABRIC design and other trademarks of Coach appearing in this prospectus are the property of 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)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (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

(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 Medley, 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.

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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.

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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

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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

	PRO FORMA (UNAUDITED)	PRO FORMA AS ADJUSTED (UNAUDITED)
ACTUAL		

	-----	(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
	=====	=====	=====

(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.

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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) 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. 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 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.

The unaudited pro forma consolidated and combined statement of income for the year ended July 1, 2000, set forth below, illustrates 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,

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2000 plus 30 basis points, 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 expense 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 42,406,333. 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 42,583,004. 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 176,671 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 their 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 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.

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 on July 2, 2000.

(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 and pay 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, representing 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

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conversion. The assumed initial public offering price of \$15.00 and the Sara Lee stock price on September 13,

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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.

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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

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	FISCAL YEAR ENDED					PRO FORMA
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JULY 1, 2000 (3)
	(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 Medley, 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.

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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
	=====	=====	=====	=====

- (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%

 (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.

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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.

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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%

(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 74% 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 \$3.3 million in fiscal 2000 primarily because of \$2.5 million in operating costs associated with eight new retail stores and two new factory stores and six store expansions.

Advertising, marketing and design costs increase by \$6.5 million in fiscal 2000 primarily as a result of increased advertising expenses of \$3.2 million and increased staffing expenses of \$2.2 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 our 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 \$2.0 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.

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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. We improved our product assortment, production planning and mix of inventory at our wholesale customers. As a result of these actions, provisions for product returns were reduced by \$18.7 million in fiscal 1999 as compared to 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 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 to a licensing arrangement.

Administrative and information services costs decreased by \$8.6 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 Medley, 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.

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.

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.

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. The provision for product returns increased by \$11.1 million over fiscal year 1997 due to higher returns from both international and U.S. wholesale customers as a result of changing product styles and fashion trends. 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, including the disposition of Mark Cross close-out products, 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 discontinuation of 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 costs	
Store operating expenses.....	\$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 fiscal 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 Mark Cross product line operated on a break-even gross profit basis. The \$2.6 million of store operating expenses represent the costs incurred to operate the Mark Cross stores in fiscal 1998

during the Mark Cross shut-down period. These costs were recognized in results of operations as they were incurred.

Advertising, marketing and design costs increased \$4.7 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 \$5.9 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

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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 estimate that our borrowings under the revolving credit facility will be between \$10 million and \$20 million at the time of this offering. We expect to repay the 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.

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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 is 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.

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BUSINESS

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.

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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

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- 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 stores 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;

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- 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.

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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

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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

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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.

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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

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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 unenforceability 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

* 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.

MANAGEMENT

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.....	54	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

(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.

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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

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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.

NAME OF BENEFICIAL OWNER -----	SHARES OF SARA LEE BENEFICIALLY OWNED	
	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

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

(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

* 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

(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.

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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 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 our Chief Executive Officer. 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

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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

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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.

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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

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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 exercise restrictions intended to preserve Sara Lee's ownership of at least 80% of our outstanding capital stock. 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

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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 reissues 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;

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- 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;

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- 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

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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

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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 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.

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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;

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- 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

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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

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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.

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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.

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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.

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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.

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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

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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.

The common stock has been approved for listing, subject to official notice of issuance, 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 additional 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 position 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

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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.

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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.

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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.

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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.

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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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 1, 2000	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	
				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
	=====			===	

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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
	=====	=====	=====

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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
	=====	=====	=====

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

(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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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 its own plans. This

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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

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COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 27, 1998, JULY 3, 1999 AND JULY 1, 2000

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

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.

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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.

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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

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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*
27.1	Financial Data Schedule*

* Previously filed.

(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
	=====	=====	=====	=====

(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.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 3 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 20, 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. 3 to Registration Statement has been signed by the following persons in the capacities indicated below on September 20, 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
* ----- Joseph Ellis	Director
* ----- Paul Fulton	Director
* ----- Michael Murphy	Director

* By Keith Monda as attorney-in-fact.

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EXHIBIT INDEX

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27.1	Financial Data Schedule*

* Previously filed.

EXHIBIT 4.1

TEMPORARY CERTIFICATE - EXCHANGEABLE FOR DEFINITIVE ENGRAVED CERTIFICATE WHEN READY FOR DELIVERY

NUMBER

SHARES

COMMON STOCK

COMMON STOCK

COACH

CUSIP 189754 10 4

THIS CERTIFICATE IS
TRANSFERABLE IN
NEW YORK, NEW YORK AND
RIDGEFIELD PARK, NEW JERSEY

EST. NEW YORK CITY

SEE REVERSE FOR
CERTAIN DEFINITIONS

1941

PAR VALUE \$.01

INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

===== COACH, INC. =====

Transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon
surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall
be held subject to all the provisions of the Certificate of Incorporation of the Corporation and amendments thereto, to
all of which provisions the holder, by acceptance thereof assents. This Certificate is not valid unless countersigned by
the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized Officers.

CERTIFICATE OF STOCK

Dated:

/s/ Carole P. Sadler

[SEAL]

/s/ Lew Frankfort

SR. VICE PRESIDENT, GENERAL COUNSEL

CHAIRMAN OF THE BOARD

COUNTERSIGNED AND REGISTERED:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

BY TRANSFER AGENT AND REGISTRAR

AUTHORIZED SIGNATURE

COACH, INC.

Coach, Inc. (the "Corporation") will furnish to any stockholder, upon
request and without charge, a full statement of the information required by

Section 2-211(b) of the Corporations and Associations Article of the Annotated Code of Maryland with respect to the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption of the stock of each class of stock which the Corporation is authorized to issue and (i) the differences in the relative rights and preferences between the shares of each series of preferred or special class of stock which the Corporation is authorized to issue in series to the extent that the same have been set and (ii) the authority of the Board of Directors of the Corporation to set the relative rights and preferences of subsequent series. Such request must be made to the Secretary of the Corporation at its principal office or to any of its transfer agents.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT-	Custodian
TEN ENT - as tenants by the entireties		-----
JT TEN - as joint tenants with right of survivorship and not as tenants in common		(Cust) (Minor)
		under Uniform Gifts to Minors Act

		(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

SHARES

OF THE COMMON STOCK REPRESENTED BY THE WITHIN CERTIFICATE, AND DOES HEREBY IRREVOCABLY CONSTITUTE AND APPOINT

ATTORNEY

TO TRANSFER THE SAID STOCK ON THE BOOKS OF THE WITHIN NAMED CORPORATION WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature (s) Guaranteed:

 THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

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 20, 2000