AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 2001

REGISTRATION NO. 333-54402

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COACH, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

---

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)

RODERICK A. PALMORE	CAROLE P. SADLER
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY	SENIOR VICE PRESIDENT, SECRETARY AND GENERAL COUNSEL
SARA LEE CORPORATION	COACH, INC.
THREE FIRST NATIONAL PLAZA, 70 WEST MADISON STREET	516 WEST 34TH STREET
CHICAGO, IL 60602	NEW YORK, NY 10001
(312) 726-2600	(212) 594-1850

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

COPIES TO:

CHARLES W. MULANEY, JR., ESQ.	RAYMOND YUNG LIN, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS)	LATHAM & WATKINS
333 WEST WACKER DRIVE	885 THIRD AVENUE, SUITE 1000
CHICAGO, IL 60606	NEW YORK, NY 10022
(312) 407-0700	(212) 906-1200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the filing of this Registration Statement and other conditions to the commencement of the exchange offer described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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 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. / /

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.

- ----------
- ----------

THIS PRELIMINARY OFFERING CIRCULAR-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 OFFERING CIRCULAR-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.

SARA LEE CORPORATION
OFFER TO EXCHANGE
0.846 SHARES OF COMMON STOCK OF
COACH, INC.
FOR EACH SHARE OF
COMMON STOCK OF
SARA LEE CORPORATION

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON APRIL 4, 2001, UNLESS WE EXTEND THE OFFER.

Sara Lee Corporation will exchange 0.846 shares of Coach common stock for each share of Sara Lee common stock that is validly tendered and accepted by Sara Lee in the exchange offer. Sara Lee will accept up to 41,402,285 shares of Sara Lee common stock in the aggregate and will distribute up to a total of 35,026,333 shares of Coach common stock in the exchange offer. If more than 41,402,285 shares of Sara Lee common stock are validly tendered, Sara Lee will accept shares for exchange on a pro rata basis as described in this offering circular-prospectus.

The terms and conditions of the exchange offer are described in this offering circular-prospectus, which you should read carefully. None of Sara Lee, Coach or any of their respective officers or directors makes any recommendation as to whether or not you should tender your shares of Sara Lee common stock. You must make your own decision after reading this document, including the discussion entitled "Risk Factors" beginning on page 20, and consulting with your advisors based on your own financial position and requirements. All persons holding shares of Sara Lee common stock are eligible to participate in the exchange offer if they tender their shares in a jurisdiction where the exchange offer is permitted under local law.

This is an offering of Coach common stock in exchange for Sara Lee common stock. Coach's common stock is currently listed on the New York Stock Exchange under the symbol "COH."

INVESTING IN THE COACH SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 20.

We have retained the services of Mellon Investor Services LLC, as our exchange agent. You may call the exchange agent at (866) 825-8873 (toll-free) in the United States or (201) 373-5549 from elsewhere to request additional documents or to ask questions about the exchange offer materials. We have retained the services of Morrow & Co., Inc., as our information agent, to assist you with any questions you may have about the exchange offer. You may call the information agent at (800) 607-0088 (toll-free) in the United States or (212) 754-8000 from elsewhere. Banks and brokerage firms should call the information agent at (800) 654-2468.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED OF THESE SECURITIES OR DETERMINED IF THIS OFFERING CIRCULAR-PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Dealer Manager for the exchange offer is:
GOLDMAN, SACHS & CO.
Offering Circular-Prospectus dated March 8, 2001.

TABLE OF CONTENTS

In this offering circular-prospectus, "Sara Lee," "we," "us," and "our" each refers to Sara Lee Corporation and its subsidiaries and not to Coach. "Coach" refers to Coach, Inc. and its subsidiaries.

This document incorporates by reference important business, financial and other information about us that is not included in or delivered with this document. Documents incorporated by reference are available for Sara Lee stockholders without charge, excluding all exhibits, unless specifically incorporated by reference as exhibits in this document. See "Where You Can Find More Information" on page 132 for a list of the documents that have been incorporated by reference into

this document. Requests for these documents should be directed to us or Coach, as the case may be, at the following addresses and telephone numbers:

Sara Lee Corporation	Coach, Inc.
Three First National Plaza	516 West 34th Street
70 West Madison Street	New York, New York 10001
Chicago, Illinois 60602	Attn: Investor Relations Department
Attn: Shareholder Services	Telephone: (212) 594-1850
Telephone: (312) 726-2600	

IF YOU WOULD LIKE TO REQUEST COPIES OF THESE DOCUMENTS, PLEASE DO SO BY MARCH 28, 2001 IN ORDER TO RECEIVE THEM BEFORE THE EXPIRATION OF THE EXCHANGE OFFER. In the event that we extend the exchange offer, you must submit your request at least five business days before the expiration date, as extended.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Q1: WHY HAS SARA LEE DECIDED TO SEPARATE COACH FROM THE REST OF SARA LEE?

A1: We decided to separate our Coach business from our other businesses as part of our increased focus on a smaller number of global branded consumer packaged goods businesses. As the first step of the separation, Coach completed an initial public offering of its common stock in October 2000.

We believe that separating Coach from Sara Lee will:

- allow each company to offer incentives to its employees that are more closely linked to its own performance, thereby enhancing its ability to attract, retain and motivate employees;

- permit each company to focus its managerial and financial resources on the growth of its specific lines of business;

- allow each company to have a sharper focus on strategic opportunities for growth; and

- allow each company to independently access the capital markets.

Q2: WHY DID SARA LEE CHOOSE THE EXCHANGE OFFER AS THE WAY TO SEPARATE COACH?

A2: We believe that the exchange offer is a tax efficient way to achieve the goals outlined above. The exchange offer also allows you to adjust your investment between Sara Lee and Coach on a tax-free basis for United States federal income tax purposes (except with respect to cash received in lieu of fractional shares, if any) and provides you with the opportunity to receive the anticipated premium, if any, referred to in Answer 11.

Q3: WHAT OTHER ALTERNATIVES DID SARA LEE CONSIDER BEFORE CHOOSING THE EXCHANGE OFFER?

A3: We considered three principal alternatives for the separation of Coach from Sara Lee: the exchange offer, a pro rata spin-off of the shares of Coach common stock to our stockholders and the sale of Coach to a third party. We decided, however, that the spin-off and the sale were not preferred alternatives because neither would achieve the objectives described in Answers 1 and 2 above, other than, in the case of a spin-off, permitting you to receive shares of Coach common stock on a tax-free basis.

Q4: HOW MANY SHARES OF COACH COMMON STOCK WILL I RECEIVE FOR EACH SHARE OF SARA LEE COMMON STOCK THAT I TENDER?

A4: You will receive 0.846 shares of Coach common stock for each share of Sara Lee common stock that you validly tender in the exchange offer. We sometimes refer to this number in this document as the "exchange ratio." You may receive fewer shares of Coach common stock if our stockholders validly tender more than 41,402,285 shares of Sara Lee common stock. If that happens, your shares will be subject to proration as described in Answer 12.

Q5: WHEN DOES THE EXCHANGE OFFER EXPIRE?

A5: The exchange offer and withdrawal rights will expire at 12:00 midnight, New York City time, on April 4, 2001, unless we extend the exchange offer.

Q6: HOW DO I DECIDE WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER?

A6: Whether you should participate in the exchange offer depends on many factors. You should examine carefully your specific financial position, plans and needs before you decide whether to participate. We encourage you to consider, among other things:

- your view of the relative values of a single share of Sara Lee and a single share of Coach common stock;

- your individual investment strategy with regard to the two stocks; and

- your opportunity to receive the anticipated premium, if any.

In addition, you should consider all of the factors described in the section of this document entitled "Risk Factors" starting on page 20. None of Sara Lee, Coach, or any of their respective directors or officers makes any recommendation as to whether you should tender your shares of Sara Lee common stock. You must make your own decision after carefully reading this document and consulting with your advisors based on your own financial position and requirements. We urge you to read this document very carefully.

Q7: HOW DO I PARTICIPATE IN THE EXCHANGE OFFER?

A7: You may participate in the exchange offer if you hold shares of Sara Lee common stock and you validly tender your shares during the exchange offer period in a jurisdiction where this exchange offer is permitted under the laws of that jurisdiction. The procedures you must follow to participate in the exchange offer will depend on whether you hold your shares of Sara Lee common stock in certificated form, through a bank or broker or through an employee benefit plan. For specific instructions about how to participate, see the section of this document entitled "The Exchange Offer--Procedures for Tendering Shares of Sara Lee Common Stock" beginning on page 32.

Q8: CAN I PARTICIPATE IN THE EXCHANGE OFFER WITH ONLY A PORTION OF MY SHARES OF SARA LEE COMMON STOCK?

A8: Yes. This is a voluntary exchange offer. You may tender all, some or none of your shares of Sara Lee common stock.

Q9: WHAT DO I DO IF I WANT TO RETAIN MY SHARES OF SARA LEE COMMON STOCK?

A9: Nothing. If you want to retain your shares of Sara Lee common stock, you do not need to take any action.

Q10: CAN I CHANGE MY MIND AFTER I TENDER MY SHARES OF SARA LEE COMMON STOCK?

A10: Yes. You may withdraw tenders of your shares of Sara Lee common stock any time before the exchange offer expires by following the withdrawal procedures described in the section of this document entitled "The Exchange Offer--Withdrawal Rights" beginning on page 36.

Q11: WHAT IS THE ANTICIPATED PREMIUM?

A11: Based on the closing trading prices for shares of Sara Lee common stock (NYSE: SLE) and shares of Coach common stock (NYSE: COH) on March 5, 2001, the exchange ratio would result in a Sara Lee stockholder receiving shares of Coach common stock with a market value greater than the market value of the shares of Sara Lee common stock tendered for exchange. We refer to this greater value as the "anticipated premium."

You can calculate the anticipated premium, if any, using the following formula:

$$\left(\frac{\text{(Exchange ratio) X (Price of one share of Coach common stock)}}{\text{Price of one share of Sara Lee common stock}} - 1 \right) \text{ X } 100$$

For example, assume a price of $21.00 for a share of Sara Lee and a price of $28.03 for a share of Coach common stock -- the closing trading prices on the NYSE for shares of Sara Lee common stock and Coach common stock on March 5, 2001. At the exchange ratio of 0.846 shares of Coach common stock for each share of Sara Lee common stock, the anticipated premium would be approximately 12.9%.

Because market prices for shares of Sara Lee common stock and shares of Coach common stock may fluctuate over the course of the exchange offer, we cannot predict what the amount of the premium, if any, will be at the closing of the exchange offer or the prices at which shares of Coach or Sara Lee common stock will trade over time.

Q12: WHAT HAPPENS IF MORE THAN 41,402,285 SHARES OF SARA LEE COMMON STOCK ARE TENDERED, I.E., THE EXCHANGE OFFER IS OVERSUBSCRIBED?

A12: If the exchange offer is oversubscribed, the number of shares of Sara Lee common stock to be accepted from each Sara Lee stockholder who validly tendered and did not properly withdraw shares of Sara Lee common stock will be reduced on a pro rata basis. We refer to this pro rata reduction as "proration." Stockholders who own an aggregate of less than 100 shares of Sara Lee common stock and who tender all of their shares will not be subject to proration.

Q13: ARE THERE ANY CONDITIONS TO SARA LEE'S OBLIGATION TO COMPLETE THE EXCHANGE OFFER?

A13: Yes. We are not required to complete the exchange offer unless the conditions beginning on page 39 are satisfied prior to the expiration date. In particular, we may not complete the exchange offer unless at least 37,262,057 shares of Sara Lee common stock are tendered so that at least 90% of our shares of Coach common stock can be exchanged. We refer to this minimum number of shares of Sara Lee common stock that must be tendered as the "minimum amount." We may waive any or all of the conditions to the exchange offer, including the requirement that the minimum amount of shares of Sara Lee common stock be tendered.

Q14: WHAT HAPPENS IF LESS THAN THE MINIMUM AMOUNT OF SHARES OF SARA LEE COMMON STOCK ARE TENDERED?

A14: If less than the minimum amount of shares of Sara Lee common stock are tendered in the exchange offer, we may choose not to complete the exchange offer. If we choose not to complete the exchange offer, we will promptly return any shares of Sara Lee common stock that have been tendered.

Q15: CAN THE EXCHANGE OFFER BE EXTENDED, AND UNDER WHAT CIRCUMSTANCES?

A15: Yes. We can extend the exchange offer at any time, in our sole discretion, and regardless of whether any condition to the exchange offer has been satisfied or waived. If we extend the exchange offer, we will publicly announce by press release the extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

Q16: WILL I BE TAXED ON THE SHARES OF COACH COMMON STOCK THAT I RECEIVE IN THE EXCHANGE OFFER?

A16: We have received a ruling from the IRS and a tax opinion from Skadden, Arps, Slate, Meagher & Flom (Illinois) to the effect that the exchange offer and any subsequent spin-off will be tax-free to Sara Lee stockholders for U.S. federal income tax purposes, except with respect to any cash received in lieu of fractional shares of Coach common stock. The ruling and the tax opinion do not address any state, local or foreign tax consequences of the exchange offer and any spin-off. You should consult your tax advisor as to the particular tax consequences to you of the exchange offer and any spin-off.

Q17: WHEN WILL TENDERING STOCKHOLDERS KNOW THE OUTCOME OF THE EXCHANGE OFFER?

A17: On the first business day after the expiration date, we will announce by press release preliminary results of the exchange offer, including any preliminary proration factor.

Q18: WHO SHOULD I CALL IF I HAVE QUESTIONS OR WANT COPIES OF ADDITIONAL DOCUMENTS?

A18: You may call the information agent, Morrow & Co., at (800) 607-0088 (toll-free) in the United States or (212) 754-8000 from elsewhere to ask questions about the exchange offer. If you have questions about the exchange offer materials, contact the exchange agent, Mellon Investor Services at (866) 825-8873 (toll-free) in the United States or (201) 373-5549 from elsewhere.

Q19: WILL I RECEIVE DIVIDENDS FROM SARA LEE AFTER THE EXCHANGE OFFER?

A19: If Sara Lee declares a dividend payable to stockholders of record as of a date after the exchange offer is completed, you will not receive a Sara Lee dividend for any shares of Sara Lee common stock that you tender and that are accepted in the exchange offer because you will no longer own these shares of Sara Lee common stock. On January 25, 2001, Sara Lee declared a quarterly dividend of $0.145 per share of common stock payable on April 3, 2001 to holders of record on March 1, 2001. If you owned Sara Lee common stock at the close of business on March 1, 2001 you will be entitled to receive the dividend for each share you owned on that date, even if you tender all or some of those shares in the exchange offer. You will continue to receive any dividends, when, as and if declared by us, on any shares of Sara Lee common stock that you do not exchange. Coach does not currently pay a dividend on its shares.

SUMMARY

THIS SUMMARY HIGHLIGHTS ONLY SOME OF THE INFORMATION IN THIS OFFERING CIRCULAR-PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. TO UNDERSTAND THE EXCHANGE OFFER FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THE EXCHANGE OFFER, YOU SHOULD READ THIS ENTIRE DOCUMENT AND THE DOCUMENTS TO WHICH WE HAVE REFERRED YOU IN THE SECTION ENTITLED "WHERE YOU CAN FIND MORE INFORMATION" ON PAGE 132. WE HAVE INCLUDED PAGE REFERENCES TO DIRECT YOU TO A MORE COMPLETE DESCRIPTION OF THE TOPICS DISCUSSED IN THIS SUMMARY.

THE COMPANIES

SARA LEE CORPORATION

We are a global manufacturer and marketer of brand-name products for consumers throughout the world. We have operations in more than 40 countries and market branded consumer products in over 170 countries. Our primary purpose is to create long-term stockholder value. To further this purpose, in May 2000, we announced our plan to reshape our business by focusing on a smaller number of global branded consumer packaged goods businesses. This reshaping also narrows our focus to three major global businesses--food and beverage, intimates and underwear and household products. To implement our reshaping plans, we have begun and intend to continue to divest businesses that do not fit within our narrowed business focus or that may be more valuable apart from us. We currently own 35,026,333 shares of Coach common stock, representing approximately 80.5% of Coach's outstanding common stock. In the exchange offer, we are offering all of our shares of Coach common stock in exchange for shares of Sara Lee common stock. Following the completion of the exchange offer and any subsequent spin-off, we will cease to own any shares of Coach common stock.

For more details about Sara Lee's business, see page 81.

We were organized in Maryland in 1939 as the C.D. Kenny Company and adopted our current name in 1985. Our principal executive office is located at Three First National Plaza, 70 West Madison Street, Chicago, Illinois 60602, and our telephone number is (312) 726-2600.

COACH, INC.

Coach, Inc. is a designer, producer and marketer of high-quality modern American classic accessories that complement the diverse lifestyles of discerning women and men. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves. Together with its licensing partners, Coach also offers watches, footwear and furniture with the Coach brand name. Coach's products are sold through a number of direct to consumer channels, including its U.S. retail stores, direct mail catalogs, e-commerce website and U.S. factory stores. Coach's direct to consumer business represented approximately 64% of its total sales in fiscal year 2000 and approximately 65% of its total sales in the first six months of fiscal year 2001. Its remaining sales were generated through a number of indirect channels, including department store and specialty retailer locations in the U.S., international department store, retail store and duty free shop locations in 18 countries and its corporate sales program.

Coach's net sales grew at a compound annual growth rate of approximately 32%, from $19.0 million in 1985, when it was acquired by us, to $540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, Coach experienced sales declines of 3.4% and 2.8%, respectively, its first year-to-year sales declines since becoming a part of us. These declines were primarily the result of changes in consumer preferences from leather to mixed material and non-leather products, which some of Coach's competitors offered, and diminished demand for its products due to the economic

downturn in Asia. During fiscal years 1997 through 1999, Coach also experienced reduced profitability.

During this period, Coach embarked on a fundamental transformation of the Coach brand. It built upon its popular core categories by introducing new products in a broader array of materials and styles and it introduced new product categories. In 1999, Coach began renovating its retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase its new product assortments and reinforce a consistent brand position. Over the last three years, Coach also has been implementing a flexible, cost-effective sourcing and manufacturing model that allows it to bring its broader range of products to market more rapidly and efficiently.

Primarily as a result of its repositioning initiatives, its sales increased 8.6% and its operating income before reorganization costs increased 35.5% in the first six months of fiscal year 2000, compared with the same period in fiscal year 1999. In the first six months of fiscal year 2001, Coach's sales increased 11.7% and its operating income before reorganization costs increased 78.8%, compared with the first six months of fiscal year 2000.

For more details about Coach's business, see page 83.

Coach was incorporated in Maryland on June 1, 2000 as Coach, Inc. Its principal executive office is located at 516 West 34th Street, New York, New York 10001, and its telephone number is (212) 594-1850.

Terms of the exchange offer (see page 30).....	We are offering to Sara Lee stockholders the opportunity to exchange 0.846 shares of Coach common stock per share of Sara Lee common stock, up to a maximum of 41,402,285 shares of Sara Lee common stock. You may tender all, some, or none of your Sara Lee shares. All shares of Sara Lee common stock properly tendered and not withdrawn will be exchanged at the exchange ratio, on the terms and subject to the conditions of the exchange offer, including the proration provisions. We will promptly return to stockholders any shares of Sara Lee common stock not accepted for exchange following the expiration of the exchange offer and determination of the final proration factor as described below.
Extension of tender period; termination; amendment (see page 38).....	The exchange offer and withdrawal rights will expire at 12:00 midnight, New York City time, on April 4, 2001, unless extended by us. You must tender your shares of Sara Lee common stock prior to this time if you want to participate. We may terminate the exchange offer in the circumstances described on pages 39 and 40.
No fractional shares (see page 31).....	No fractional shares of Coach common stock will be distributed in the exchange offer. The exchange agent, acting as the agent for tendering Sara Lee stockholders, will aggregate any fractional shares and sell them for the accounts of stockholders who would otherwise be entitled to receive fractional shares of Coach common stock in the exchange offer. Any proceeds realized by the exchange agent on the sale of the fractional shares of Coach common stock will be distributed in accordance with the stockholder's interest in the sold fractional Coach shares, net of commissions.
Proration; odd-lots (see page 30).....	If more than 41,402,285 shares of Sara Lee common stock are tendered, we will accept all shares of Sara Lee common stock properly tendered on a pro rata basis. We will announce the preliminary proration factor by press release promptly after the exchange offer expires. If you own fewer than 100 shares of Sara Lee common stock and tender all of these shares for exchange, you may request preferential

	treatment by completing Section II.E entitled "Odd-Lot Shares" on the letter of transmittal and, if applicable, on the notice of guaranteed delivery. If your odd-lot shares are held by a broker for your account, you can contact the broker and request this preferential treatment. All of your shares will be accepted for exchange without proration if the exchange offer is completed. Shares you own in a Sara Lee or Sara Lee affiliated company savings plan are not eligible for this preferential treatment.
The spin-off (see page 46).....	If the conditions to the exchange offer are satisfied or waived, and fewer than 41,402,285 shares of Sara Lee common stock are tendered, we will accept for exchange all shares that are validly tendered and distribute our remaining shares of Coach common stock on a pro rata basis to those who remain Sara Lee stockholders following the completion of the exchange offer.
Withdrawal rights (see page 36).....	You may withdraw shares of Sara Lee common stock you tendered at any time before the exchange offer expires. If you change your mind again, you may retender your shares of Sara Lee common stock by again following the exchange offer procedures prior to the expiration of the exchange offer.
Conditions for completion of the exchange offer (see page 39).....	The exchange offer is subject to various conditions, including that at least 37,262,057 shares of Sara Lee common stock are tendered. All conditions must be satisfied or waived prior to the expiration of the exchange offer.
Procedures for tendering (see page 32).....	If you hold certificates for shares of Sara Lee common stock, you must complete and sign the letter of transmittal designating the number of shares of Sara Lee common stock you wish to tender. Send it, together with your Sara Lee common stock certificates and any other documents required by the letter of transmittal, by registered mail, return receipt requested, so that it is received by the exchange agent at one of the addresses listed on the back cover of this document before the expiration of the exchange offer. If you hold uncertificated shares, in book-entry form, that you purchased in Sara Lee's

	Employee Stock Purchase Plan, International Employee Stock Purchase Plan or Dividend Reinvestment Plan, you must complete and sign the letter of transmittal designating the number of shares you wish to tender, and deliver it to the exchange agent before the expiration of the exchange offer. You do not need to request stock certificates for those shares in order to tender those shares in the exchange offer. If you hold shares of Sara Lee common stock through a broker, you should receive instructions from your broker on how to participate. In this situation, do not complete the letter of transmittal. Please contact your broker directly if you have not yet received instructions. Some financial institutions may also effect tenders by book-entry transfer through The Depository Trust Company. If you hold certificates for shares of Sara Lee common stock or if you hold shares of Sara Lee common stock through a broker, you may also be required to comply with the procedures for guaranteed delivery. If you participate in a Sara Lee or Sara Lee affiliated company savings plan listed on page 34, you will receive separate instructions on how to tender these shares and a form of election to tender your shares held under these plans from the trustee or administrator of the plan. Do not use the letter of transmittal to tender shares held under any of these plans.
Delivery of shares of Coach common stock.....	We will deliver shares of Coach common stock by book-entry transfer as soon as reasonably practicable after acceptance of shares of Sara Lee common stock for exchange and determination of the proration factor, if necessary.
Comparative per share market price information (see page 11).....	Coach common stock is currently listed and traded on the NYSE under the symbol "COH." Sara Lee common stock is currently listed and traded on the NYSE under the symbol "SLE." On January 25, 2001, the last trading day before the initial filing of the registration statement relating to the exchange offer, the closing sale price of Sara Lee common stock was $21.8125 and the closing sale price of Coach common stock was $30.25, each as reported by the

	NYSE. On March 5, 2001, the closing sale price of Sara Lee common stock was $21.00 and the closing sale price of Coach common stock was $28.03, each as reported by the NYSE.
Material United States federal income tax consequences (see page 129).....	We have received a ruling from the IRS and a tax opinion from Skadden, Arps, Slate, Meagher & Flom (Illinois) to the effect that the exchange offer and any subsequent spin-off will be tax-free to Sara Lee stockholders for United States federal income tax purposes, except with respect to any cash received in lieu of fractional shares of Coach common stock. The ruling and the tax opinion do not address any state, local or foreign tax consequences. You should consult your tax advisor as to the particular tax consequences to you of the exchange offer and any spin-off.
No appraisal rights (see page 29).....	No appraisal rights are available to stockholders of Sara Lee or Coach in connection with the exchange offer.
Exchange agent.....	Mellon Investor Services LLC
Information agent.....	Morrow & Co., Inc.
Dealer manager.....	Goldman, Sachs & Co.
Risk factors (see page 20).....	You should consider carefully the matters described in the section entitled "Risk Factors," as well as the other information included in this document and the documents to which we have referred you.
Regulatory issues (see page 29).....	In order to complete the exchange offer, we have made certain filings and notifications and have received certain authorizations or exemptions from governmental agencies regulating securities law issues in foreign jurisdictions.
Legal limitation.....	We are not making any offer to sell, nor are we soliciting any offer to buy, securities in any jurisdiction in which the offer or sale is not permitted.

COMPARATIVE PER SHARE DATA

The following table summarizes certain per share information for Sara Lee and Coach on an historical, pro forma and dividends paid basis. The pro forma income per share information assumes that the transactions and events described below and in the notes to the Unaudited Pro Forma Consolidated Financial Statements occurred as of July 4, 1999, the beginning of Fiscal Year 2000. The pro forma book value per share information assumes that these transactions and events occurred as of December 30, 2000.

The Sara Lee unaudited pro forma per share information gives effect to the following transactions and events:

- the elimination of Coach from Sara Lee's consolidated financial statements;

- a reduction in the number of outstanding shares of Sara Lee common stock assuming the exchange offer is fully-subscribed;

- interest savings from Sara Lee's repayment of debt with cash received from Coach's repayment of indebtedness to Sara Lee; and

- interest savings from Sara Lee's repayment of approximately $1.1 billion of debt with the after tax cash proceeds from the sale of its PYA/Monarch foodservice distribution business.

The Coach unaudited pro forma per share information gives effect to the following transactions and events:

- Coach's assumption of $190 million of debt to a subsidiary of Sara Lee which was partially repaid with the net proceeds of the initial public offering of $122 million, resulting in debt of $68 million;

- the repayment by Coach of the remaining indebtedness to Sara Lee upon completion of the exchange offer;

- interest expense and other costs, increased fees and expenses related to the separation of Coach from Sara Lee and certain tax effects resulting from these items; and

- on October 2, 2000, Coach's payment of a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding, and in October 2000, Coach's sale of 8,487,000 shares of common stock in its initial public offering.

This data has been derived from and should be read in conjunction with the audited consolidated financial statements and related notes of Sara Lee and Coach. Sara Lee's consolidated financial statements are included herein by reference. See "Where You Can Find More Information" for information on obtaining copies of Sara Lee's financial statements. Coach's financial statements for the three fiscal years ended July 1, 2000, and the twenty-six weeks ended December 30, 2000 and January 1, 2000 are included herein. For more information, see the Coach consolidated financial statements beginning on page F-1.

The pro forma information provided below is presented to show Sara Lee and Coach as if the transactions had occurred at the times outlined above. You should not rely on the pro forma information as being indicative of the historical results that would have occurred or the future results that Sara Lee and Coach will experience after the exchange offer. For a detailed description of the

pro forma adjustments, see the sections of this document entitled "Unaudited Pro Forma Condensed and Consolidated Financial Information."

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998(2)	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000(3)
						(UNAUDITED)	(UNAUDITED)
SARA LEE CORPORATION							
PER SHARE INFORMATION							
Income (loss) from continuing operations per share basic	$0.88	$0.97	$(0.63)	$1.24	$1.31	$0.69	$0.46
Income (loss) from continuing operations per share diluted	0.85	0.94	(0.63)	1.19	1.27	0.67	0.44
Net income (loss) per share basic	0.92	1.02	(0.57)	1.31	1.38	0.73	1.25
Net income (loss) per share diluted	0.89	0.99	(0.57)	1.26	1.34	0.70	1.20
Unaudited pro forma net income from continuing operations per share basic(4)					1.38		0.45
Unaudited pro forma net income from continuing operations per share diluted(4)					1.34		0.44
Dividends per share	0.37	0.41	0.45	0.49	0.53	0.26	0.28
Book value per share outstanding at end of period	4.45	4.46	1.97	1.43	1.46	1.95	1.83
Unaudited pro forma book value per share outstanding at end of period							2.10

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000(6)
						(UNAUDITED)	(UNAUDITED)
COACH, INC.(5)							
PER SHARE INFORMATION							
Net income per share basic	$1.22	$0.91	$0.59	$0.48	$1.10	$0.87	$1.19
Net income per share diluted	1.22	0.91	0.59	0.48	1.10	0.87	1.18
Unaudited pro forma as adjusted net income per share basic					0.81		1.05
Unaudited pro forma as adjusted net income per share diluted					0.81		1.04
Dividends per share(7)	--	--	--	--	--	--	--
Unaudited pro forma book value per share outstanding at end of period							2.94

- ------------------------------

(1) Each of Sara Lee's and Coach's 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) In 1998, Sara Lee provided for the cost of restructuring its worldwide operations and recorded a restructuring charge of $2,038 million. Excluding the effect of the 1998 restructuring charge, Net income per share basic and Net income per share diluted would have been $1.16 and $1.11, respectively.

(3) In the second quarter of 2001, Sara Lee's Coach subsidiary completed an initial public offering and Sara Lee completed the sale of its PYA/Monarch foodservice operation, resulting in a gain to Sara Lee. Also in the second quarter, Sara Lee approved a plan and recorded a charge to dispose of certain non-core businesses and exit a number of defined business activities. Excluding the effect of these charges, Net income per share basic and Net income per share diluted would have been $0.74 and $0.72, respectively.

(4) Unaudited pro forma net income from continuing operations per share has been calculated assuming the exchange offer is fully subscribed with 41,402,285 shares of Sara Lee common stock being validly tendered. Alternatively, if the exchange offer is 90% subscribed with 37,262,057 shares of Sara Lee common stock being validly tendered, net income per share would be as follows:

	FISCAL YEAR ENDED JULY 1, 2000	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Pro forma net income per share basic	$ 1.38	$ 0.45
Pro forma net income per share diluted	1.33	0.43

(5) Coach was capitalized on October 2, 2000. On October 4, 2000, Coach paid a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding after the dividend. The effects of this stock dividend have been retroactively applied to all prior periods.

(6) In the first quarter of 2001, Coach committed to a reorganization plan and recorded a restructuring charge of $5.0 million. Excluding the effect of the 2001 restructuring charge, Net income per share basic and per share diluted would have been $1.27 and $1.26, respectively.

(7) No dividends have been paid to holders of Coach common stock.

SUMMARY FINANCIAL DATA

The following tables present summary financial data for Sara Lee and Coach. The data presented in these tables is derived from the sections of this document entitled "Selected Financial Data," "Unaudited Pro Forma Condensed and Consolidated Financial Information" and historical financial statements of Sara Lee and Coach and notes to those statements. The pro forma statement of income data assumes that the transactions and events described below and in the notes to the unaudited pro forma condensed and consolidated financial statements occurred on July 4, 1999. The pro forma balance sheet data assumes these transactions occurred on December 30, 2000. This information is only a summary and should be read together with the consolidated financial statements of Coach and related notes included in this document, and the sections of this document entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations of Coach, Inc." and "Unaudited Pro Forma Condensed and Consolidated Financial Statements" and related notes, and with Sara Lee's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Sara Lee's Form 10-K for fiscal year 2000 and Form 10-Q for the period ended December 30, 2000, which we have incorporated into this document by reference. To find out where you can obtain copies of Sara Lee's incorporated documents, see "Where You Can Find More Information" on page 132.

SARA LEE

The Sara Lee unaudited pro forma information gives effect to the following transactions and events:

- the elimination of Coach from Sara Lee's consolidated financial statements;

- a reduction in the number of outstanding shares of Sara Lee common stock assuming the exchange offer is fully-subscribed;

- interest savings from Sara Lee's repayment of debt with cash received from Coach's repayment of indebtedness to Sara Lee; and

- interest savings from Sara Lee's repayment of approximately $1.1 billion of debt with the after tax cash proceeds from the sale of its PYA/Monarch foodservice distribution business.

For purposes of the pro forma financial information, 41,402,285 shares of Sara Lee common stock are assumed to be validly tendered in the exchange offer. The number of shares of Sara Lee common stock assumed to be exchanged for the purposes of the Sara Lee pro forma data may not be indicative of the actual number of shares of Sara Lee common stock that may be tendered in the exchange offer.

COACH

The Coach unaudited pro forma information gives effect to the following transactions and events:

- Coach's assumption of $190 million of debt to a subsidiary of Sara Lee that was partially repaid with the net proceeds of the initial public offering of $122 million, resulting in debt of $68 million;

- The repayment by Coach of its remaining indebtedness to Sara Lee upon completion of the exchange offer;

- Interest expense and other costs, increased fees and expenses related to the separation of Coach from Sara Lee and certain tax effects resulting from these items; and

- On October 2, 2000, Coach's payment of a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding, and in October 2000, Coach's sale of 8,487,000 shares of common stock in an initial public offering.

The pro forma information is provided to aid in your analysis of the financial aspects of the exchange offer and is presented to show you what Sara Lee and Coach might have looked like if the transactions described in this offering circular-prospectus had occurred at the times outlined above. You should not rely on the Sara Lee and Coach information set forth below as being indicative of the historical results that would have been achieved had the transactions described in this offering circular-prospectus occurred at the times outlined above. Furthermore, this information may not necessarily reflect the results of operations, financial position and cash flows of Sara Lee and Coach in the future. Interim results are not necessarily indicative of results for a full year.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars and shares in millions, except per share amounts)					(unaudited)	(unaudited)
SARA LEE CORPORATION CONSOLIDATED AND COMBINED STATEMENTS OF INCOME DATA:							
Net Sales	$16,424	$17,361	$17,426	$17,270	$17,511	$8,873	$9,212
Gross profit	6,826	7,116	7,298	7,391	7,411	3,802	3,870
Selling, general and administrative expenses	5,349	5,556	5,615	5,741	5,668	2,891	3,014
Unusual items(2)	--	--	2,038	(61)	--	--	215
Income (loss) from continuing operations before taxes	1,304	1,401	(531)	1,570	1,567	835	529
Income from discontinued operations, net of income taxes	43	49	52	60	64	31	25
Net income (loss)	916	1,009	(523)	1,191	1,222	647	1,052
Income (loss) from continuing operations per share basic	0.88	0.97	(0.63)	1.24	1.31	0.69	0.46
Income (loss) from continuing operations per share diluted	0.85	0.94	(0.63)	1.19	1.27	0.67	0.44
Net income (loss) per share basic	0.92	1.02	(0.57)	1.31	1.38	0.73	1.25
Net income (loss) per share diluted	0.89	0.99	(0.57)	1.26	1.34	0.70	1.20
Shares used in computing basic income per share	963	959	939	903	875	884	836
Shares used in computing diluted income per share	1,007	1,004	939	944	912	922	873

	FISCAL YEAR ENDED JULY 1, 2000(1)	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
	(dollars and shares in millions, except per share amounts) (unaudited)	(unaudited)
SARA LEE CORPORATION UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME DATA:(3)		
Net sales	$16,962	$8,863
Gross profit	7,082	3,645
Selling, general and administrative expenses	5,395	2,863
Income from continuing operations before taxes	1,590	489
Income from continuing operations per share basic(4)	1.38	0.45
Income from continuing operations per share diluted(4)	1.34	0.44
Shares used in computing basic income from continuing operations per share	834	795
Shares used in computing diluted income from continuing operations per share	871	832

The accompanying footnotes to the Summary Financial Data are an integral part of this data.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)					(UNAUDITED)	(UNAUDITED)
SARA LEE CORPORATION CONSOLIDATED AND COMBINED BALANCE SHEET DATA:							
Working capital	$ 687	$ 653	$ (219)	$ (682)	$ (785)	$ (531)	$ 854
Total assets	12,424	12,775	10,784	10,292	11,611	11,418	11,532
Inventory	2,720	2,878	2,779	2,535	2,951	2,714	2,752
Receivable from Coach	7	8	11	--	--	--	--
Payable to Coach(8)	--	--	--	54	64	102	32
Long-term debt(5)	1,976	2,188	2,491	2,227	2,629	2,551	3,428
Stockholders' net investment(6)	4,320	4,280	1,816	1,266	1,234	1,735	1,517

	DECEMBER 30, 2000
	(DOLLARS IN MILLIONS) (UNAUDITED)
SARA LEE CORPORATION UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET DATA:(3)	
Working capital	757
Total assets	11,358
Inventory	2,752
Receivable from Coach	--
Payable to Coach	--
Long-term debt(5)	3,428
Stockholders' net investment(6)	1,399

The accompanying footnotes to the Summary Financial Data are an integral part of this data.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars and shares in thousands, except per share amounts)						
COACH, INC.	(unaudited)					(unaudited)	(unaudited)
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME DATA:							
Net sales	$ 512,645	$ 540,366	$522,220	$507,781	$ 548,918	$ 312,160	$ 348,710
Gross profit	300,668	313,280	286,708	281,591	328,833	183,792	225,000
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816	139,922	146,546
Unusual items(7)	--	--	--	7,108	--	--	4,950
Operating income	62,047	44,269	25,013	19,475	56,017	43,870	73,504
Net income	42,860	32,037	20,663	16,715	38,603	30,311	46,795
Net income per basic share	1.22	0.91	0.59	0.48	1.10	0.87	1.19
Net income per diluted share	1.22	0.91	0.59	0.48	1.10	0.87	1.18
Shares used in computing net income per basic share	35,026	35,026	35,026	35,026	35,026	35,026	39,270
Shares used in computing net income per diluted share	35,026	35,026	35,026	35,026	35,026	35,026	39,769

	FISCAL YEAR ENDED JULY 1, 2000(1)	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
	(dollars and shares in thousands, except per share amounts)	
COACH, INC.	(unaudited)	(unaudited)
UNAUDITED PRO FORMA AS ADJUSTED CONSOLIDATED AND COMBINED STATEMENT OF INCOME DATA:(9)		
Net sales	$ 548,918	$ 348,710
Gross profit	328,833	225,000
Selling, general and administrative expenses	274,481	147,296
Unusual items(7)	--	4,950
Operating income	54,352	72,754
Net income	35,184	45,625
Net income per share basic	0.81	1.05
Net income per share diluted	0.81	1.04
Shares used in computing basic income per share	43,513	43,513
Shares used in computing diluted income per share	43,513	44,013

The accompanying footnotes to the Summary Financial Data are an integral part of this data.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars in thousands)						
COACH, INC.	(unaudited)	(unaudited)				(unaudited)	(unaudited)
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:							
Working capital	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 34,067	$ 35,938
Total assets	237,234	252,929	257,710	282,088	296,653	335,028	284,032
Inventory	92,814	102,209	132,400	101,395	102,097	91,267	101,373
Receivable from Sara Lee(8)	--	--	--	54,150	63,783	102,202	31,895
Payable to Sara Lee	6,541	8,300	11,088	--	--	--	46,000
Long-term debt(5)	3,845	3,845	3,845	3,810	3,775	3,810	3,775
Stockholders' net investment(8)	131,961	165,361	186,859	203,162	212,808	233,584	127,874

	DECEMBER 30, 2000
	(dollars in thousands)
COACH, INC.	(unaudited)
UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET DATA:(9)	
Working capital	50,043
Total assets	252,137
Inventory	101,373
Receivable from Sara Lee	--
Payable to Sara Lee	--
Long-term debt(5)	17,880
Stockholders' net investment	127,874

The accompanying footnotes to the Summary Financial Data are an integral part of this data.

- ---

(1) Each of Sara Lee's and Coach's 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) In the second quarter of 1998, Sara Lee provided for the cost of restructuring its worldwide operations. A total of 116 manufacturing and distribution facilities were targeted for closure under the plan. The restructuring provision reduced income from continuing operations before income taxes by $2,038 million.

In the first quarter of 1999, as part of its ongoing restructuring program, Sara Lee disposed of certain assets related primarily to its international tobacco operations. The corporation received cash proceeds of $386 million in connection with the sale, and recognized a pretax gain of $137 million.

In the second quarter of 1999, Sara Lee announced that it was recalling specific production lots of hot dogs and other packaged meat products that could contain Listeria bacteria. The estimated cost of this action was recognized in the second quarter of 1999 and reduced 1999 income from continuing operations before income taxes by $76 million.

In the second quarter of 2001, Sara Lee's Coach subsidiary completed an initial public offering resulting in an after tax gain of $105 million to Sara Lee. Also in the second quarter, Sara Lee approved a plan and recorded a pre-tax charge of $344 million to dispose of certain non-core businesses and exit a number of defined business activities. Of the $344 million, $24 million relates to the anticipated losses on the disposition of inventory related to manufacturing operations being exited.

(3) For a description of the Sara Lee pro forma adjustments please see the section of this document entitled "Unaudited Pro Forma Condensed and Consolidated Financial Information."

(4) Unaudited pro forma net income from continuing operations per share has been calculated assuming the exchange offer is fully subscribed with 41,402,285 shares of Sara Lee common stock being validly tendered.

Alternatively, if the exchange offer is 90% subscribed with 37,262,057 shares of Sara Lee common stock being validly tendered, net income per share would be as follows:

	FISCAL YEAR ENDED JULY 1, 2000	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Pro forma net income per share basic.....	$ 1.38	$ 0.45
Pro forma net income per share diluted.....	1.33	0.43

(5) Long-term debt includes current maturities of long-term debt.

(6) Stockholders' net investment includes common stock, capital surplus, retained earnings and accumulated other comprehensive loss.

(7) In 1999, Coach announced a reorganization plan involving 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. 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 cost of these reorganization activities reduced 1999 income by $7 million.

In the first quarter of 2001, Coach announced a reorganization plan to cease production at the Medley, Florida manufacturing facility. This reorganization is intended to reduce costs by transferring production to lower cost third-party manufacturers. The cost of this reorganization reduced income by $5 million.

(8) On July 2, 2000, the intercompany account of $63.8 million between Sara Lee and Coach was capitalized. No cash was paid or received by either party.

(9) For a description of the Coach pro forma adjustments please see "Unaudited Pro Forma Condensed and Consolidated Financial Information" in this document.

RISK FACTORS

YOU SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION SET FORTH OR INCORPORATED BY REFERENCE IN THIS DOCUMENT AND, IN PARTICULAR, THE FOLLOWING RISK FACTORS, IN CONSIDERING WHETHER OR NOT TO TENDER YOUR SHARES OF SARA LEE COMMON STOCK. IN ADDITION, FOR AN IMPORTANT DISCUSSION OF ADDITIONAL UNCERTAINTIES ASSOCIATED WITH (1) THE BUSINESSES OF SARA LEE AND COACH AND (2) FORWARD-LOOKING INFORMATION IN THIS DOCUMENT, PLEASE SEE "SPECIAL NOTE ON FORWARD-LOOKING INFORMATION" ON PAGE 27.

RISKS RELATED TO THE EXCHANGE OFFER

YOUR INVESTMENT IN SHARES OF SARA LEE COMMON STOCK WILL BE SUBJECT TO DIFFERENT RISKS AFTER THE EXCHANGE OFFER REGARDLESS OF WHETHER YOU ELECT TO PARTICIPATE IN THE OFFER.

Your investment will be subject to different risks as a result of the exchange offer, regardless of whether you tender all, some or none of your shares of Sara Lee common stock.

- If you exchange all of your shares of Sara Lee common stock for shares of Coach common stock in the exchange offer, you will only have an interest in the future financial performance of Coach. You will no longer participate in any future change in the value of Sara Lee because you will no longer own any shares of Sara Lee common stock.

- If you exchange some, but not all of your shares of Sara Lee common stock, you will have a direct interest in the financial performance of Coach, which may reduce your interest in the financial performance of Sara Lee.

- If you do not exchange any of your shares of Sara Lee common stock, you will not receive any shares of Coach common stock and you will not have any direct interest in the Coach business unless the spin-off is necessary. If you do not tender any of your shares of Sara Lee common stock and the exchange offer is completed, you will not participate in any future change in the value of Coach.

- Whether you tender your shares of Sara Lee common stock or not, the shares you hold after the exchange offer will be in a company that is different from the company in which you held shares before the exchange offer.

AFTER THE EXCHANGE OFFER, COACH WILL NO LONGER HAVE ACCESS TO THE FINANCIAL STRENGTH AND RESOURCES OF SARA LEE.

As a subsidiary of Sara Lee, Coach has been able to benefit from Sara Lee's financial strength and extensive network of business relationships with companies and government contacts around the world. Coach has drawn on this resource in developing its own relationships and contacts. After completion of the exchange offer, Coach will be a stand-alone company and will no longer be able to benefit from Sara Lee's financial strength and resources to the same extent that it could as a majority-owned subsidiary of Sara Lee.

AFTER THE EXCHANGE OFFER, COACH MAY NO LONGER BENEFIT FROM THE SERVICES PROVIDED BY SARA LEE OR CONTINUE TO OPERATE UNDER CERTAIN CONTRACTS WITH THIRD PARTIES.

Prior to Coach's initial public offering, we and Coach entered into a number of agreements whereby we agreed to provide certain services to Coach. Unless we and Coach agree to the extension of these services, they will terminate on the completion of this exchange offer. If these services are not extended by us, we cannot assure you that Coach will be able to obtain replacement services on similar terms, if at all. Further, as a result of the completion of the exchange offer, more than 80% of the stock of Coach will be transferred. Under the terms of some of Coach's leases, this transfer may constitute an assignment of the lease. Coach is requesting consents to the transfer of these leases from the landlords. The failure to obtain consents under a material number of these leases may adversely affect Coach's financial performance or results of operations.

YOU MAY NOT RECEIVE A PREMIUM FOR THE SHARES OF SARA LEE COMMON STOCK YOU TENDER IN THE EXCHANGE OFFER.

The amount of the premium, if any, that you will receive if you participate in the exchange offer will depend on the relative prices for shares of Sara Lee common stock and shares of Coach common stock on the completion of the exchange offer. A number of factors may influence the market prices of our and Coach's shares. We cannot predict what the amount of the actual premium will be at that time or whether, in fact, there will be a premium at the end of the exchange offer. Changes in the prices of shares of Coach common stock or shares of Sara Lee common stock over time may also affect your ability to realize the premium through sales in the market.

THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION OF COACH AND SARA LEE MAY NOT NECESSARILY REFLECT THEIR RESULTS AS SEPARATE COMPANIES.

The historical financial information of Coach presented in this document has primarily been carved out from our consolidated financial statements and may not necessarily reflect what the results of operations, financial condition and cash flows of Coach would have been had the companies been separate, stand-alone entities pursuing independent strategies during the periods presented. Similarly, our pro forma financial information presented in this document may not be indicative of the historical results we would have achieved had the transactions described in this document occurred at the dates and times suggested. As a result, historical and pro forma financial information is not necessarily indicative of future results of operations, financial condition and cash flows of us or Coach.

COACH HAS A LIMITED OPERATING HISTORY AS A SEPARATE PUBLICLY TRADED CORPORATION. THE PRIOR PERFORMANCE OF ITS COMMON STOCK MAY NOT BE INDICATIVE OF ITS PERFORMANCE AFTER THE EXCHANGE OFFER.

Coach's limited operating history may not provide investors with a meaningful basis for evaluating an investment in its common stock. Coach has only been a separate publicly traded company since October 5, 2000. This limited operating history makes it difficult to forecast Coach's future operating results. In addition, the prior performance of Coach's common stock may not be indicative of Coach's performance after the exchange offer.

THE IRS MAY TREAT THE EXCHANGE OFFER AND ANY SUBSEQUENT SPIN-OFF AS TAXABLE.

We have received a ruling from the IRS and a tax opinion from Skadden, Arps, Slate, Meagher & Flom (Illinois) to the effect that, for United States federal income tax purposes, the exchange offer and any subsequent spin-off will be tax-free to Sara Lee stockholders for U.S. federal income tax purposes, except with respect to any cash received in lieu of fractional shares of Coach common stock. If we or Coach do not comply with the undertakings made to the IRS in connection with obtaining the ruling, or if the representations made by us or Coach to the IRS in connection with obtaining the ruling are determined to be inaccurate or untrue, we will not be able to rely on the ruling. Furthermore, the tax opinion is not binding on the IRS and is subject to certain factual representations and assumptions. If these factual representations and assumptions are incorrect in any material respect, our ability to rely on the tax opinion would be jeopardized. If we complete the exchange offer and any subsequent spin-off and the exchange offer and the spin-off are determined to be taxable, we and our stockholders who receive shares of Coach common stock could be subject to a material amount of taxes. We and Coach will not indemnify any individual stockholder for any taxes that may be incurred in connection with the exchange offer or any subsequent spin-off.

COACH MAY NOT HAVE ADEQUATE FUNDS TO PERFORM ITS INDEMNITY OBLIGATIONS TO SARA LEE UNDER THE SEPARATION AGREEMENTS.

We and Coach have agreed to indemnify each other from taxes resulting from the failure of the exchange offer and any subsequent spin-off to qualify as tax-free, in certain circumstances, and for a number of other matters. If the exchange offer or any subsequent spin-off is held to be taxable,

we and Coach have agreed to indemnify each other for any such taxes incurred by the other party to the extent these taxes are attributable to specific actions or failures to act by us or Coach, or to specific transactions involving us or Coach following the exchange offer or any subsequent spin-off. Coach may not, however, have adequate funds to perform its indemnification obligations. These indemnification obligations are only for our and Coach's benefit. We and Coach will not indemnify any individual stockholders for any taxes that may be incurred in connection with the exchange offer or any subsequent spin-off. Coach has also agreed to indemnify us from all liabilities arising from the Coach business, any of Coach's liabilities or any of its contracts, and any breach by Coach of the separation agreement or any ancillary agreement. We have agreed to indemnify Coach from all liabilities arising from our business, other than the Coach business, and any breach by us of the separation agreement or any ancillary agreement.

THE DISTRIBUTION OF SHARES OF COACH COMMON STOCK IN THE EXCHANGE OFFER AND ANY SUBSEQUENT SPIN-OFF MAY ADVERSELY AFFECT THE MARKET PRICE OF SHARES OF COACH COMMON STOCK.

The exchange offer and any subsequent spin-off will substantially increase the number of publicly held shares of Coach common stock and the number of Coach stockholders. The Coach common stock held by Sara Lee comprises approximately 80.5% of the outstanding Coach common stock. The shares of Coach common stock to be distributed to Sara Lee stockholders in the exchange offer and any subsequent spin-off will generally be eligible for immediate resale in the open market. If a significant number of Sara Lee stockholders who receive shares of Coach common stock in the exchange offer or any subsequent spin-off attempt to sell their shares of Coach common stock in the open market after the exchange offer, the market price of shares of Coach common stock could be adversely affected. No one can assure you that market prices for the shares of Coach common stock will not fluctuate significantly after the exchange offer.

MARKET PRICES FOR SHARES OF SARA LEE COMMON STOCK MAY DECLINE FOLLOWING THE COMPLETION OF THE EXCHANGE OFFER.

Investors purchasing shares of Sara Lee common stock in order to participate in the exchange offer may have the effect of artificially raising market prices for shares of Sara Lee common stock during the pendency of the exchange offer. Following the completion of the exchange offer, the market prices for shares of Sara Lee common stock may decline because exchange offer-related demand for shares of Sara Lee common stock will cease. Market prices for shares of Sara Lee common stock may also decline following the completion of the exchange offer and any subsequent spin-off because shares of Sara Lee common stock will no longer include an investment in the Coach business.

THE EXCHANGE OFFER AND ANY SUBSEQUENT SPIN-OFF WILL CAUSE SARA LEE'S ASSETS AND TOTAL CAPITALIZATION TO DECREASE

If we complete the exchange offer and spin-off, if necessary, we will no longer own any of the outstanding stock of Coach. Accordingly, our balance sheet and income statement will no longer reflect the assets and operations of Coach. Upon completion of the exchange offer, we will no longer have access to the cash flow provided by Coach. For more information on the financial impact on us of the exchange, see "Unaudited Pro Forma Condensed and Consolidated Financial Information" beginning on page 51.

RISKS RELATED TO COACH

IF COACH IS UNABLE TO SECURE REPLACEMENT SERVICES FOR THE SERVICES PROVIDED BY SARA LEE ON TERMS AT LEAST AS FAVORABLE AS THOSE NEGOTIATED WITH SARA LEE, ITS OPERATING RESULTS COULD SUFFER.

Prior to Coach's initial public offering, we and Coach entered into agreements providing for the separation of the Coach business from us. These agreements governed the terms of the separation

and provide for various interim and ongoing relationships. The benefits and services provided to Coach under these agreements include:

- accounting, treasury, internal audit coordination, environmental, tax, Sara Lee Direct Call Center Services, risk management and assessment services, information technology services and investor relations;

- Coach employee participation in our sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan; and

- coverage under our insurance polices, including director and officer insurance.

Upon completion of the exchange offer, we will no longer provide services to Coach unless we and Coach agree to extend any services for a limited period of time following the exchange offer. We cannot assure you that Coach will be able to replace these services on terms at least as favorable as those negotiated with us, if at all, or that the termination of these services will not adversely affect Coach or that we will agree to extend any required services after the completion of the exchange offer. Coach management currently estimates that the increased costs to replace the services previously provided by us and to obtain services related to being a public company will be between $1.2 million and $2.2 million per year.

IF COACH IS UNABLE TO SUCCESSFULLY IMPLEMENT ITS GROWTH STRATEGIES OR MANAGE ITS GROWING BUSINESS, ITS FUTURE OPERATING RESULTS WILL SUFFER.

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

Successful implementation of Coach's strategies and initiatives will require it to manage its growth. To manage growth effectively, Coach will need to continue to increase its outsource manufacturing while maintaining strict quality control. Coach will also need to continue to improve its operating systems to respond to any increased demand. It could suffer a loss of consumer goodwill and a decline in sales if its products do not continue to meet its quality control standards or if it is unable to adequately respond to increases in consumer demand for its products.

COACH'S INABILITY TO RESPOND TO CHANGES IN CONSUMER DEMANDS AND FASHION TRENDS IN A TIMELY MANNER COULD ADVERSELY AFFECT ITS SALES.

Coach's success depends on its 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. Its products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. Coach cannot assure you that it will be able to continue to develop appealing styles or meet changing consumer demands in the future.

IF COACH MISJUDGES THE DEMAND FOR ITS PRODUCTS, IT MAY INCUR INCREASED COSTS DUE TO EXCESS INVENTORIES.

If Coach misjudges the market for its products, it may be faced with significant excess inventories for some products and missed opportunities for other products. In addition, because Coach places orders for products with its manufacturers before it receives wholesale customers' orders, it could experience higher excess inventories if wholesale customers order fewer products than Coach anticipated.

COMPETITION IN THE MARKETS IN WHICH COACH OPERATES IS INTENSE AND ITS COMPETITORS MAY DEVELOP PRODUCTS MORE POPULAR WITH CONSUMERS.

Coach faces intense competition in the product lines and markets in which it operates. Its products compete with other brands of products within their product category and with private label products sold by retailers, including some of Coach's wholesale customers. In its wholesale business, Coach competes 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 Coach operates, which may increase the number of competitors and adversely affect its competitive position and business. Some of Coach's competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than it has.

A DOWNTURN IN THE ECONOMY MAY AFFECT CONSUMER PURCHASES OF DISCRETIONARY LUXURY ITEMS, WHICH COULD ADVERSELY AFFECT COACH'S SALES.

Many factors affect the level of consumer spending in the handbag and luxury 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 luxury items, such as Coach products, tend to decline during recessionary periods when disposable income is lower. A downturn in the economies in which Coach sells its products, such as the economic downturn in Asia in 1997, may adversely affect Coach's sales.

IF COACH LOSES KEY MANAGEMENT OR DESIGN PERSONNEL OR IS UNABLE TO ATTRACT AND RETAIN THE TALENT REQUIRED FOR ITS BUSINESS, ITS OPERATING RESULTS COULD SUFFER.

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

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

Because Coach products are frequently given as gifts, Coach has experienced, and expects to continue to experience, substantial seasonal fluctuations in its sales and operating results. Over the past two fiscal years approximately 35% of Coach's annual sales and between 73% and 146% of its operating income were recognized in the second fiscal quarter, which includes the holiday months of November and December. Coach believes that fiscal year 2001 will have a similar trend resulting in significantly higher earnings in the second quarter than other quarters. In anticipation of increased sales activity during the second quarter Coach incurs significant additional expenses. If, for any reason, Coach miscalculates the demand for its products during November and December, it could have significant excess inventory, which would have an adverse affect on its financial performance. In addition, because a substantial portion of Coach's operating income is derived from second quarter sales, a significant shortfall in expected second quarter sales could have an adverse impact on the annual operating results. Coach has sometimes experienced and may continue to experience net losses in any or all of its first, third or fourth fiscal quarters.

Coach's 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 its merchandise mix; and

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

As a result of these seasonal and quarterly fluctuations, Coach believes that comparisons of its 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 its future performance. Any seasonal or quarterly fluctuations that Coach reports in the future may not match the expectations of market analysts and investors. This could cause the trading price of Coach's common stock to fluctuate significantly.

COACH'S GROSS PROFIT MAY DECREASE IF IT BECOMES UNABLE TO OBTAIN ITS PRODUCTS FROM, OR SELL ITS PRODUCTS IN OTHER COUNTRIES DUE TO ADVERSE INTERNATIONAL EVENTS THAT ARE BEYOND ITS CONTROL.

In order to lower its sourcing costs and increase its gross profit, Coach has shifted its production to independent non-U.S. manufacturers in lower-cost markets. Approximately 66% of Coach's fiscal year 2000 non-licensed product needs and 71% of its non-licensed product needs in the first six months of fiscal year 2001, measured as a percentage of total units produced, were supplied by over 40 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 its product needs for fiscal year 2000 and 40% of its product needs for the first six months of fiscal year 2001. Coach's 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 these independent manufacturers to make or export Coach products cost-effectively or at all or to procure some of the materials used in these products. The violation of labor or other laws by any of Coach's independent manufacturers, or the divergence of an independent manufacturer's labor practices from those generally accepted as ethical by Coach or others in the U.S., could damage Coach's reputation and force it to locate alternative manufacturing sources. Currency exchange rate fluctuations could also make raw materials more expensive for these independent manufacturers, and they could pass these increased costs along to Coach, resulting in higher costs and decreased margins for its 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 Coach's business, including its gross profit.

Coach's failure to continue and increase sales of its products in international markets could adversely affect its gross profit. Approximately 13% of Coach's sales in the first six months of fiscal year 2001 were generated through international channels and the company plans to increase its 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 Coach's ability to sell products successfully in international markets. Coach generally purchases raw materials and products from international manufacturers in U.S. dollars and sells these products in the U.S. and to its international wholesale customers in U.S. dollars. However, Coach's international wholesale customers sell Coach products in the relevant local currencies, and currency exchange rate fluctuations could adversely affect the retail prices of the products and result in decreased international consumer demand.

COACH'S TRADEMARK AND OTHER PROPRIETARY RIGHTS COULD POTENTIALLY CONFLICT WITH THE RIGHTS OF OTHERS AND IT MAY BE INHIBITED FROM SELLING SOME OF ITS PRODUCTS. IF COACH IS UNABLE TO PROTECT ITS TRADEMARKS AND OTHER PROPRIETARY RIGHTS, OTHERS MAY SELL IMITATION BRAND PRODUCTS.

Coach believes that its registered and common law trademarks and design patents are important to its ability to create and sustain demand for Coach products. Coach cannot assure you that it will not encounter trademark, patent or trade dress disputes in the future as it expands its product line and the geographic scope of its marketing. Coach also cannot assure you that the actions taken by it to establish and protect its trademarks and other proprietary rights will be adequate to prevent imitation of its products or infringement of its 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 Coach to successfully challenge the use of its proprietary rights by other parties in these countries.

PROVISIONS IN COACH'S CHARTER AND BYLAWS AND MARYLAND LAW MAY DELAY OR PREVENT AN ACQUISITION OF COACH BY A THIRD PARTY.

Coach's charter and bylaws and Maryland law contain provisions that could make it harder for a third party to acquire Coach without the consent of Coach's board of directors. These provisions have little significance while Coach is controlled by us, but could have considerable significance in the future. Coach's charter permits its 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 Coach has the authority to issue. In addition, Coach's 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 Coach's 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 deferring or preventing a transaction or a change in control that might involve a premium price for Coach's common stock or otherwise be in the best interest of Coach's stockholders.

Coach's bylaws can only be amended by Coach's board of directors. Coach's bylaws also provide that nominations of persons for election to Coach's 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 Coach's board of directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of Coach's bylaws. So long as we or our affiliates own a majority of Coach's outstanding common stock, we are not required to comply with these advance notice requirements. Also, under Maryland law, business combinations, including issuances of equity securities, between Coach and any person who beneficially owns 10% or more of Coach's common stock or an affiliate of such person are prohibited for a five-year period unless exempted in accordance with 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 Coach's board of directors. Coach's board has exempted any business combination with us or any of our affiliates from the five-year prohibition and the super-majority vote requirements.

These and other provisions of Maryland law or Coach's 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 Coach's common stock or otherwise be in the best interest of Coach's stockholders.

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This document and the documents incorporated by reference in this document contain forward-looking statements that involve risks and uncertainties. We use words such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "project," "estimate," "will," "may," "should," "future," "predicts," "potential," "continue" and similar expressions to identify these forward-looking statements.

Our actual results and those of Coach could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this offering circular-prospectus entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Coach, Inc." and other sections of this offering circular-prospectus and the documents incorporated by reference into this document. In particular, you should review Sara Lee's SEC filings, including the cautionary statements included in Sara Lee's Annual Report on Form 10-K for the year ended July 1, 2000 and in Sara Lee's reports on Form 10-Q for the quarters ended September 30, 2000 and December 30, 2000. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the forward-looking statements contained in this offering circular-prospectus. Other unknown or unpredictable factors also could be materially harmful to Sara Lee's and Coach's future results, including the following:

- any failure or delay in achieving the expected benefits to Coach from the separation of Coach;
- Coach's failure to obtain adequate replacement services for the services provided by us on a cost effective basis;
- the financial impact of our decision to dispose of certain non-core businesses;
- our ability to achieve forecasted savings, as well as improvements in productivity and efficiency from our business reshaping;
- fluctuations in the cost or availability of raw materials;
- fluctuations in foreign currency exchange ratios, particularly the euro with respect to us;
- competitive activity, including advertising, promotional and price competition;
- market risk involved in new product introductions;
- Coach's ability to anticipate the tastes and demands of its consumers;
- liability resulting from litigation;
- changes in tax and other laws;
- speculation about Coach's or our business in the press or investment community;
- changes in Coach's or our sales or earnings estimates or the publication of research reports by analysts; and
- a downturn in the economy generally.

You should rely only on the information contained in this document. None of Sara Lee, Coach, the dealer manager, the information agent, the exchange agent or any soliciting dealer has authorized anyone to provide you with information different from the information contained in this document. We are offering to sell, and seeking offers to buy, the securities offered by this document only in jurisdictions where offers and sales are permitted under the laws of those jurisdictions. The information contained in this document is accurate only as of the date of this document regardless of the time of delivery or of any sale of the securities offered by this document.

BACKGROUND AND REASONS FOR THE EXCHANGE OFFER

As part of our increased focus on a smaller number of global branded consumer packaged goods businesses, in May 2000, we announced our intention to divest our Coach business. We are offering to exchange our shares of Coach common stock to complete the separation of Coach from us in furtherance of our reshaping plans.

We believe that separating Coach from Sara Lee will:

- allow each company to offer incentives to its employees that are more closely linked to its own performance, thereby enhancing its ability to attract, retain and motivate employees;

- permit each company to focus its managerial and financial resources on the growth of its specific lines of business;

- allow each company to have a sharper focus on strategic opportunities for growth; and

- allow each company to independently access the capital markets.

Following a thorough review of the various alternatives for divesting our Coach business, we determined to proceed with an initial public offering of Coach. In October 2000, Coach completed its initial public offering, selling to the public 8,487,000 shares of Coach common stock, representing approximately 19.5 percent of its total shares outstanding. Through our ownership of 35,026,333 shares of Coach common stock, we retained approximately 80.5 percent of the total outstanding shares of Coach common stock.

We now intend to divest our remaining ownership interest in Coach through the exchange offer in which our stockholders may exchange some or all of their shares of Sara Lee common stock for our shares of Coach common stock. We believe that the exchange offer is a tax efficient way to achieve the goals outlined above. If less than all of our shares of Coach common stock are distributed because too few shares of Sara Lee common stock are tendered, we will spin-off our remaining shares of Coach common stock. In a spin-off, we would distribute, on a pro rata basis, all of our remaining shares of Coach common stock to those who remain Sara Lee stockholders following the completion of the exchange offer.

EFFECTS

If we complete the exchange offer and spin-off, if necessary, we will no longer own any of the outstanding common stock of Coach. Accordingly, our balance sheet and income statement will no longer reflect the assets and operations of Coach and our total market capitalization will decrease.

Sara Lee stockholders will be affected by the exchange offer as follows:

- holders who tender all of their shares will, if all of these shares are accepted for exchange, no longer have an ownership interest in Sara Lee and will no longer participate in any future change in our value;

- holders who exchange some, but not all, of their shares of Sara Lee common stock will have a diminished ownership interest in Sara Lee and an increased ownership interest in Coach; and

- holders who do not tender any of their shares of Sara Lee common stock for exchange will have an increased ownership interest, on a percentage basis, in Sara Lee.

Persons who remain Sara Lee stockholders after the exchange offer will own shares in a company that no longer owns the Coach business. Coach operations represented approximately 2% to 3% of our total annual revenues and profits over the last five completed fiscal years.

Shares of Sara Lee common stock acquired by us in the exchange offer will become authorized and unissued shares of Sara Lee common stock. We may issue our authorized but unissued shares without stockholder action for general or other corporate purposes, including stock splits or dividends, acquisitions, raising additional capital and pursuant to our employee benefit plans.

NO APPRAISAL RIGHTS

Appraisal is a statutory remedy available to corporate minority stockholders who object to certain extraordinary actions taken by their corporation. This remedy allows dissenting stockholders to require the corporation to repurchase their stock at a price equivalent to its fair value immediately prior to the extraordinary corporate action. No appraisal rights are available to Sara Lee stockholders in connection with the exchange offer.

REGULATORY APPROVAL

No filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, are required in connection with the exchange offer generally. However, if a Sara Lee stockholder decides to participate in the exchange offer and acquires enough shares of Coach common stock to exceed any threshold stated in the regulations under the Hart-Scott-Rodino Act, as amended, and if an exemption under those regulations does not apply, that stockholder and Sara Lee would be required to make filings under the Hart-Scott-Rodino Act, and the waiting period under the Hart-Scott-Rodino Act must expire or be terminated before any exchanges of shares with that stockholder could be effected. A filing requirement could delay exchanges with that stockholder for several months.

Apart from the registration of the shares of Coach common stock offered in the exchange offer under federal and state securities laws and the filing of a Schedule TO with the SEC by us, we do not believe that any other material United States federal or state regulatory filings or approvals will be necessary to consummate the exchange offer or subsequent spin-off, if any.

In order to complete the exchange offer, we have made certain filings and notifications and have received certain authorizations and exemptions from governmental agencies regulating securities law issues in foreign jurisdictions. For more information, see the section of this document entitled "The Exchange Offer--Certain Matters Relating to Foreign Jurisdictions."

ACCOUNTING TREATMENT

Shares of Sara Lee common stock acquired in the exchange offer will become authorized and unissued shares of Sara Lee common stock. This means that these shares will generally be available for issuance by us without further stockholder approval, except as may be required by applicable law or the rules of the NYSE. The shares may be issued for general or other corporate purposes, including stock splits and dividends, acquisitions, the raising of additional capital and pursuant to our employee benefit plans.

The shares of Sara Lee common stock received by us pursuant to the exchange offer will be recorded as a decrease in shareholders' equity in an amount equal to the market value of the shares of Coach common stock exchanged pursuant to the exchange offer. Any difference between the fair market value and the net book value of the shares of Coach common stock owned by us will be recognized as an accounting gain, after direct expenses of the exchange offer, on disposal of the Coach operations.

Our disposition of our shares of Coach common stock will not in and of itself affect Coach's financial position or results of operations.

TERMS OF THE EXCHANGE OFFER

We are offering to exchange 0.846 shares of Coach common stock for each share of Sara Lee common stock held by a Sara Lee stockholder that is validly tendered, on the terms and subject to the conditions described below, by 12:00 midnight, New York City time, on April 4, 2001. We may extend this deadline for any reason. We refer to the last day on which tenders will be accepted, whether on April 4, 2001 or any later date to which the exchange offer may be extended, as the "expiration date." You may tender all, some or none of your shares of Sara Lee common stock.

We will accept up to an aggregate of 41,402,285 shares of Sara Lee common stock for exchange. This number of shares multiplied by the exchange ratio equals the 35,026,333 shares of Coach common stock held by us, which is the aggregate number of shares of Coach common stock we are offering to exchange. If more than 41,402,285 shares of Sara Lee common stock are validly tendered, the tendered shares will be subject to proration when the exchange offer expires. Our obligation to complete the exchange offer is subject to important conditions that are described under the heading "Conditions for Completion of the Exchange Offer" beginning on page 39.

In determining the exchange ratio, we considered, among other things:

- recent market prices on the NYSE for shares of Sara Lee and Coach common stock; and

- discussions with the dealer manager as to what exchange ratio might attract enough Sara Lee stockholders to participate in the exchange offer and enable us to distribute all (or the greatest percentage) of our 35,026,333 shares of Coach common stock.

Based on the closing trading prices for Sara Lee common stock (NYSE:SLE) and Coach common stock (NYSE:COH) on March 5, 2001, the exchange ratio would result in a Sara Lee stockholder who participates in the exchange offer receiving a premium of approximately 12.9%. Because market prices for Sara Lee common stock and Coach common stock may fluctuate over the course of the exchange offer, we cannot predict what the amount of the premium, if any, will be at the closing of the exchange offer or the prices at which Coach or Sara Lee shares will trade over time.

You should obtain current market prices for shares of Sara Lee and Coach common stock because we cannot assure you what the market prices of these shares will be before, on or after the date the exchange offer expires.

We are sending this document and related documents to Sara Lee stockholders of record on February 28, 2001. As of February 28, 2001, there were approximately 827,823,149 shares of Sara Lee common stock outstanding, which were held of record by approximately 80,000 stockholders. We will also furnish this document and related documents to brokers, banks and similar persons whose names or the names of whose nominees appear on our stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares of Sara Lee common stock. All persons holding shares of Sara Lee common stock are eligible to participate in the exchange offer if they tender their shares in a jurisdiction where the exchange offer is permitted under local law.

PRORATION; TENDERS FOR EXCHANGE BY HOLDERS OF FEWER THAN 100 SHARES OF SARA LEE COMMON STOCK

If on the expiration date, Sara Lee stockholders have validly tendered more than 41,402,285 shares of Sara Lee common stock, so that more than 35,026,333 shares of Coach

common stock would be exchanged, we will accept, on a pro rata basis, all shares properly tendered and not withdrawn, except as described in this section.

Except as otherwise provided in this paragraph, holders of an aggregate of less than 100 shares of Sara Lee common stock who validly tender all of their shares will not be subject to proration if the exchange offer is oversubscribed. Shares held in a Sara Lee or Sara Lee affiliated company savings plan are not eligible for this preferential treatment. Beneficial holders of 100 or more shares of Sara Lee common stock are not eligible for this preference, even if such holders have separate stock certificates or accounts representing fewer than 100 shares of Sara Lee common stock.

Any holder of less than 100 shares of Sara Lee common stock who wishes to tender all of these shares must complete Section II.E. captioned "Odd-Lot Shares" on the letter of transmittal and, if applicable, on the notice of guaranteed delivery. If your odd-lot shares are held by a broker for your account, you can contact them and request this preferential treatment. Shares you own in a Sara Lee or Sara Lee affiliated company savings plan are not eligible for this preferential treatment.

We will announce preliminary results of the exchange offer by press release on the first business day after the expiration date.

NO FRACTIONAL SHARES

We will not distribute fractional shares of Coach common stock in the exchange offer. The exchange agent, acting as agent for Sara Lee stockholders otherwise entitled to receive fractional shares of Coach common stock, will aggregate all fractional shares and sell them for the accounts of these stockholders. The proceeds, if any, realized by the exchange agent at the sale of these fractional shares will be distributed, net of commissions, to these stockholders in accordance with their fractional interests. These cash payments will be made through the exchange agent. None of us, Coach, the dealer manager, the information agent or the exchange agent or any soliciting dealer guarantees any minimum proceeds from the sale of the fractional shares of Coach common stock, and none will pay any interest on these proceeds.

EXCHANGE OF SHARES OF SARA LEE COMMON STOCK

If all of the conditions of the exchange offer are met, we will exchange 0.846 shares of Coach common stock for each properly tendered share of Sara Lee common stock that was not properly withdrawn or deemed withdrawn prior to the expiration date, except as described in the sections entitled "Proration; Tenders for Exchange by Holders of Fewer than 100 Shares of Sara Lee Common Stock" on page 30 and "Extension of Tender Period; Termination; Amendment" on page 38. We may, subject to the rules under the Securities Exchange Act, delay accepting or exchanging any shares of Sara Lee common stock in order to comply in whole or in part with any applicable law. For a more detailed description of our right to delay, terminate or amend the exchange offer, see the section entitled "Extension of Tender Period; Termination; Amendment" on page 38.

If we notify the exchange agent either orally or in writing that we have accepted the tenders of shares of Sara Lee common stock for exchange, the exchange of these shares will be complete. Promptly following our announcement of any final proration factor, the exchange agent will deliver the tendered shares of Sara Lee common stock to us. Simultaneously, the exchange agent, as agent for the tendering stockholders, will receive from us the shares of Coach common stock that correspond to the number of shares of Sara Lee common stock tendered. The exchange agent will then credit these shares of Coach common stock to book-entry accounts maintained by the transfer agent for the benefit of the holders.

If any tendered shares of Sara Lee common stock are not exchanged for any reason, or if fewer shares are exchanged due to proration, these unexchanged shares of Sara Lee common stock will be returned to you by:

- mailing you a stock certificate, if you tendered your shares by delivering a stock certificate to the exchange agent;

- crediting these shares to your book-entry account with Sara Lee's transfer agent, if you tendered uncertificated shares that you purchased in Sara Lee's Employee Stock Purchase Plan;

- crediting these shares to your book-entry account with the third-party administrator, if you tendered uncertificated shares that you purchased in Sara Lee's International Employee Stock Purchase Plan or Dividend Reinvestment Plan; or

- mailing a stock certificate to your broker or crediting your broker's account in accordance with The Depository Trust Company's procedures, if you tendered shares held by your broker.

Holders who tender their shares of Sara Lee common stock for exchange will generally not be obligated to pay any transfer tax in connection with the exchange offer, except in the circumstances described under the instructions to the letter of transmittal. We will not pay interest under the exchange offer, regardless of any delay in making the exchange or crediting or delivering shares.

PROCEDURES FOR TENDERING SHARES OF SARA LEE COMMON STOCK

To tender your shares of Sara Lee common stock, you must complete the following procedures before the expiration date:

SHARES OF SARA LEE COMMON STOCK HELD IN CERTIFICATE FORM

If you have stock certificates for your shares of Sara Lee common stock, you should send to the exchange agent by registered mail, return receipt requested, the following documents:

- a completed and executed letter of transmittal indicating the number of shares to be tendered and any other documents required by the letter of transmittal; and

- the actual certificates representing the shares of Sara Lee common stock.

The exchange agent's address is listed on the back cover of this document. The certificates must be endorsed by all registered holders of the shares or accompanied by an appropriate stock power if, pursuant to the terms of the letter of transmittal:

- a certificate representing shares of Sara Lee common stock is registered in the name of a person other than the signer of a letter of transmittal; or

- delivery of shares of Coach common stock is to be made to a person other than the registered owner of the shares of Sara Lee common stock tendered.

The signature on the letter of transmittal must be guaranteed by an eligible institution unless the shares of Sara Lee common stock tendered under the letter of transmittal are tendered (a) by the registered holder of the shares of Sara Lee common stock tendered and such holder has not completed Section IV entitled "Special Transfer Instructions" on the letter of transmittal or (b) for the account of an eligible institution. An eligible institution is a member of the S.T.A.M.P. Medallion program, and generally includes a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., a commercial bank, or a trust company having an

office or a correspondent in the United States. Most banks, brokerage firms, and financial institutions are eligible institutions.

SHARES OF SARA LEE COMMON STOCK HELD THROUGH A BROKER

If you hold your shares of Sara Lee common stock through a broker, you should follow the instructions sent to you separately by your broker. Do not use the letter of transmittal to direct the tender of your shares of Sara Lee common stock. Your broker must notify The Depository Trust Company and cause it to transfer the shares into the exchange agent's account in accordance with The Depository Trust Company's procedures. The broker must also ensure that the exchange agent receives an agent's message from The Depository Trust Company confirming the book-entry transfer of your shares of Sara Lee common stock. An agent's message is a message, transmitted by The Depository Trust Company and received by the exchange agent, that forms a part of a book-entry confirmation, which states that The Depository Trust Company has received an express acknowledgment from the participant in The Depository Trust Company tendering the shares that such participant has received and agrees to be bound by the terms of the letter of transmittal.

SHARES OF SARA LEE COMMON STOCK HELD IN A BOOK-ENTRY FACILITY

If you are an institution that is a participant in The Depository Trust Company's book-entry transfer facility, you should follow the same procedures that are applicable to persons holding shares through a broker as described above.

UNCERTIFICATED SHARES PURCHASED IN SARA LEE'S EMPLOYEE STOCK PURCHASE PLANS OR THE DIVIDEND REINVESTMENT PLAN

If you are the registered owner of shares of Sara Lee common stock and your shares are uncertificated "book-entry" shares that you purchased in our Employee Stock Purchase Plan, the International Employee Stock Purchase Plan or Dividend Reinvestment Plan, you should complete and sign the letter of transmittal designating the number of shares of Sara Lee common stock you wish to tender. Send the completed and signed letter of transmittal, together with any other documents required by the letter of transmittal to the exchange agent, so that it is received by the exchange agent at one of the addresses specified on the back cover of this offering circular-prospectus before the expiration of the exchange offer. Do not send your letter of transmittal to us, Coach, Goldman Sachs, the information agent or any soliciting dealer. Only those shares that have been credited to your account before the expiration date for purchase cycles that have been completed are eligible to be tendered in the exchange offer.

SHARES OF SARA LEE COMMON STOCK HELD IN A SARA LEE OR SARA LEE AFFILIATED PLAN

If you hold your shares of Sara Lee common stock as a participant in a Sara Lee or a Sara Lee affiliated company savings plan, you should follow the instructions sent to you separately by the plan trustees or administrator of the plan. Do not use the letter of transmittal to direct the tender of your shares of Sara Lee common stock. Only those shares that have been credited to your account before the expiration of the exchange offer are eligible to be tendered.

Various employee benefit plans of Sara Lee and/or its affiliates or related entities hold shares of our common stock. The table below indicates which of these plans and which plan participants are eligible to participate in the exchange offer.

PLAN	ELIGIBLE PARTICIPANTS	SHARES YOU MAY TENDER
Sara Lee Corporation Employee Stock Ownership Plan	Coach participants (current employees) only	All shares credited to accounts of current Coach employees prior to the expiration of exchange offer
Sara Lee Corporation 401(k) Supplemental Savings Plan	Coach participants (current employees) only	All shares credited to accounts of current Coach employees in the Sara Lee Common Stock Fund prior to the expiration of exchange offer
Sara Lee Corporation Employee Stock Purchase Plan	All	Purchase cycles completed prior to the expiration of the exchange offer
Sara Lee Corporation Dividend Reinvestment Plan	All	Purchase cycles completed prior to the expiration of the exchange offer
Sara Lee Corporation International Employee Stock Purchase Plan	All	Purchase cycles completed prior to the expiration of the exchange offer.
Sara Lee Corporation Personal Products Retirement Savings Plan of Puerto Rico	Coach participants (current employees) only	All shares credited to accounts of current Coach employees in the Sara Lee Common Stock Fund prior to the expiration of exchange offer
Chock full o'Nuts Employee Stock Ownership Plan	None	None
Money Accumulation Plan for Collectively Bargained Employees of Gallo Salame	None	None
Playtex Apparel Retirement Savings Plan for Hourly Puerto Rican Employees	None	None

State Street Bank and Trust Company, the trustee of Sara Lee's savings plans, is the registered owner of the shares of Sara Lee common stock that are held in the Sara Lee Corporation Employee Stock Ownership Plan, the Sara Lee Corporation 401(k) Supplemental Savings Plan and the Sara Lee Corporation Personal Products Retirement Savings Plan of Puerto Rico. Under the terms of these plans, the trustee is required to permit current Coach employees to instruct the trustee to tender in the exchange offer shares of Sara Lee common stock held in the plan on their behalf. These plans do not permit the trustee to allow the participants who are not current Coach employees to instruct the trustee to tender shares of Sara Lee common stock held in the plan on their behalf; however the trustee, in its discretion, may tender shares of Sara Lee common stock held on behalf of plan participants who are not current Coach employees. State Street Bank and Trust Company, acting as an independent fiduciary to each of these plans, has not yet decided whether it will tender shares of Sara Lee common stock held by it on behalf of plan participants who are not current Coach employees.

Holders of vested but unexercised options to purchase shares of Sara Lee common stock may exercise these options in accordance with the terms of our stock option plans and tender the shares of Sara Lee common stock received upon such exercise under the general instructions for tendering shares discussed above.

Restricted stock units or other stock equivalents granted under our long term incentive plans, deferred compensation program or other company plans are not eligible for tender in the exchange.

Trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity who sign the letter of transmittal, notice of guaranteed delivery or any certificates or stock powers must indicate the capacity in which they are signing, and must submit evidence of their power to act in that capacity unless waived by us.

If you validly tender your shares of Sara Lee common stock and the shares are accepted by us, there will be a binding agreement between you and us on the terms and subject to the conditions described in this document and in the accompanying letter of transmittal. A person who tenders shares of Sara Lee common stock for his or her own account violates federal securities law unless the person owns:

- the shares of Sara Lee common stock;

- other securities convertible into or exchangeable for the shares of Sara Lee common stock tendered; or

- an option, warrant or right to purchase the shares of Sara Lee common stock and intends to acquire the shares of Sara Lee common stock for tender by conversion or exchange of such securities or by exercise of such option, warrant or right.

Federal securities law provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

Do not send letters of transmittal and certificates for shares of Sara Lee common stock to us, Coach, Goldman Sachs, any plan administrator, the information agent or any soliciting dealer. These documents should be sent only to the exchange agent.

SPECIAL PROCEDURES FOR CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

If you wish to tender your shares of Sara Lee common stock in a jurisdiction other than the United States, you may need to follow certain special procedures, depending on the laws of the particular jurisdiction in which you tender your shares. For example, the laws of some foreign jurisdictions may require that a local bank or similar institution be engaged as a local exchange agent for that jurisdiction. If you wish to tender your shares of Sara Lee common stock in a jurisdiction other than the United States, you should also read carefully the information applicable to you in the section entitled "Certain Matters Relating to Foreign Jurisdictions" on page 42.

If you have questions concerning these special procedures, or if you plan to tender your shares from a jurisdiction other than the one indicated by your mailing address, please contact the exchange agent, Mellon Investor Services at (866) 825-8873 (toll-free) in the United States or at (201) 373-5549 from elsewhere.

IT IS UP TO YOU TO DECIDE HOW TO DELIVER YOUR SHARES OF SARA LEE COMMON STOCK AND ALL OTHER REQUIRED DOCUMENTS. IT IS YOUR RESPONSIBILITY TO ENSURE THAT ALL NECESSARY MATERIALS ARE PROPERLY COMPLETED AND RECEIVED BY THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE. IF THE EXCHANGE AGENT DOES NOT RECEIVE ALL OF THE REQUIRED MATERIALS BEFORE THE EXPIRATION DATE, YOUR SHARES WILL NOT BE VALIDLY TENDERED.

SARA LEE'S INTERPRETATIONS ARE BINDING

We will determine at our own discretion all questions as to the form of documents, including notices of withdrawal, and the validity, form, eligibility (including time of receipt) and acceptance for

exchange of any tender of shares of Sara Lee common stock. Our determination will be final and binding on all tendering stockholders. We reserve the absolute right to:

- reject any and all tenders of any shares of Sara Lee common stock not properly tendered;

- waive any defects or irregularities in the tender of shares of Sara Lee common stock or any conditions of the exchange offer either before or after the expiration date; and

- request any additional information from any record or beneficial owner of shares of Sara Lee common stock that we deem necessary.

None of us, Coach, Goldman Sachs, the information agent, the soliciting dealers, the exchange agent or any other person will be under any duty to notify tendering stockholders of any defect or irregularity in tenders or notices of withdrawal.

LOST OR DESTROYED CERTIFICATES

If your certificate representing shares of Sara Lee common stock has been mutilated, destroyed, lost or stolen and you wish to tender your shares, please notify Sara Lee's transfer agent in writing. You will receive an affidavit to complete, and you will be informed of the amount needed to pay for a surety bond for your lost shares. Upon receipt of the completed affidavit and surety bond payment and the completed letter of transmittal, your shares will be included in the exchange offer. If you wish to participate in the exchange offer, you will need to act quickly to ensure that the lost certificates can be replaced and delivered to the exchange agent prior to expiration of the exchange offer.

GUARANTEED DELIVERY PROCEDURE

If you wish to tender your shares of Sara Lee common stock but the shares are not immediately available, or time will not permit the shares or other required documentation to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, you may still tender your shares of Sara Lee common stock if:

- the tender is made through an eligible institution;

- the exchange agent receives from the eligible institution before the expiration of the exchange offer, a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us; and

- the exchange agent receives the certificates for all physically tendered shares of Sara Lee common stock, in proper form for transfer, or a book-entry confirmation, as the case may be, and a properly completed letter of transmittal and all other documents required by the letter of transmittal, within three NYSE trading days after the date of execution of the notice of guaranteed delivery.

You may deliver the notice of guaranteed delivery by hand, telegram or mail to the exchange agent and you must include a guarantee by an eligible institution in the form set forth in the notice.

WITHDRAWAL RIGHTS

You may withdraw tenders of shares of Sara Lee common stock at any time prior to the expiration date and, unless we have accepted your tender as provided in this document, you may also withdraw tenders of shares of Sara Lee common stock after the expiration of 40 business days from the commencement of the exchange offer. If we:

- delay our acceptance of shares of Sara Lee common stock for exchange;

- extend the exchange offer; or

- are unable to accept shares of Sara Lee common stock for exchange under the exchange offer for any reason,

then, without prejudice to our rights under the exchange offer, the exchange agent may, on our behalf, retain shares of Sara Lee common stock tendered, and such shares of Sara Lee common stock may not be withdrawn except as otherwise provided in this document, subject to provisions under the Securities Exchange Act that provide that an issuer making an exchange offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the exchange offer.

For a withdrawal to be effective, a written notice of withdrawal must be received by the exchange agent at one of its addresses set forth on the back cover of this document. The notice of withdrawal must:

- specify the name of the person having tendered the shares of Sara Lee common stock to be withdrawn;

- identify the number of shares of Sara Lee common stock to be withdrawn; and

- specify the name in which physical Sara Lee share certificates are registered, if different from that of the withdrawing holder.

If certificates for the shares of Sara Lee common stock have been delivered or otherwise identified to the exchange agent, then, before the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn, and a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If the shares of Sara Lee common stock have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at The Depository Trust Company to be credited with the withdrawn shares and otherwise comply with the procedures of such facility.

Any shares of Sara Lee common stock withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Properly withdrawn shares may be retendered by following one of the procedures described in the section entitled "Procedures for Tendering Shares of Sara Lee Common Stock" on page 32 at any time on or before the expiration date.

Except as otherwise provided above, any tender of shares of Sara Lee common stock made under the exchange offer is irrevocable.

BOOK-ENTRY ACCOUNTS

Physical certificates representing shares of Coach common stock will not be issued as a result of the exchange offer. Rather than issuing physical certificates for the shares of Coach common stock, the exchange agent will credit these shares to book-entry accounts maintained by Coach's transfer agent for the benefit of the respective holders. This method of holding stock eliminates the need for actual stock certificates to be issued and eliminates the requirements for physical movement of stock certificates at the time of sale. Promptly following the crediting of shares to your respective book-entry accounts, you will receive a Stock Distribution Statement from the exchange agent evidencing your holdings, as well as general information on the book-entry form of ownership.

You are not required to maintain a book-entry account and you may obtain a stock certificate for all or a portion of your shares of Coach common stock received as part of the exchange offer at no cost to you. Instructions describing how you can obtain stock certificates will be included with the Stock Distribution Statement mailed to you.

If you tender any shares of Sara Lee common stock that are not accepted for exchange, due to proration or otherwise, your shares of Sara Lee common stock will be returned to you in the same form in which they were tendered. If you tendered a stock certificate, your returned shares will be issued as a stock certificate. If your shares were tendered in book-entry form, the account that your shares were transferred from will be credited with the returned shares in book-entry form.

EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENT

We expressly reserve the right, in our sole discretion, for any reason, including the non-satisfaction of any of the conditions for completion described below, to extend the period of time during which the exchange offer is open or to amend the terms of the exchange offer in any respect, including changing the exchange ratio. We also expressly reserve the right to extend the period of time during which the exchange offer is open in the event the exchange offer is undersubscribed, that is, fewer than 41,402,285 shares of Sara Lee common stock are tendered. In any of these cases, we will make a public announcement of the extension or amendment promptly.

If we materially change the terms of or information concerning the exchange offer, we will extend the exchange offer. The SEC has stated that, as a general rule, it believes that an offer should remain open for a minimum of five business days from the date that notice of the material change is first given. The length of time will depend on the particular facts and circumstances. Subject to the preceding paragraph, the exchange offer will be extended so that it remains open for a minimum of ten business days following the announcement, if:

- we increase or decrease the number of shares of Coach common stock offered in exchange for each share of Sara Lee, the number of shares of Sara Lee common stock eligible for exchange, the minimum amount, or the dealer manager or solicitation fee; and

- the exchange offer is scheduled to expire within ten business days of announcing an increase or decrease.

If any of the conditions indicated in the next section have not been met, we reserve the right, in our sole discretion, so long as shares of Sara Lee common stock have not been accepted for exchange, to delay the acceptance of any shares of Sara Lee common stock or to terminate the exchange offer and not accept for exchange any shares of Sara Lee common stock.

If we extend the exchange offer, are delayed in accepting any shares of Sara Lee common stock or are unable to accept for exchange any shares of Sara Lee common stock under the exchange offer for any reason, then, without affecting our rights under the exchange offer, the exchange agent may, on our behalf, retain all shares of Sara Lee common stock tendered. These shares of Sara Lee common stock may not be withdrawn except as provided in the section entitled "Withdrawal Rights" on page 36. Our reservation of the right to delay acceptance of any shares of Sara Lee common stock is subject to applicable law, which requires that we pay the consideration offered or return the shares of Sara Lee common stock deposited promptly after the termination or withdrawal of the exchange offer.

We will issue a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day following any extension, amendment, non-acceptance or termination of the previously scheduled expiration date.

CONDITIONS FOR COMPLETION OF THE EXCHANGE OFFER

We may not complete the exchange offer if less than 37,262,057 shares of Sara Lee common stock are validly tendered. We refer to this number of shares as the "minimum amount." The minimum amount represents approximately 4.5% of the outstanding shares of Sara Lee common stock as of February 28, 2001 and constitutes a sufficient number of shares to ensure that at least 90% of the shares of Coach common stock owned by us are exchanged in the exchange offer.

We also may not accept shares for exchange and may terminate or not complete the exchange offer at any time prior to the expiration of the exchange offer, if:

- any action, proceeding or litigation against us or Coach seeking to enjoin, make illegal or delay completion of the exchange offer or otherwise relating in any manner to the exchange offer is instituted or threatened;

- any order, stay, judgment or decree is issued by any court, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction shall have been proposed, enacted, enforced or deemed applicable to the exchange offer, any of which would or might restrict, prohibit or delay completion of the exchange offer or impair the contemplated benefits of the exchange offer to us or Coach;

- we determine that any of the representations or undertakings made in connection with, or assumptions underlying, the IRS ruling or the opinion given by Skadden, Arps, Slate, Meagher & Flom (Illinois) regarding the tax-free nature of the exchange offer and spin-off is not true and correct in all material respects;

- any of the following occurs and the adverse effect of such occurrence shall, in our reasonable judgment, be continuing:

  - any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States,

  - any extraordinary or material adverse change in U.S. financial markets generally, including, without limitation, a decline of at least ten percent in either the Dow Jones Average of Industrial Stocks or the Standard & Poor's 500 Index from March 7, 2001,

  - a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States,

  - any limitation, whether or not mandatory, by any governmental entity on, or any other event that would reasonably be expected to materially adversely affect, the extension of credit by banks or other lending institutions,

  - a commencement of war or other national or international calamity directly or indirectly involving the United States, which would reasonably be expected to affect materially and adversely, or to delay materially, the completion of the exchange offer, or

  - if any of the situations above exist at the time of commencement of the exchange offer, a material deterioration in the situation;

- any tender or exchange offer, other than this exchange offer by us, with respect to some or all of the outstanding Coach common stock or Sara Lee common stock or any merger, acquisition or other business combination proposal involving Sara Lee or Coach, shall have been proposed, announced or made by any person or entity;

- any event or events occur that have resulted or may result, in our judgment, in an actual or threatened change in the business condition (financial or otherwise), income, operations,

stock ownership or prospects of Sara Lee and its subsidiaries, taken as a whole, or of Coach and its subsidiaries, taken as a whole; or

- as the term "group" is used in Section 13(d)(3) of the Securities Exchange Act,

  - any person, entity or group acquires more than five percent of the outstanding shares of Sara Lee common stock or Coach common stock, other than a person, entity or group which had publicly disclosed such ownership with the SEC prior to March 7, 2001,

  - any such person, entity or group which had publicly disclosed such ownership prior to such date shall acquire additional Sara Lee common stock or Coach common stock, as the case may be, constituting more than two percent of the outstanding shares of Sara Lee common stock or Coach common stock, or

  - any new group shall have been formed that beneficially owns more than five percent of the outstanding shares of Sara Lee common stock or shares of Coach common stock, which in our judgment in any such case, and regardless of the circumstances, makes it inadvisable to proceed with the exchange offer or accept any exchange of shares.

If any of the above events occur, we may:

- terminate the exchange offer and as promptly as practicable return all tendered shares of Sara Lee common stock to tendering stockholders;

- extend the exchange offer and, subject to the withdrawal rights described in "Withdrawal Rights" on page 36, retain all tendered shares of Sara Lee common stock until the extended exchange offer expires;

- amend the terms of the exchange offer; or

- waive the unsatisfied condition and, subject to any requirement to extend the period of time during which the exchange offer is open, complete the exchange offer.

These conditions are solely for our benefit. We may assert these conditions with respect to all or any portion of the exchange offer regardless of the circumstances giving rise to them. We may waive any condition in whole or in part at any time in our discretion. Our failure to exercise our rights under any of the above conditions does not represent a waiver of these rights. Each right is an ongoing right that may be asserted at any time. All conditions must be satisfied or waived prior to the expiration of the exchange offer. Any determination by us concerning the conditions described above will be final and binding on all parties.

If a stop order issued by the SEC is in effect with respect to the registration statement of which this document is a part, we will not accept any shares of Sara Lee common stock tendered and will not exchange shares of Coach common stock for any shares of Sara Lee common stock.

LEGAL LIMITATIONS

We are not offering to sell, and are not soliciting any offer to buy, any shares of Sara Lee common stock in any jurisdiction in which the offer or sale is not permitted.

For information regarding legal restrictions governing the exchange offer in certain foreign jurisdictions, see the section entitled "Certain Matters Relating to Foreign Jurisdictions--Legal Restrictions Governing the Exchange Offer."

FEES AND EXPENSES

Goldman Sachs is acting as the dealer manager in the exchange offer, in which capacity Goldman Sachs, will, among other things, solicit certain Sara Lee stockholders to tender their shares of Sara Lee common stock in the exchange offer. We will pay Goldman Sachs a fee of $5 million for serving as the dealer manager and providing financial advisory services in connection with the separation of Coach from Sara Lee. We also will reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including attorneys' fees, in connection with this exchange offer. We and Coach have also agreed to indemnify Goldman Sachs against certain liabilities, including civil liabilities under the federal securities laws, and to contribute to payments that Goldman Sachs may be required to make.

From time to time, we and Coach have retained Goldman Sachs to provide financial advisory and investment services. In addition, Goldman Sachs acted as a lead managing underwriter of Coach's initial public offering, for which Goldman Sachs received customary compensation. Goldman Sachs may, from time to time, hold shares of Sara Lee or Coach common stock in its proprietary accounts, and if it owns shares of Sara Lee common stock in these accounts at the time of the exchange offer, Goldman Sachs may tender these shares in the exchange offer. Joseph Ellis, a managing director of Goldman Sachs, also serves as a member of the board of directors of Coach.

We will pay to soliciting dealers (other than the dealer manager, who will be compensated as described above) solicitation fees of $0.25 per share of Sara Lee common stock, up to a maximum of 2,000 shares per tendering stockholder, for each share of Sara Lee validly tendered, not properly withdrawn and accepted for exchange if the soliciting dealer has affirmatively solicited and obtained this tender.

We will not pay a solicitation fee:

- in connection with a tender of shares of Sara Lee common stock by a stockholder tendering more than 2,000 shares of Sara Lee common stock; or

- in connection with a tender by a stockholder residing outside the United States.

Soliciting dealers include:

- any broker or dealer in securities who is a member of any national securities exchange in the United States or of the National Association of Securities Dealers, Inc.; or

- any bank or trust company located in the United States.

To receive a solicitation fee for the tender of shares of Sara Lee common stock, the exchange agent must receive a properly completed and duly executed letter of transmittal and a completed notice of solicitated tenders. If the letter of transmittal and the notice of solicitated tenders are not received within the time periods described in this offering circular-prospectus, no solicitation fee will be paid for such shares.

We will not pay a solicitation fee to a soliciting dealer if the soliciting dealer is required, for any reason, to transfer the amount of this fee to a tendering stockholder, other than itself. Soliciting dealers are not entitled to a solicitation fee on the shares of Sara Lee common stock that they beneficially own or for any shares registered in their name, unless they hold the shares as nominee and tender them for the benefit of beneficial holders identified in the letter of transmittal. Brokers, dealers, banks, trust companies or fiduciaries acting as soliciting dealers are not our agents or agents of Coach, the exchange agent, the dealer managers or the information agent. Under no circumstances will a fee be paid more than once with respect to any shares of Sara Lee common stock.

We have retained Morrow & Co., Inc. to act as information agent, and Mellon Investor Services LLC to act as exchange agent for the exchange offer. The information agent may contact holders of shares of Sara Lee common stock by mail, telephone, facsimile transmission and personal interviews. It may also request that brokers, dealers and other nominee stockholders forward materials relating to the exchange offer to beneficial owners.

The information agent and the exchange agent will each:

- receive reasonable and customary compensation for their respective services;

- be reimbursed for some reasonable out-of-pocket expenses; and

- be indemnified against certain liabilities in connection with their services, including liabilities under federal securities laws.

Neither the information agent nor the exchange agent has been retained to make solicitations or recommendations in their respective roles as information agent and exchange agent, and the fees to be paid to them will not be based on the number of shares of Sara Lee common stock tendered under the exchange offer. The exchange agent will, however, be compensated in part on the basis of the number of letters of transmittal received, among other things. The exchange agent, Mellon Investor Services, also serves as Coach's transfer agent and registrar.

We will not pay any fees or commissions to any broker or dealer or any other person, other than the dealer manager, the soliciting dealers, the information agent and the exchange agent, for soliciting tenders of shares of Sara Lee common stock under the exchange offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by us for reasonable and necessary costs and expenses that they incurred in forwarding materials to their customers.

Pursuant to the master separation agreement between us and Coach, except as otherwise provided in the agreement or the other ancillary agreements, we have agreed to pay all of the costs and expenses of both Coach and us in connection with the exchange offer, provided, however, that Coach will pay the fees and expenses of its independent accountants with respect to services they otherwise would perform in order for Coach to comply with its SEC filings, bank facilities or other reporting obligations, and we will pay the incremental fees and expenses of Coach's independent accountants incurred in connection with the exchange offer. Coach will also pay its own legal fees in connection with the exchange offer. For a more detailed description of the master separation agreement, see the section entitled "Agreements Between Sara Lee and Coach--Certain Relationships and Related Transactions" on page 120.

CERTAIN MATTERS RELATING TO FOREIGN JURISDICTIONS

LEGAL RESTRICTIONS GOVERNING THE EXCHANGE OFFER

As of January 31, 2000, there were Sara Lee stockholders with addresses of record in approximately 50 jurisdictions throughout the world. As a result, we are seeking to conduct the exchange offer on a global basis. However, we are not offering to sell, and are not soliciting any offer to buy, any shares of Sara Lee or Coach common stock in any foreign jurisdiction in which the offer or sale is not permitted. This document may not be distributed or forwarded to stockholders located in any jurisdiction where the exchange offer is not permitted.

In any jurisdiction where the securities or blue sky laws require the exchange offer to be made by a licensed broker or dealer, the exchange offer may be made on our behalf, but only with our prior written consent, by one or more registered brokers or dealers licensed under the laws of such jurisdiction. For more information, see the section of this offering circular-prospectus entitled "Exchange Offer--Special Procedures for Certain Jurisdictions Outside the United States."

AUSTRALIA. Sara Lee stockholders residing in Australia are advised that this offering circular-prospectus does not constitute a full disclosure document under Australian law. Sara Lee stockholders residing in Australia should read the additional disclosure provided with this offering circular-prospectus and filed with the Australian Securities and Investments Commission. Copies of this additional disclosure may be obtained by Australian residents from the exchange agent.

BAHAMAS. Sara Lee stockholders residing in the Bahamas and designated residents for purposes of the Exchange Control Department must obtain the approval of the Exchange Control Department of the Central Bank of the Bahamas prior to tendering their shares of Sara Lee common stock in the exchange offer.

CANADA. We have received orders from the local securities commissions in the provinces of Ontario, Quebec and British Columbia that the exchange offer shall be exempt from the requirements of applicable local securities laws regarding the conduct of issuer bids, provided that the exchange offer is made in compliance with the requirements of U.S. securities laws and that all material related to the exchange offer that is sent to Sara Lee stockholders residing in the United States is also sent to Sara Lee stockholders and the local securities commissions in each of those provinces. We have also received orders from the local securities commissions or regulators in each of the provinces and territories of Canada that the distribution of shares of Coach common stock pursuant to the exchange offer shall be exempt from registration and prospectus requirements under applicable local securities laws of those jurisdictions. You should not construe the granting of the foregoing relief as a certification of the accuracy, reliability or adequacy of the matters contained in this offering circular-prospectus or as to the investment quality of the securities offered by this offering circular-prospectus.

FRANCE. The exchange offer is made only to Sara Lee stockholders. The exchange offer as described in this offering circular-prospectus does not fall within the scope of French public offer rules.

NETHERLANDS. We have received a dispensation from the offering prohibition of Section 3 of the 1995 Act on the Supervision of the Securities Trade in the Netherlands. You should not construe the granting of dispensation as a certification of the accuracy, reliability or adequacy of the matters contained in this offering circular-prospectus or as to the investment quality of the securities offered by this offering circular-prospectus.

PHILIPPINES. The exchange offer is an exempt transaction under Section 10.1(c) of the Philippines Securities Regulation Code. Pursuant to the requirements of the Philippines Securities Regulation Code, we have filed a Notice of Exemption on Form 10-1 with the Philippines Securities and Exchange Commission. The shares of Coach common stock being offered or sold in the Philippines will not be registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale of the shares of Coach common stock in the Philippines is subject to registration requirements under the Philippines Securities Regulation Code unless such offer or sale qualifies as an exempt transaction.

SOUTH AFRICA. Sara Lee stockholders residing in South Africa must obtain the approval of the Exchange Control Department of the South African Reserve Bank prior to tendering their shares of Sara Lee common stock in the exchange offer.

SWITZERLAND. Sara Lee stockholders residing in Switzerland whose shares of Sara Lee common stock are held in name of a bank or broker should tender their shares of Sara Lee common stock in accordance with the instructions received from their bank or broker.

UNITED KINGDOM. Sara Lee stockholders are advised that the information contained in this offering circular-prospectus alone does not comply with all the content requirements of the Public

Offers of Securities Regulations 1995 (the "Regulations") and that, accordingly, this offering circular-prospectus does not constitute a prospectus for the purposes of the Regulations. However, when read together, the information contained in this offering circular-prospectus ("Part I of the UK Prospectus") and in the additional information required for the purpose of the offering of shares of Coach common stock in the United Kingdom ("Part II of the UK Prospectus") (collectively, the "UK Prospectus"), satisfies the content requirements of the Regulations.

In accordance with regulation 4(2) of the Regulations, a copy of the UK Prospectus was delivered to the registrar of companies in England and Wales for registration prior to its publication and such document is available to the public, free of charge, at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, One Canada Square, Canary Wharf, London E14 5DS from the time shares of Coach common stock are offered to the public in the United Kingdom for the first time until the end of the period during which the exchange offer remains open.

Sara Lee stockholders in the United Kingdom are advised that (i) in making any investment decision in connection with the offering by Sara Lee of shares of Coach common stock, no reliance should be placed on any document issued by or on behalf of Sara Lee and/or Coach, except the UK Prospectus and the letter of transmittal and (ii) any acceptance by them of the exchange offer is or will be made on the basis of a representation that in making any such investment decision, no reliance has been placed on any document issued by or on behalf of Sara Lee and/or Coach other than the UK Prospectus and the letter of transmittal.

This offering circular-prospectus and any other document relating to the exchange offer other than the UK Prospectus may only be issued and passed on in or into the United Kingdom to a person who is of a kind described in Article 3 or Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

CERTAIN FOREIGN OFFERING EXEMPTION JURISDICTIONS. In certain foreign jurisdictions, including Argentina, Aruba, Austria, the Bahamas, Bahrain, Barbados, Belgium, Bermuda, Chile, Costa Rica, Czech Republic, Denmark, Dominican Republic, Finland, France, Germany, Greece, Hong Kong, Honduras, Indonesia, Ireland, Israel, Italy, Japan, Jamaica, Liechtenstein, Mexico, The Netherlands, New Zealand, Nigeria, Norway, Portugal, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, United Arab Emirates and Thailand, we are conducting the exchange offer in reliance on a private placement or other similar exemption or exception under the applicable laws of such jurisdictions. In the event that we determine at any time that any such exemption or exception would not be available, we reserve the right in our sole and absolute discretion to determine not to conduct the exchange offer in such jurisdiction and to reject any tenders in such jurisdiction.

MATERIAL TAX CONSEQUENCES IN CERTAIN FOREIGN JURISDICTIONS

We briefly summarize below material tax consequences of the exchange offer for individual Sara Lee stockholders residing in:

- Australia;

- The Netherlands;

- Switzerland; and

- The United Kingdom.

We do not intend this summary to be a comprehensive discussion of the tax or legal consequences, or legal or tax advice to individual Sara Lee stockholders in any jurisdiction. As indicated below, the exchange offer and any subsequent spin-off may be treated as a taxable event in some jurisdictions. Additional disclosure may be provided in supplemental materials as required

by the law or practice of the relevant jurisdiction. You should consult with your tax advisor to determine the tax consequences for you as a result of your participation in the exchange offer or any subsequent spin-off before you decide to tender your shares of Sara Lee common stock.

AUSTRALIA. The exchange offer and any subsequent spin-off may be a taxable event for Sara Lee stockholders residing in Australia. Sara Lee stockholders residing in Australia should read the additional tax disclosure provided with this offering circular-prospectus to residents of Australia and filed with the Australian Securities and Investments Commission and should consult their tax advisors as to the particular Australian tax consequences to them.

THE NETHERLANDS. The exchange of shares of Sara Lee common stock for shares of Coach common stock in the exchange offer will not be a taxable event for individual Sara Lee stockholders residing in the Netherlands for Netherlands income tax purposes, except to the extent that shares of Sara Lee common stock are part of a substantial interest or part of business assets. Sara Lee stockholders residing in the Netherlands should read the additional tax disclosure provided with this offering circular-prospectus to residents of the Netherlands and filed with the Netherlands Securities Board and should consult their tax advisors as to the particular Dutch tax consequences to them. Residents of the Netherlands may obtain copies of this offering circular-prospectus and the additional tax disclosure from the information agent.

SWITZERLAND. In Switzerland, the exchange of shares of Sara Lee common stock for shares of Coach common stock in the exchange offer is not a tax-neutral company restructuring under the Code on Direct Federal Taxes of 1990 and, therefore, may not be exempt from taxation. Sara Lee stockholders residing in Switzerland should consult their tax advisors to determine whether they will incur taxes as a result of their participation in the exchange offer and any subsequent spin-off.

THE UNITED KINGDOM. Sara Lee stockholders who are residents or ordinarily residents for tax purposes in the United Kingdom and who participate in the exchange offer and any subsequent spin-off may incur tax liability. Sara Lee stockholders who are residents or ordinarily residents for tax purposes in the United Kingdom should read the additional tax disclosure contained in Part II of the UK Prospectus (see "Certain Matters Relating to Foreign Jurisdictions -- Legal Restrictions Governing the Exchange Offer -- United Kingdom") and should consult their own tax advisors concerning their individual tax consequences for them from their participation in the exchange offer and any subsequent spin-off.

ALL SARA LEE STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE EXCHANGE OFFER AND ANY SUBSEQUENT SPIN-OFF IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES IN THE JURISDICTIONS IN WHICH THEY MAY BE SUBJECT TO TAXATION.

If the exchange offer is completed and less than all of Sara Lee's 35,026,333 shares of Coach are exchanged, we will distribute all the remaining shares of Coach common stock that we own, pro rata, to those that remain Sara Lee stockholders following completion of the exchange offer. Any distribution will be made to our stockholders of record at the close of business on a date to be determined following the completion of the exchange offer. We refer to this distribution as the spin-off. As soon as practicable after we have determined the record date for any spin-off, we will publicly announce the record date and the date of the spin-off.

We will not distribute fractional shares under the spin-off. The exchange agent, acting as agent for the Sara Lee stockholders otherwise entitled to receive fractional shares, will aggregate all fractional shares and sell them for the accounts of these stockholders. The proceeds that the exchange agent may realize from the sale of the fractional shares will be distributed, net of commissions, to each stockholder entitled thereto in accordance with the stockholder's fractional interest. None of us, Coach, the exchange agent, the soliciting dealers or the dealer manager will guarantee any minimum proceeds from the sale of fractional shares of Coach common stock, and no interest will be paid on these proceeds.

MARKET PRICES AND DIVIDEND INFORMATION

SHARES OF SARA LEE COMMON STOCK

The following table describes the per share range of high and low closing sale prices for Sara Lee common stock for the fiscal periods indicated, as reported by the New York Stock Exchange. Sara Lee common stock is listed under the symbol "SLE" on the New York, Chicago and Pacific stock exchanges. The stock is also traded in London and Amsterdam, on the Swiss Exchange and on the Paris Bourse.

SARA LEE CORPORATION PRICE RANGE AND DIVIDENDS	NYSE PRICE HIGH	NYSE PRICE LOW	CASH DIVIDEND PER SHARE
Fiscal Year 1998			
1st Quarter	$26.13	$19.50	$0.105
2nd Quarter	28.50	23.75	0.115
3rd Quarter	31.16	26.59	0.115
4th Quarter	31.81	28.22	0.115
Fiscal Year 1999			
1st Quarter	29.59	22.16	0.115
2nd Quarter	30.81	26.13	0.125
3rd Quarter	29.88	23.50	0.125
4th Quarter	26.31	21.50	0.125
Fiscal Year 2000			
1st Quarter	24.44	21.19	0.125
2nd Quarter	27.50	21.06	0.135
3rd Quarter	22.00	13.38	0.135
4th Quarter	19.44	14.56	0.135
Fiscal Year 2001			
1st Quarter	20.81	17.44	0.135
2nd Quarter	25.31	19.00	0.145
3rd Quarter (until March 5, 2001)	24.75	20.40	0.145

The number of holders of record of shares of Sara Lee common stock as of February 2, 2001 was 79,758.

On March 5, 2001, the closing sale price per common share of Sara Lee, as reported by the NYSE was $21.00. You should obtain current market quotations for shares of Sara Lee common stock. No one can assure you what the market price of shares of Sara Lee common stock will be before, on or after the date on which the exchange offer is completed.

SHARES OF COACH COMMON STOCK

The following table describes, for the period indicated, the per share range of high and low sale prices for shares of Coach common stock, as reported by the NYSE. Prior to October 5, 2000, Coach did not have shares that traded on the public markets. In October 2000, Coach completed its initial public offering of approximately 8.5 million shares and began trading on the NYSE under the symbol "COH."

COACH, INC. PRICE RANGE AND DIVIDENDS	NYSE PRICE HIGH	NYSE PRICE LOW	CASH DIVIDEND PER SHARE
Fiscal Year 2001			
2nd Quarter (from October 5, 2000)	$29.38	$16.00	$ --
3rd Quarter (until March 5, 2001)	$38.40	$22.00	$ --

The number of registered holders of Coach common stock as of February 2, 2001 was 29.

On March 5, 2001, the closing sale price per share of Coach common stock, as reported on the NYSE was $28.03. You should obtain current market quotations for shares of Coach common stock. No one can assure you what the market price of shares of Coach common stock will be before, on or after the date on which the exchange offer is completed.

DIVIDEND POLICIES

Sara Lee currently pays a quarterly dividend of $.145 per share of Sara Lee common stock and has declared a quarterly dividend for 220 consecutive quarters. On January 25, 2001, Sara Lee declared a dividend of $.145 per share of common stock payable on April 3, 2001 to holders of record on March 1, 2001. If you owned shares of Sara Lee common stock at the close of business on March 1, 2001 you will be entitled to receive the dividend for each share you owned, even if you tender all or some of those shares in the exchange offer. After the consummation of the exchange offer, stockholders whose shares of Sara Lee common stock are exchanged in this exchange offer will not be entitled to any future dividend on such shares. Sara Lee stockholders will continue to receive any dividends with respect to shares of Sara Lee common stock which are not exchanged pursuant to the exchange offer.

The payment of dividends by Sara Lee in the future will depend upon the business conditions, Sara Lee's financial condition and earnings and other factors. There can be no assurances as to the payment of dividends in the future, and the actual amount of dividends paid, if any, may be more or less than the amount discussed above.

Coach does not currently pay dividends on its shares and has stated that it does not anticipate paying cash dividends for the foreseeable future. Coach intends to retain future earnings for the development and growth of its business. In July 2000, Coach entered into a revolving credit facility with us under which it may borrow up to $75 million. This credit facility was paid off and terminated on February 27, 2001. To provide funding for working capital for operations and general corporate purposes, Coach, certain lenders and Fleet National Bank, as a lender and administrative agent, entered into a syndicated senior unsecured revolving credit facility for $100 million on February 27, 2001. This credit facility prohibits Coach from paying dividends while the credit facility is in place, with certain exceptions.

CAPITALIZATION

The following tables set forth the capitalization of Sara Lee and Coach as of December 30, 2000. The capitalization of Sara Lee is presented:

- On an actual basis, and
- On a pro forma basis to reflect;
  - The elimination of Coach from Sara Lee's consolidated financial statements;
  - A reduction in the number of outstanding shares of Sara Lee common stock assuming the exchange offer is fully-subscribed; and
  - Interest savings from Sara Lee's repayment of debt with cash received from Coach's repayment of indebtedness to Sara Lee and its subsidiary.

Sara Lee currently holds 35,026,333 shares of Coach common stock. Using the exchange ratio of 0.846 shares of Coach common stock per share of Sara Lee common stock, up to 41,402,285 shares of Sara Lee common stock could be accepted under this offer. This exchange offer is conditioned on at least 37,262,057 shares of Sara Lee common stock being validly tendered and not properly withdrawn. If more than 37,262,057 shares of Sara Lee common stock but fewer than 41,402,285 shares of Sara Lee common stock are validly tendered and not properly withdrawn and the other conditions of the exchange offer are satisfied or waived, Sara Lee will accept all shares validly tendered and not properly withdrawn. Sara Lee will distribute any remaining shares of Coach common stock that it continues to own following the exchange offer to its remaining shareholders on a pro rata basis, as of a record date to be determined following the completion of the exchange offer.

For purposes of the capitalization and pro forma financial information, 41,402,285 shares of Sara Lee common stock are assumed to be validly tendered.

The capitalization of Coach is presented:

- On an actual basis, and
- On a pro forma basis to reflect;
  - Coach's assumption of $190 million of debt to a subsidiary of Sara Lee which was partially repaid with the net proceeds of the initial public offering of $122 million, resulting in debt of $68 million.
  - The repayment by Coach of the remaining indebtedness to Sara Lee and its subsidiary upon completion of the exchange offer; and
  - Repayment of $14 million borrowed from Sara Lee by additional borrowings from outside lenders.

For a further description of pro forma adjustments, see the Unaudited Pro Forma Condensed and Consolidated Financial Information section of this prospectus.

The pro forma information is provided to aid in your analysis of the financial aspects of the exchange offer and is presented to show you what Sara Lee and Coach might have looked like if the transactions described in this offering circular-prospectus had occurred at the times outlined above. You should not rely on the Sara Lee and Coach information as being indicative of the historical results that would have been achieved had the transactions described in this offering circular-prospectus occurred at the times outlined above. Furthermore, this information may not necessarily reflect the results of operations, financial position and cash flows of Sara Lee and Coach in the future.

SARA LEE CORPORATION

	DECEMBER 30, 2000	
	ACTUAL	PRO FORMA
	(IN MILLIONS)	
	(UNAUDITED)	(UNAUDITED)
Notes payable	$ 592	$ 578
Long-term debt(1)	3,428	3,428
Total debt	4,020	4,006
Preferred stock: (authorized 13,500,000 shares; no par value)		
ESOP convertible preferred, 3,406,992 issued and outstanding	247	247
Unearned deferred compensation	(225)	(225)
Common stock: (authorized 1,200,000,000 shares; $.01 par value) issued -- 827,071,836 shares on an actual basis, 785,669,551 on a pro forma basis	8	8
Capital surplus	--	--
Retained earnings	2,744	2,626
Accumulated comprehensive loss	(1,235)	(1,235)
Total equity	1,539	1,421
Total capitalization	$ 5,559	$ 5,427

COACH, INC.

	DECEMBER 30, 2000	
	ACTUAL	PRO FORMA
	(IN THOUSANDS)	
	(UNAUDITED)	(UNAUDITED)
Notes receivable from Sara Lee	$(31,895)	$ --
Note payable to a Sara Lee subsidiary	46,000	--
Long-term debt(1)	3,775	17,880(2)
Total debt	49,775	17,880
Preferred stock: (authorized 25,000,000 shares; $.01 par value) None issued	--	--
Common stock: (authorized 100,000,000 shares; $.01 par value) 43,513,333 shares issued and outstanding, on an actual basis and pro forma basis	435	435
Capital surplus	127,680	127,680
Accumulated comprehensive loss	(241)	(241)
Total equity	127,874	127,874
Total capitalization	$145,754	$145,754

- ----------

(1) Long-term debt includes current maturities of long-term debt.

(2) Coach has entered into a revolving credit facility that will be in effect prior to the completion of the exchange offer and will be used to repay Sara Lee a net total of $14.1 million due to Sara Lee under the revolving credit agreement with Sara Lee.

UNAUDITED PRO FORMA CONDENSED AND CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed and consolidated financial statements for Sara Lee and Coach give effect to the transactions and events described below and in the notes to the unaudited pro forma condensed and consolidated financial statements, including the exchange of 0.846 shares of Coach common stock for each share of Sara Lee common stock tendered. The unaudited pro forma condensed and consolidated statements of income assume that the transactions and events occurred on July 4, 1999. The unaudited pro forma condensed and consolidated balance sheet assumes that these transactions and events occurred on December 30, 2000.

SARA LEE

The Sara Lee unaudited pro forma information gives effect to the following transactions and events:

- the elimination of Coach from Sara Lee's consolidated financial statements;

- a reduction in the number of outstanding shares of Sara Lee common stock assuming the exchange offer is fully-subscribed;

- interest savings from Sara Lee's repayment of debt with cash received from Coach's repayment of indebtedness to Sara Lee and its subsidiary; and

- interest savings from Sara Lee's repayment of approximately $1.1 billion of debt with the after tax cash proceeds from the sale of its PYA/Monarch foodservice distribution business.

Sara Lee currently holds 35,026,333 shares of Coach common stock. Using the exchange ratio of 0.846 shares of Coach common stock per share of Sara Lee common stock, up to 41,402,285 shares of Sara Lee common stock could be accepted under this offer. This exchange offer is conditioned on at least 37,262,057 shares of Sara Lee common stock being validly tendered and not properly withdrawn. If more than 37,262,057 shares of Sara Lee common stock but fewer than 41,402,285 shares of Sara Lee common stock are validly tendered and not properly withdrawn and the other conditions of the exchange offer are satisfied or waived, Sara Lee will accept all shares validly tendered and not properly withdrawn. Sara Lee will distribute any remaining shares of Coach common stock that it continues to own following the exchange offer to its remaining shareholders on a pro rata basis, as of a record date to be determined following the completion of the exchange offer.

For purposes of the pro forma financial information, 41,402,285 shares of Sara Lee common stock are assumed to be validly tendered. The number of shares of Sara Lee common stock assumed to be exchanged for purposes of the Sara Lee pro forma data may not be indicative of the actual number of shares of Sara Lee common stock that may be exchanged pursuant to the exchange offer.

COACH

The Coach unaudited pro forma information gives effect to the following transactions and events:

- Coach's assumption of $190 million of debt to a subsidiary of Sara Lee which was partially repaid with the net proceeds of the initial public offering of $122 million, resulting in debt of $68 million;

- the repayment by Coach of the remaining indebtedness to Sara Lee and its subsidiary upon completion of the exchange offer;

- interest expense and other costs, increased fees and expenses related to the separation of Coach from Sara Lee and certain tax effects resulting from these items; and

- on October 2, 2000, Coach's payment of a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding, and in October 2000, Coach's sale of 8,487,000 shares of common stock in an initial public offering.

The pro forma assumptions are based on available information and certain estimates and assumptions. Therefore, the actual adjustments will differ from the pro forma adjustments. Sara Lee and Coach believe that such assumptions provide a reasonable basis for presenting all of the significant effects of the transactions in the pro forma condensed and consolidated financial statements. Historical amounts for Sara Lee are contained in Sara Lee's Annual Report on Form 10-K for fiscal year 2000 and Quarterly Report on Form 10-Q for the period ended December 30, 2000, which have been incorporated into this document by reference. Historical amounts for Coach were derived from the historical consolidated financial statements included elsewhere in this offering circular-prospectus.

The pro forma information is provided to aid in your analysis of the financial aspects of the exchange offer and is presented to show you what Sara Lee and Coach might have looked like if the transactions described in this offering circular-prospectus had occurred at the times outlined above. You should not rely on the Sara Lee and Coach information as being indicative of the historical results that would have been achieved had the transactions described in this offering circular-prospectus occurred at the times outlined above. Furthermore, this information may not necessarily reflect the results of operations, financial position and cash flows of Sara Lee and Coach in the future.

SARA LEE CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FISCAL YEAR ENDED JULY 1, 2000

	ACTUAL	IPO ADJUSTMENTS	SUBTOTAL	COACH ELIMINATIONS(3)	EXCHANGE OFFER ADJUSTMENTS	SUBTOTAL	PYA ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(dollars and shares in millions, except per share amounts)							
Net sales	$17,511	$ --	$17,511	$(549)	$ --	$16,962	$ --	$16,962
Cost of sales	10,100	--	10,100	(220)	--	9,880	--	9,880
Gross profit	7,411	--	7,411	(329)	--	7,082	--	7,082
Selling, general and administrative expenses	5,668	--	5,668	(273)	--	5,395	--	5,395
Operating income	1,743	--	1,743	(56)	--	1,687	--	1,687
Interest income	76	--	76	--	--	76	--	76
Interest expense	(252)	7(1)	(245)	--	4(5)	(241)	68(7)	(173)
Income before income taxes	1,567	7	1,574	(56)	4	1,522	68	1,590
Income taxes	409	3(2)	412	(17)(4)	2(2)	397	27(2)	424
Income from continuing operations	1,158	4	1,162	(39)	2	1,125	41	1,166
Preferred stock dividends	(12)	--	(12)	--	--	(12)	--	(12)
Income from continuing operations available to common stockholders	$ 1,146	$ 4	$ 1,150	$ (39)	$ 2	$ 1,113	$ 41	$ 1,154
Income from continuing operations per share								
-- Basic	$ 1.31							$ 1.38
-- Diluted	$ 1.27							$ 1.34
Basic shares outstanding	875				(41)(6)			834
Diluted shares outstanding	912				(41)(6)			871

The accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements
are an integral part of these statements

SARA LEE CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000

	ACTUAL	IPO ADJUSTMENTS	SUBTOTAL	COACH ELIMINATIONS(3)	EXCHANGE OFFER ADJUSTMENTS	SUBTOTAL	PYA ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(dollars in millions, except per share amounts)							
Net sales	$9,212	$ --	$9,212	$(349)	$ --	$8,863	$ --	$8,863
Cost of sales	5,342	--	5,342	(124)	--	5,218	--	5,218
Gross profit	3,870	--	3,870	(225)	--	3,645	--	3,645
Selling, general and administrative expenses	3,014	--	3,014	(151)	--	2,863	--	2,863
Unusual items	215	--	215	--	--	215	--	215
Operating income	641	--	641	(74)	--	567	--	567
Interest income	39	--	39	--	--	39	--	39
Interest expense	(151)	2(1)	(149)	2	1(5)	(146)	29(7)	(117)
Income before income taxes	529	2	531	(72)	1	460	29	489
Income taxes	140	1(2)	141	(27)(4)	--	114	12(2)	126
Income from continuing operations	389	1	390	(45)	1	346	17	363
Preferred stock dividend	6	--	6	--	--	6	--	6
Income from continuing operations available to common stockholders	$ 383	$ 1	$ 384	$ (45)	$ 1	$ 340	$ 17	$ 357
Income from continuing operations per share								
-- Basic	$ 0.46							$ 0.45
-- Diluted	$ 0.44							$ 0.44
Basic shares outstanding	836				(41)(6)			795
Diluted shares outstanding	873				(41)(6)			832

The accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements
are an integral part of these statements

SARA LEE CORPORATION
UNAUDITED PRO FORMA CONDENSED AND CONSOLIDATED BALANCE SHEET
DECEMBER 30, 2000

	ACTUAL	EXCHANGE OFFER ADJUSTMENTS		PRO FORMA AS ADJUSTED
		DEBT ADJUSTMENTS	SHARE EXCHANGE	
	(dollars in millions)			
ASSETS				
Investment in Coach	$ 128	$ --	$ (128)(6)	$ --
Other current assets	5,905	--	--	5,905
Total Current Assets	6,033	--	(128)	5,905
Trademarks and other assets	639	--	--	639
Property, net	2,140	--	--	2,140
Deferred income taxes	--	--	--	--
Intangible assets, net	2,674	--	--	2,674
Note receivable from Coach	46	(46)(8)	--	--
Total assets	$11,532	$ (46)	$ (128)	$11,358
LIABILITIES AND STOCKHOLDERS' EQUITY				
Notes payable	$ 592	$ (14)(8)	$ --	$ 578
Notes payable to Coach	32	(32)(8)		--
Current maturities of long-term debt	283	--	--	283
Other current liabilities	4,272	--	15(6)	4,287
Total current liabilities	5,179	(46)	15	5,148
Long-term debt	3,145	--	--	3,145
Deferred income taxes	437	--	--	437
Other liabilities	582	--	--	582
Minority interest in subsidiaries	650	--	(25)(6)	625
Unearned deferred compensation	(225)	--	--	(225)
Preferred stock (authorized 13,500,000 shares, no par value)				
ESOP convertible preferred, 3,406,992 issued and outstanding	247	--	--	247
Common stock (authorized 1,200,000,000 shares; $.01 par value) issued --827,071,836 shares on an actual basis, 785,669,551, on a pro forma as adjusted basis	8	--	--	8
Capital surplus	--	--	--	--
Retained earnings	2,744	--	(118)(6)	2,626
Accumulated other comprehensive loss	(1,235)	--	--	(1,235)
Total equity	1,764	--	(118)	1,646
Total liabilities and common stockholders' equity	$11,532	$ (46)	$ (128)	$11,358

The accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements
are an integral part of these statements

SARA LEE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENT FOOTNOTES

(1) On October 2, 2000, in accordance with the Sara Lee and Coach separation agreements, Coach assumed $190 million of indebtedness to a subsidiary of Sara Lee, resulting in a corresponding reduction in equity. Coach's sale of 8,487,000 shares of common stock in an initial public offering at a price of $16.00 per share resulted in net offering proceeds of $122 million after deducting the underwriting discount and estimated offering expenses. Coach's $122 million of net proceeds were used to repay a portion of its $190 million of indebtedness to a subsidiary of Sara Lee. These proceeds were used by Sara Lee to repay indebtedness resulting in interest savings of $7 million, calculated using an actual average commercial paper interest rate for fiscal year 2000 of 5.7%. The interest savings for the twenty-six weeks ended December 30, 2000 is $2 million, calculated using the actual average commercial paper interest rate of 6.5%. These interest savings are net of actual interest savings incurred during the period resulting from payments made by Coach.

Sara Lee recorded a gain of $105 million resulting from Coach's sale of 8,487,000 shares in the initial public offering. This gain is not a recurring transaction and not included in the pro forma income statement.

(2) The effect of taxes on the pro forma income statement adjustments has been reflected using a marginal incremental tax rate of 40% representing the U.S. statutory tax rate of 35% plus a marginal state tax rate of 5%.

(3) Represents Coach's statement of operations data and balance sheet which will not be consolidated in Sara Lee's consolidated financial statements subsequent to completion of the exchange offer.

(4) The effect on income taxes from the removal of Coach from the consolidated Sara Lee financial statements by comparing Sara Lee's tax provision with and without Coach.

(5) Subsequent to the initial public offering, Coach is indebted to a subsidiary of Sara Lee in the amount of $68 million on the remaining balance of the indebtedness assumed by Coach prior to the initial public offering. The unpaid balance on this note becomes due upon the completion of the exchange offer resulting in repayment to a subsidiary of Sara Lee. Sara Lee will use the proceeds to repay commercial paper indebtedness resulting in interest savings of $4 million, calculated using an actual average commercial paper interest rate for fiscal year 2000 of 5.7%. Interest savings for the twenty-six weeks ended December 30, 2000 is $1 million, calculated using the actual average commercial paper interest rate of 6.5%. These interest savings are net of actual interest savings incurred during the period resulting from payments made by Coach.

(6) The exchange offer adjustments assume that the exchange offer is fully-subscribed and that 41,402,285 shares of Sara Lee common stock are validly tendered and cancelled by Sara Lee using the exchange ratio of 0.846 shares of Coach common stock per share of Sara Lee. This transaction results in an after-tax gain of $864 million to Sara Lee, a reduction of 41,402,285 in the number of outstanding shares of Sara Lee, and the elimination of the investment in Coach and related minority interest. Sara Lee's gain from the exchange offer will not be subject to income taxes. The gain recorded by Sara Lee upon completion of the exchange offer is calculated as the difference between the net carrying value of Sara Lee's investment in Coach of $103 million and the market value of the shares of Coach held by Sara Lee prior to the exchange offer, less the direct expenses of the exchange offer of $15 million. An accrued liability for $15 million has been recorded for these direct expenses. This gain is not a recurring transaction and thereby is excluded from the pro forma income statement. The share price for Coach common stock assumed for recording the exchange offer gain is $28.03 per

share. Using $28.03 as the Coach share price and 35,026,333 as the number of Coach shares exchanged results in a value for the Sara Lee shares of $982 million. The value of the Sara Lee shares canceled is recorded in retained earnings net of the $864 million gain on the exchange offer.

If the exchange offer is 90% subscribed with 37,262,057 shares of Sara Lee common stock being validly tendered, the remaining 3,502,633 shares of Coach common stock held by Sara Lee will be distributed to those persons who remain Sara Lee stockholders after the exchange offer, on a pro rata basis, in the form of a stock dividend. The exchange offer is conditioned on the fact that the offer is at least 90% subscribed. However, Sara Lee may waive this condition. Assuming the exchange offer was 90% subscribed the gain recognized would be calculated as the difference between 90% of the net carrying value of Sara Lee's investment in Coach of $103 million and the market value of 31,523,700 shares (90% of the 35,206,333 shares held by Sara Lee) of Coach prior to the exchange offer, less the direct expenses of the exchange offer of $15 million, resulting in a pre-tax gain of $776 million. This transaction is tax-free and no tax provision will be provided on the gain. The distribution of the 3,502,633 shares of Coach common stock in the form of a pro rata stock dividend will be accounted for at historical cost and the value of the dividend will be equal to $10.3 million or 10% of the net carrying value of Sara Lee's investment in Coach.

Assuming the exchange offer was 90% subscribed, pro forma net income per share (excluding the one time gain from the exchange offer) would be as follows:

	FISCAL YEAR ENDED JULY 1, 2000	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Pro forma net income per share basic...	$ 1.38	$ 0.45
Pro forma net income per share diluted...	1.33	0.43

(7) On December 4, 2000, Sara Lee completed the sale of its PYA/Monarch foodservice operation resulting in an after tax gain of $638 million. The gross cash proceeds on the date of sale of $1,559 million are used to repay commercial paper borrowings in notes payable that generate an interest savings. The $488 million tax obligation from the PYA/Monarch sale is due 90 days subsequent to the closing resulting in an additional commercial paper borrowing recorded in notes payable. Using the sale proceeds to repay Sara Lee borrowings and subsequent additional borrowings to pay the tax obligation generates net interest savings of $68 million in fiscal year 2000, calculated using an actual average commercial paper interest rate of 5.7%. Interest savings for the twenty-six weeks ended December 30, 2000 is $29 million, calculated using the actual average commercial paper interest rate of 6.5%. These interest savings are net of actual interest savings reported during the period resulting from the actual repayment of debt.

The PYA/Monarch foodservice distribution business represented a reportable segment of Sara Lee and has been treated as a discontinued operation in the consolidated financial statements. Summarized financial information for this segment is as follows:

(IN MILLIONS)	FISCAL YEAR 2000	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Sales	$2,903	$1,354
Income tax expense	43	17
Income from discontinued operations, net of tax	64	25

(8) Prior to the completion of the exchange offer, Sara Lee will repay the $32 million owed to Coach. At the same time, the note receivable that Sara Lee has recorded from Coach will mature and Coach will repay the $46 million owed to Sara Lee. To facilitate these repayments the $32 million owed to Coach by Sara Lee will be netted against the $46 million Coach owes to Sara Lee resulting in a net receipt of cash from Coach of $14 million. This $14 million will be used by Sara Lee to immediately repay notes payable.

COACH, INC.
UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME
FISCAL YEAR ENDED JULY 1, 2000

	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	SUBTOTAL	EXCHANGE OFFER ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(dollars and shares in thousands, except per share amounts)				
Net sales	$548,918	$ --	$548,918	$ --	$548,918
Cost of sales	220,085	--	220,085	--	220,085
Gross profit	328,833	--	328,833	--	328,833
Selling, general and administrative expenses	272,816	--	272,816	1,665(4)	274,481
Operating income	56,017	--	56,017	(1,665)	54,352
Interest income	33	1,514 (1)	1,547	--	1,547
Interest expense	(420)	(5,227)(2)	(5,647)	(320)(5)	(5,967)
Income before income taxes	55,630	(3,713)	51,917	(1,985)	49,932
Income taxes	17,027	(1,485)(3)	15,542	(794)(3)	14,748
Net income	$ 38,603	$(2,228)	$ 36,375	$(1,191)	$ 35,184
Actual and unaudited pro forma as adjusted basic net income per share, respectively	$ 1.10				$ 0.81(6)
Actual and unaudited pro forma as adjusted diluted net income per share, respectively	$ 1.10				$ 0.81(6)
Shares used in computing actual and unaudited pro forma as adjusted basic net income per share, respectively	35,026				43,513(6)
Shares used in computing actual and unaudited pro forma as adjusted diluted net income per share, respectively	35,026				43,513(6)

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

COACH, INC.
UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME
TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000

	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	SUBTOTAL	EXCHANGE OFFER ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(dollars and shares in thousands, except per share amounts)				
Net sales	$348,710	$ --	$348,710	$ --	$348,710
Cost of sales	123,710	--	123,710	--	123,710
Gross profit	225,000	--	225,000	--	225,000
Selling, general and administrative expenses	146,546	--	146,546	750 (4)	147,296
Reorganization costs	4,950	--	4,950	--	4,950
Operating income	73,504	--	73,504	(750)	72,754
Interest income	154	--	154	--	154
Interest expense	(1,666)	(1,040)(2)	(2,706)	(160)(5)	(2,866)
Income before income taxes	71,992	(1,040)	70,952	(910)	70,042
Income taxes	25,197	(416)(3)	24,781	(364)(3)	24,417
Net income	$ 46,795	$ (624)	$ 46,171	$ (546)	$ 45,625
Actual and unaudited pro forma as adjusted basic net income per share, respectively	$ 1.19				$ 1.05 (6)
Actual and unaudited pro forma as adjusted diluted net income per share, respectively	$ 1.18				$ 1.04 (6)
Shares used in computing actual and unaudited pro forma as adjusted basic net income per share, respectively	39,270				43,513 (6)
Shares used in computing actual and unaudited pro forma as adjusted diluted net income per share, respectively	39,769				44,013 (6)

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

COACH, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEET
DECEMBER 30, 2000

	ACTUAL	EXCHANGE OFFER ADJUSTMENTS	PRO FORMA AS ADJUSTED
		(dollars in thousands)	
ASSETS			
Receivable from Sara Lee	$ 31,895	$(31,895)(7)	$ --
Other current assets	154,196	--	154,196
Total current assets	186,091	(31,895)	154,196
Trademarks and other assets	10,219	--	10,219
Property, net	69,383	--	69,383
Deferred income taxes	13,264	--	13,264
Goodwill, net	5,075	--	5,075
Total assets	$284,032	$(31,895)	$252,137
LIABILITIES AND STOCKHOLDERS' EQUITY			
Note payable to Sara Lee	$ 46,000	$(46,000)(7)	$ --
Current maturities of long-term debt	45	--	45
Other current liabilities	104,108	--	104,108
Total current liabilities	150,153	(46,000)	104,153
Long-term debt	3,730	14,105 (7)	17,835
Other liabilities	2,275	--	2,275
Preferred stock (authorized 25,000,000 shares; $.01 par value)			
None issued	--	--	--
Common Stock (authorized 100,000,000 shares; $.01 par value) issued -- 43,513,333 shares on an actual basis and on a pro forma as adjusted basis	435	--	435
Capital Surplus	127,680	--	127,680
Accumulated other comprehensive loss	(241)	--	(241)
Total equity	127,874	--	127,874
Total liabilities and common stockholders' equity	$284,032	$(31,895)	$252,137

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

- ------------------------

(1) During fiscal years 2000 and 2001, Coach participated in the Sara Lee cash concentration system in which all cash balances of Coach are deposited with Sara Lee and netted against any borrowings or billings that are provided by Sara Lee. During fiscal year 2000, Coach had both receivables and payables to Sara Lee under this system and no interest was charged or received on these balances. Starting in fiscal year 2001, interest began to accrue on these balances. Upon the completion of the exchange offer, Coach will no longer participate in the Sara Lee cash concentration system and will have borrowings from a third party lender and deposits with a third party institution.

Interest income is calculated using the LIBOR interest rate on February 15, 2001. Using the actual operating and investing cash flows that Coach had from Sara Lee in fiscal year 2000 and a LIBOR minus 20 basis point interest rate of 5.4%, results in interest income of $1.5 million. A 1/8 percentage point change in the LIBOR interest rate would result in a $0.035 million change in interest income.

(2) Coach has entered into a revolving credit facility with an outside lender that became effective on February 27, 2001. Under this agreement, Coach will pay interest expense on any borrowings at a rate of LIBOR + 125 basis points, or 6.8%. Interest expense is calculated using the LIBOR interest rate on February 15, 2001. Using Coach's actual average annual oustanding balance of $4.4 million under the Sara Lee cash concentration system in fiscal year 2000 and an interest rate of 6.8%, results in interest expense of $0.3 million. Using Coach's actual average outstanding balance for the period of $2.4 million under the Sara Lee cash concentration system for the twenty-six weeks ended December 30, 2000 and an interest rate of 6.8%, less actual payments made to Sara Lee, results in interest expense of $.03 million. A 1/8 percentage point change in the LIBOR interest rate would result in a $0.005 million and $0.001 million interest expense change for fiscal year 2000 and the twenty-six weeks ended December 30, 2000, respectively.

On October 2, 2000, in accordance with the Sara Lee and Coach separation agreements, Coach assumed $190 million of indebtedness to a subsidiary of Sara Lee, resulting in a corresponding reduction in equity. Coach's sale of 8,487,000 shares of common stock in an initial public offering at a price $16.00 per share resulted in net offering proceeds of $122 million. These proceeds were used to repay a portion of the assumed indebtedness resulting in an outstanding balance of $68 million. Interest expense has been calculated on the $68 million using an interest rate of LIBOR plus 125 basis points, or 6.8%. Using this rate for fiscal year 2000 results in interest expense of $4.6 million. Using this rate for the twenty-six weeks ended December 30, 2000, and actual repayments made by Coach, results in interest expense of $0.9 million. A 1/8 percentage point change in the LIBOR interest rate would result in a $0.085 million and $0.041 million interest expense change for fiscal year 2000 and the twenty-six weeks ended December 30, 2000, respectively.

Under the revolving credit facility that became effective on February 27, 2001, Coach will pay a 0.3% commitment fee on any unborrowed amounts. Using the size of the facility of $100 million and actual borrowings from Sara Lee during fiscal year 2000, $0.3 million of expense was calculated. Using the size of the facility of $100 million and actual borrowings from Sara Lee for the twenty-six weeks ended December 30, 2000, less actual payments for a commitment fee made to Sara Lee, $0.1 million of expense was calculated.

(3) The effect of taxes on the pro forma income statement adjustments has been reflected using a marginal incremental tax rate of 40% representing the U.S. statutory rate of 35% plus a marginal state tax rate of 5%.

(4) Upon the completion of the exchange offer, Sara Lee will no longer own any common shares of Coach and will no longer provide services to Coach. As a result, Coach expects to incur increased costs for certain additional personnel, benefit plans, insurance arrangements, corporate governance and other overhead costs. Coach is currently finalizing various service agreements, lending relationships, insurance and other benefit plan terms and various other corporate governance and separate Company costs. Since the terms and agreements are not finalized at the present time, Coach management cannot finalize the total increased costs that will be incurred by Coach on a stand-alone basis. At the present time, Coach management estimates increased costs will be between $1.2 and $2.2 million per year. In the pro forma income statement, we have assumed increased costs of $1.7 million per year or $0.8 million per twenty-six week period.

(5) Under the Real Estate Matters agreement between Sara Lee and Coach, Sara Lee has assigned to Coach all of the leases relating to the retail stores and other properties used by Coach in its business; however, Sara Lee may remain liable under certain leases. Upon completion of the exchange offer, 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 $2.0 million or less. A more detailed description of the terms and conditions of this agreement are described in the section entitled "Agreements Between Sara Lee and Coach--Certain Relationships and Related Transactions" contained elsewhere in this offering circular-prospectus. Based upon the lease guarantee amount at June 30, 2000 of $25.6 million and the estimated annual cost of the letter of credit of 1.25% of this lease guarantee amount, the estimated annual cost of the letter of credit is $0.3 million per year or $0.16 million per twenty-six week period.

(6) Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have shares outstanding. On October 2, 2000, Coach was capitalized and on October 4, 2000, Coach paid a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding after the dividend. The effects of this stock dividend have been retroactively applied to all prior periods. In October 2000, Coach completed an initial public offering of 8,487,000 shares.

Unaudited pro forma as adjusted basic net income per share is computed by dividing net income by 43,513,333 which consists of the number of shares outstanding at December 30, 2000. Unaudited pro forma as adjusted diluted income per share is computed by dividing net income by the assumed diluted shares at December 30, 2000 which includes the dilutive effect of stock options granted on the initial public offering date.

(7) Prior to the completion of the exchange offer, Sara Lee will repay the $32 million owed to Coach. At the same time, the note payable that Coach has recorded to Sara Lee will mature and Coach will repay the $46 million owed to a subsidiary of Sara Lee. To facilitate these repayments the $32 million owed to Coach by Sara Lee will be netted against the $46 million Coach owes to a subsidiary of Sara Lee resulting in a net payment of cash from Coach of $14 million. Coach will fund the $14 million by borrowing under its credit facility.

SELECTED FINANCIAL DATA

The following tables present selected financial data for Sara Lee and Coach which is derived from historical financial statements of Sara Lee and Coach and notes to those statements. This information should be read together with the consolidated financial statements of Coach and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Coach, Inc.", all of which appear elsewhere in this offering circular-prospectus, and with Sara Lee's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Sara Lee's Annual Report on Form 10-K for fiscal year 2000 and Quarterly Report on Form 10-Q for the period ended December 30, 2000, which we have incorporated into this offering circular-prospectus by reference. To find out where you can obtain copies of Sara Lee's SEC filings, see "Where You Can Find More Information" on page 132. The statements of operations set forth below for Sara Lee and the 1998, 1999 and 2000 statement of operations information for Coach has been audited by Arthur Andersen LLP, independent auditors whose report is included in this offering circular-prospectus. The 1996 statement of operations for Coach is derived from Coach's unaudited financial data that is not included in this offering circular-prospectus. The balance sheet information for Sara Lee and the 1998, 1999 and 2000 balance sheet information for Coach has been audited by Arthur Andersen LLP. The 1996 and 1997 balance sheet information for Coach is derived from Coach's unaudited financial data that is not included in this offering circular-prospectus.

The selected statement of income shown below for the twenty-six weeks ended December 30, 2000 and January 1, 2000 and the selected balance sheet data as of December 30, 2000 are derived from Sara Lee's and Coach's unaudited consolidated financial statements. In the opinion of Sara Lee and Coach management, all adjustments necessary for a fair presentation of these financial statements are included. The adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars and shares in millions, except per share amounts)						
SARA LEE CORPORATION STATEMENT OF OPERATIONS DATA						(unaudited)	(unaudited)
Net sales	$ 16,424	$17,361	$17,426	$17,270	$17,511	$ 8,873	$ 9,212
Cost of sales	9,598	10,245	10,128	9,879	10,100	5,071	5,342
Gross profit	6,826	7,116	7,298	7,391	7,411	3,802	3,870
Selling, general and administrative expenses	5,349	5,556	5,615	5,741	5,668	2,891	3,014
Unusual items(2)	--	--	2,038	(61)	--	--	215
Operating income (loss)	1,477	1,560	(355)	1,711	1,743	911	641
Net interest expense	173	159	176	141	176	76	112
Minority interest	--	--	--	--	--	--	--
Income (loss) from continuing operations before income taxes	1,304	1,401	(531)	1,570	1,567	835	529
Income taxes	431	441	44	439	409	219	140
Income (loss) from continuing operations	873	960	(575)	1,131	1,158	616	389
Income from discontinued operations, net of tax	43	49	52	60	64	31	25
Gain on disposal of discontinued operations, net of tax	--	--	--	--	--	--	638
Net income (loss)	$ 916	$ 1,009	$ (523)	$ 1,191	$ 1,222	$ 647	$ 1,052
Income (loss) from continuing operations per basic share	$ 0.88	$ 0.97	$ (0.63)	$ 1.24	$ 1.31	$ 0.69	$ 0.46
Income (loss) from continuing operations per diluted share	0.85	0.94	(0.63)	1.19	1.27	0.67	0.44
Net income (loss) per share basic	0.92	1.02	(0.57)	1.31	1.38	0.73	1.25
Net income (loss) per share diluted	0.89	0.99	(0.57)	1.26	1.34	0.70	1.20
Shares used in computing basic income per share	963	959	939	903	875	884	836
Shares used in computing diluted income per share	1,007	1,004	939	944	912	922	873

The accompanying footnotes to the Selected Financial Data are an integral part of this data.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars in millions)						
SARA LEE CORPORATION CONSOLIDATED AND COMBINED BALANCE SHEET DATA:						(unaudited)	(unaudited)
Working capital	$ 687	$ 653	$ (219)	$ (682)	$ (785)	$ (531)	$ 854
Total assets	12,424	12,775	10,784	10,292	11,611	11,418	11,532
Inventory	2,720	2,878	2,779	2,535	2,951	2,714	2,752
Receivable from Coach	7	8	11	--	--	--	--
Payable to Coach(3)	--	--	--	54	64	102	32
Long-term debt(5)	1,976	2,188	2,491	2,227	2,629	2,551	3,428
Stockholders' net investment	4,320	4,280	1,816	1,266	1,234	1,735	1,517

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars and shares in thousands)						
COACH, INC. STATEMENT OF OPERATIONS DATA:	(unaudited)					(unaudited)	(unaudited)
Net sales	$ 512,645	$540,366	$522,220	$507,781	$548,918	$ 312,160	$ 348,710
Cost of sales	211,977	227,086	235,512	226,190	220,085	128,368	123,710
Gross profit	300,668	313,280	286,708	281,591	328,833	183,792	225,000
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816	139,922	146,546
Unusual items(4)	--	--	--	7,108	--	--	4,950
Operating income	62,047	44,269	25,013	19,475	56,017	43,870	73,504
Net interest expense	247	492	236	414	387	194	1,512
Minority interest	--	95	(66)	--	--	--	--
Income (loss) from continuing operations before income taxes	61,800	43,682	24,843	19,061	55,630	43,676	71,992
Income taxes	18,940	11,645	4,180	2,346	17,027	13,365	25,197
Net income	$ 42,860	$ 32,037	$ 20,663	$ 16,715	$ 38,603	$ 30,311	$ 46,795
Net income per basic share	$ 1.22	$ 0.91	$ 0.59	$ 0.48	$ 1.10	$ 0.87	$ 1.19
Net income per diluted share	$ 1.22	$ 0.91	$ 0.59	$ 0.48	$ 1.10	$ 0.87	$ 1.18
Shares used in computing net income per basic share	35,026	35,026	35,026	35,026	35,026	35,026	39,270
Shares used in computing net income per diluted share	35,026	35,026	35,026	35,026	35,026	35,026	39,769

The accompanying footnotes to the Selected Financial Data are an integral part of this data.

	FISCAL YEAR ENDED(1)					TWENTY-SIX WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(dollars in thousands)						
COACH, INC. CONSOLIDATED AND COMBINED BALANCE SHEET DATA	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Working capital.....	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 34,067	$ 35,938
Total assets.....	237,234	252,929	257,710	282,088	296,653	335,028	284,032
Inventory.....	92,814	102,209	132,400	101,395	102,097	91,267	101,373
Receivable from Sara Lee(3).....	--	--	--	54,150	63,783	102,202	31,895
Payable to Sara Lee.....	6,541	8,300	11,088	--	--	--	46,000
Long-term debt(5).....	3,845	3,845	3,845	3,810	3,775	3,810	3,775
Stockholders' net investment.....	131,961	165,361	186,859	203,162	212,808	233,584	127,874

- ------------------------------

(1) Sara Lee and Coach's 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) In the second quarter of 1998, Sara Lee provided for the cost of restructuring its worldwide operations. A total of 116 manufacturing and distribution facilities were targeted for closure under the plan. The restructuring provision reduced income from continuing operations before income taxes by $2,038 million.

In the first quarter of 1999, as part of its ongoing restructuring program, Sara Lee disposed of certain assets related primarily to its international tobacco operations. The corporation received cash proceeds of $386 million in connection with the sale, and recognized a pretax gain of $137 million.

In the second quarter of 1999, Sara Lee announced that it was recalling specific production lots of hot dogs and other packaged meat products that could contain Listeria bacteria. The estimated cost of this action was recognized in the second quarter of 1999 and reduced 1999 income from continuing operations before income taxes by $76 million.

In the second quarter of 2001, Sara Lee's Coach subsidiary completed an initial public offering resulting in an after tax gain to Sara Lee of $105 million. Also in the second quarter, Sara Lee approved a plan and recorded a pre-tax charge of $344 million to dispose of certain non-core businesses and exit a number of defined business activities. Of the $344 million, $24 million relates to the anticipated losses on the disposition of inventory related to manufacturing operations being exited.

(3) On July 2, 2000, the Intercompany account of $63.8 million between Sara Lee and Coach was capitalized. No cash was paid or received by either party.

(4) In 1999, Coach announced a reorganization plan involving 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. 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 cost of these reorganization activities reduced 1999 income by $7 million.

In the first quarter of 2001, Coach announced a reorganization plan to cease production at the Medley, Florida manufacturing facility. This reorganization intends to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. The cost of this reorganization reduced income by $5 million.

(5) Long-term debt includes current maturities of long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF COACH, INC.

THE FOLLOWING DISCUSSION OF COACH'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ TOGETHER WITH COACH'S FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS DOCUMENT.

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. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves.

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 its 114 company-operated U.S. retail stores, its direct mail catalogs, its e-commerce website and its 65 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 and furniture.

Coach's net sales grew at a compound annual growth rate of approximately 32% from $19.0 million in 1985, when Coach was acquired by us, to $540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, Coach experienced sales declines of 3.4% and 2.8%, respectively, its first year-to-year sales declines since becoming part of us. 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 Coach's competitors offered. At the same time, the economic downturn in Asia significantly curtailed tourism and consumer spending, and thus adversely affected Coach's sales to Japanese consumers, Coach's most important international consumer group. During fiscal years 1997 through 1999, Coach 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, Coach implemented these and other initiatives to reorganize its business and to enable it 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 Coach's 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 Coach's profitability during this period. These trends have continued through the first six months of fiscal year 2001.

Coach's cost of sales consists of the costs associated with manufacturing its products. Coach's 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 it sells, fluctuations in cost of materials and changes in the relative sales mix among its distribution channels. Direct to consumer sales generate higher gross margins than wholesale sales, because Coach earns 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 Coach operates in any fiscal period and the relative proportions of retail and wholesale sales. SG&A expenses increase as Coach operates more stores, although an increase in the number of stores generally enables it to spread the fixed portion of its SG&A expenses over a larger sales base.

In fiscal year 1998, Coach discontinued its Mark Cross product line, which consisted of women's and men's leather accessories and gifts, due to poor performance and to allow it to focus its attention and resources on the Coach brand. In that year, Coach also discontinued its Coach men's apparel line and converted its footwear business model. Previously, Coach purchased footwear from an independent manufacturer and sold the products to wholesale accounts and retail consumers. Coach's 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. In connection with the separation of our Coach business from our other businesses, we retained the Mark Cross tradenames and trademarks and did not transfer them to Coach. Coach also incurred approximately $1.3 million in severance expense in connection with the discontinuation of its men's apparel line and the conversion of its footwear relationship.

As part of the transformation of Coach's business, Coach consolidated its distribution operations into its Jacksonville, Florida distribution facility in fiscal year 1999 to reduce costs and provide capacity for future unit growth. In addition, Coach significantly reduced manufacturing operations in its Carlstadt, New Jersey facility and transferred production to lower cost independent manufacturers, primarily outside the U.S. Coach continues to manufacture prototypes at the Carlstadt facility. The total cost of the reorganization of Coach's 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.

Coach's 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. Fiscal year 2001 consists of 52 weeks.

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

19.5% of the outstanding shares. The net proceeds of these transactions were used to repay 64.2% of the indebtedness owed to one of our subsidiaries.

SALES

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

	FISCAL YEAR ENDED			26 WEEKS ENDED	
	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000	JAN. 1, 2000 (UNAUDITED)	DEC. 30, 2000 (UNAUDITED)
	(DOLLARS IN MILLIONS)*				
NET SALES					
By Channel:					
Direct to Consumer	$333.5	$336.5	$352.0	$205.2	$226.2
Wholesale	188.7	171.3	196.9	107.0	122.5
	$522.2	$507.8	$548.9	$312.2	$348.7
By Region:					
United States	$478.6	$463.0	$488.8	$283.2	$304.8
International	43.6	44.8	60.1	29.0	43.9
	$522.2	$507.8	$548.9	$312.2	$348.7

- --------------

(1) Includes net sales of Coach's discontinued Mark Cross product line of $6.5 million for fiscal year 1998.

(2) 53 week fiscal year.

* Components may not add to total due to rounding.

	FISCAL YEAR ENDED			26 WEEKS ENDED	
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JAN. 1, 2000	DEC. 30, 2000
	(PERCENTAGE OF TOTAL)				
NET SALES					
By Channel:					
Direct to Consumer	63.9%	66.3%	64.1%	65.7%	64.9%
Wholesale	36.1	33.7	35.9	34.3	35.1
	100.0%	100.0%	100.0%	100.0%	100.0%
By Region:					
United States	91.7%	91.2%	89.1%	90.7%	87.4%
International	8.3	8.8	10.9	9.3	12.6
	100.0%	100.0%	100.0%	100.0%	100.0%

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 Coach's combined statements of income:

	FISCAL YEAR ENDED			26 WEEKS ENDED	
	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000	JAN. 1, 2000 (UNAUDITED)	DEC. 30, 2000 (UNAUDITED)
	(DOLLARS IN MILLIONS)				
Net sales	$521.9	$507.0	$547.1	$311.3	$347.6
Licensing revenue	0.3	0.8	1.8	0.9	1.1
Total net sales	522.2	507.8	548.9	312.2	348.7
Gross profit	286.7	281.6	328.8	183.8	225.0
Selling, general and administrative expenses	261.7	255.0	272.8	139.9	146.5
Operating income before reorganization costs	25.0	26.6	56.0	43.9	78.5
Reorganization costs	--	7.1	--	--	5.0
Operating income	25.0	19.5	56.0	43.9	73.5
Net interest expense	(0.2)	(0.4)	(0.4)	(0.2)	(1.5)
Minority interest	0.1	--	--	--	--
Income before income taxes	24.9	19.1	55.6	43.7	72.0
Income taxes	4.2	2.4	17.0	13.4	25.2
Net income	$ 20.7	$ 16.7	$ 38.6	$ 30.3	$ 46.8

	FISCAL YEAR ENDED			26 WEEKS ENDED	
	JUNE 27, 1998(1)	JULY 3, 1999(2)	JULY 1, 2000	JAN. 1, 2000	DEC. 30, 2000
	(PERCENTAGE OF NET SALES)				
Total net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin	54.9	55.4	59.9	58.9	64.5
Selling, general and administrative expenses	50.1	50.2	49.7	44.8	42.0
Operating income before reorganization costs	4.8	5.2	10.2	14.1	22.5
Reorganization costs	0.0	1.4	0.0	0.0	1.4
Operating income	4.8	3.8	10.2	14.1	21.1
Net interest expense	--	--	(0.1)	(0.1)	(0.4)
Minority interest	--	--	--	--	--
Income before income taxes	4.8	3.8	10.1	14.0	20.6
Income taxes	0.8	0.5	3.1	4.3	7.2
Net income	4.0%	3.3%	7.0%	9.7%	13.4%

- ----------

(1) Includes net sales of Coach's discontinued Mark Cross product line of $6.5 million for fiscal year 1998.

(2) 53 week fiscal year.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

Coach has experienced, and expects to continue to experience, fluctuations in its quarterly operating results. Although there are numerous factors that can contribute to its fluctuations, the principal factor is seasonality.

SEASONALITY. Because Coach's products are frequently given as gifts, Coach has historically realized, and expects to continue to realize, higher sales and operating income in the second quarter of its fiscal year which includes the holiday months of November and December. Coach has sometimes experienced, and may continue to experience, net losses in any or all of its 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. Coach anticipates that its sales and operating profit will continue to be seasonal in nature.

OTHER FACTORS. Coach's 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 its merchandise mix; and

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

QUARTERLY OPERATING RESULTS

The following tables set forth for the periods indicated, actual results and the proportion of total year results, for selected items in Coach's 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 Coach's 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 (loss).....	(3.2)	28.5	(2.8)	(3.0)	19.5
Net income (loss)....	$ (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 (loss).....	3.0	40.8	4.5	7.7	56.0
Net income (loss)....	$ 2.0	$ 28.3	$ 3.0	$ 5.3	$ 38.6

	FISCAL YEAR ENDED JUNE 30, 2001	
	Q1	Q2
	(UNAUDITED)	
	(DOLLARS IN MILLIONS)	
Total net sales.....	$ 134.6	$ 214.2
Gross profit.....	85.0	140.0
Selling, general and administrative expenses.....	68.2	78.3
Reorganization costs.....	5.0	--
Operating income.....	11.8	61.7
Net income.....	$ 7.6	$ 39.2

Total net sales.....	
Gross profit.....	
Selling, general and administrative expenses.....	
Reorganization costs.....	
Operating income.....	
Net income.....	

	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					

(loss).....	(16.5)	146.3	(14.2)	(15.6)	100.0
Net income (loss)....	(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 (loss).....	5.4	72.9	8.0	13.7	100.0
Net income (loss)....	5.3%	73.2%	7.9%	13.6%	100.0%

- ------------------

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

FIRST SIX MONTHS FISCAL 2001 COMPARED TO FIRST SIX MONTHS FISCAL 2000

NET SALES

Net sales increased by 11.7% to $348.7 million in the first six months of fiscal 2001 from $312.2 million during the first six months of fiscal 2000. These results reflect increased volume in both the direct to consumer and wholesale channels.

DIRECT TO CONSUMER. Net sales increased 10.3% to $226.2 million during the first six months of fiscal 2001 from $205.2 million during the same period in fiscal 2000. The increase was primarily due to new store openings, comparable stores sales growth, store renovations and store expansions. Since the end of the first six months of fiscal 2000, Coach has opened thirteen new retail stores and three new factory stores. In addition, twenty-one retail stores and four factory stores were remodeled while five retail stores and one factory store were expanded. Coach also closed one factory store since the end of the first six months of fiscal 2000.

WHOLESALE. Net sales attributable to domestic and international wholesale shipments increased 14.5% to $122.5 million in the first six months of fiscal 2001 from $107.0 million during the same period in fiscal 2000. The increase was primarily due to strong gains in the international wholesale channel, highlighted by continued double-digit increases in comparable location sales to Japanese consumers worldwide. Net sales also increased due to increased demand for new products in both our U.S. and international wholesale channels. Licensing revenue increased 17.2% to $1.1 million in the first six months of fiscal 2001 from $0.9 million during the first six months of fiscal 2000 caused primarily by expanded distribution of licensed footwear product.

GROSS PROFIT

Gross profit increased 22.4% to $225.0 million in the first six months of fiscal 2001 from $183.8 million during the same period in fiscal 2000. Gross margin increased 560 basis points to 64.5% in the first six months of fiscal 2001 from 58.9% during the same period in fiscal 2000. These increases were primarily due to the continuing impact of manufacturing and sourcing cost reductions realized during fiscal 2001 from the reorganization that commenced in 1999, as well as increased demand for new higher margin products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 4.7% to $146.5 million, or 42.0% of net sales, in the first six months of fiscal 2001 from $139.9 million, or 44.8% of net sales, during the same period in fiscal 2000.

Selling expenses increased by 13.1% to $90.1 million, or 25.8% of net sales, in the first six months of fiscal 2001 from $79.6 million, or 25.5% of net sales, during the same period in fiscal 2000. The dollar increase in these expenses was primarily due to $4.7 million of operating costs associated with thirteen new retail stores and three new factory stores that were not open during the first six months of fiscal 2000. Additionally, one store was permanently closed since the end of the first six months of fiscal 2000. The remaining selling expense increase was primarily caused by volume related costs in our wholesale segment.

Advertising, marketing, and design expenses decreased by 4.4% to $27.1 million, or 7.8% of net sales, in the first six months of fiscal 2001 from $28.4 million, or 9.1% of net sales, during the same period in fiscal 2000. The dollar decrease in these expenses was primarily due to a reduction in catalogue circulation, and a shift from magazine and outdoor advertising to newspaper advertising.

Distribution and customer service expenses increased by 2.8% to $13.7 million, or 3.9% of net sales, in the first six months of fiscal 2001 from $13.3 million, or 4.3% of net sales, during the same period in fiscal 2000. The dollar increase was due to variable expenses to handle the increase in

sales volume partially offset by efficiency gains associated with the consolidation of warehouse and customer service activities into our Jacksonville, Florida facility.

Administrative expenses decreased to $15.7 million, or 4.5% of net sales, in the first six months of fiscal 2001 from $18.6 million, or 6.0% of net sales, during the same period in fiscal 2000. The decrease in these expenses was due to lower fringe benefit costs and lower performance based compensation expenses partially offset by higher occupancy costs associated with the lease renewal of our New York City corporate headquarters location and incremental expenses incurred to support new corporate governance activities relating to the Company becoming publicly owned.

REORGANIZATION COSTS

In the first fiscal quarter of 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000. This reorganization involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. The reduction in costs from this reorganization program is not known at this time. However, Coach expects to achieve cost savings of $2.7 million in the current fiscal year and $4.5 million in annual savings in future years from these actions. Coach recorded a reorganization cost of $5.0 million in the first quarter of fiscal year 2001. This reorganization cost includes $3.2 million for worker separation costs, $0.8 million for lease termination costs and $1.0 million for the write down of long-lived assets to estimated net realizable value. At December 30, 2000, production has ceased at the Medley facility, disposition of the fixed assets is underway and the termination of the 362 employees has been completed. We expect that these reorganization actions will be completed by the end of this fiscal year.

INTEREST EXPENSE

Interest expense increased to $1.4 million in the first six months of fiscal year 2001 as compared to $0.1 million in the first six months of fiscal year 2000. This increase was primarily due to interest expense on the note payable to an affiliate of Sara Lee that Coach assumed in October 2000.

OPERATING INCOME

Operating income increased 67.5% to $73.5 million, or 21.1% of net sales, in the first six months of fiscal 2001 from $43.9 million, or 14.1% of net sales, during the same period in fiscal 2000. Before the impact of reorganization costs in the first six months of fiscal 2001, operating income increased 78.8% to $78.5 million from $43.9 million during the same period in fiscal 2000. This increase resulted from higher sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses.

INCOME TAXES

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

NET INCOME

Net income increased 54.4% to $46.8 million, or 13.4% of net sales, in the first six months of fiscal 2001 from $30.3 million, or 9.7% of net sales, during the same period in fiscal 2000. Before the impact of reorganization costs in the first six months of fiscal 2001, net income increased 65% to $50.0 million from $30.3 million during the same period in fiscal 2000. This increase was the result of increased operating income partially offset by higher interest expense and a higher provision for taxes.

EARNINGS PER SHARE

Diluted net income per share was $1.18 for the first six months of fiscal year 2001. This reflects a weighted average of the shares outstanding before and after the public offering of common stock in October 2000. If the common shares sold in the October 2000 Public Offering had been outstanding for the entire half, net income before the impact of reorganization costs per diluted share would have been $1.14. Prior year diluted net income per share was $0.87 since only the shares owned by Sara Lee are used in the calculation. Comparable net earnings per share in the first half of fiscal 2000 would have been $0.70 if the common shares sold in the October 2000 public offering had been outstanding for the prior period.

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. Coach 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 Coach's 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 Coach's reorganization that commenced in 1999, as well as increased sales at Coach's retail stores and increased shipments to international distributors. In fiscal 2000, approximately 74% of Coach's 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 increased 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 Coach's distribution operations into its 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

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

NET INCOME

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

FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 1998

NET SALES

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

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

WHOLESALE. Sales decreased 9.2% to $171.3 million in fiscal 1999 from $188.7 million in fiscal 1998. These results were primarily due to increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products. These declines in shipments were partially offset by improvements in product returns. Coach improved its product assortment, production planning and mix of inventory at its 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 its 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 Coach's Mark Cross stores and the discontinuation of the men's apparel line along with the conversion of Coach's 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 Coach's enterprise resource planning software system.

REORGANIZATION COSTS

In fiscal 1999, Coach reorganized and consolidated its 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, 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. At July 1, 2000, all these reorganization actions were complete. During the first half of fiscal 2001, remaining workers' separation cost were paid. This reorganization is now complete.

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.

INTEREST EXPENSE

Net interest expense increased by $0.2 million to $0.4 million in fiscal year 1999 as compared to $0.2 million in fiscal year 1998. This increase was due to a decline in interest income, which resulted from lower on hand cash balances.

INCOME TAXES

Coach's 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.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

We manage cash on a centralized basis for Coach and our other businesses. Cash receipts associated with Coach's business have been transferred directly to us on a daily basis and we have provided funds to cover its disbursements. In accordance with the Separation Agreement, we transferred to Coach an intercompany note payable to one of our subsidiaries of $190 million on October 2, 2000. Net proceeds from the stock offering of $122 million were used to partially repay this note. During the second quarter, this loan balance was reduced to $46 million as a result of payments made from free cash flow and the remainder was paid on January 12, 2001.

On July 2, 2000, Coach entered into a revolving credit facility with us under which Coach may borrow up to $75 million. At December 30, 2000 Coach had no outstanding balance on this credit facility. The revolving credit facility was available to fund general corporate purposes and was paid off and terminated on February 27, 2001. To provide funding for working capital for operations and general corporate purposes, Coach, certain lenders and Fleet National Bank, as a lender and administrative agent, entered into a syndicated senior unsecured revolving credit facility for $100 million on February 27, 2001. As of February 28, 2001, approximately $27 million of indebtedness was outstanding under this facility.

The revolving credit facility administered by Fleet National Bank contains covenants requiring Coach to maintain a fixed charge interest coverage ratio of at least 1.75 to 1.0 until March 30, 2002, and at least 2.0 to 1.0 thereafter, and a cash flow leverage ratio of 1.5 to 1.0, and contains restrictions on liens, mergers and consolidations, significant property disposals, payment of dividends, transactions with affiliates, sale and leaseback transactions and lease obligations in excess of amounts approved by the lenders.

Cash provided by operating activities, defined as net income plus depreciation and amortization and the change in working capital, was $79.1 million for the first twenty-six weeks of fiscal 2001. Cash provided by operating activities was $62.7 million in the same period of fiscal year 2000. Cash provided by operating activities was $84.0 million for fiscal 2000, $97.7 million in fiscal 1999 and $42.5 million in fiscal 1998.

Capital expenditures amounted to $17.0 million in the first half of fiscal 2001, compared to $13.1 million in the first half of fiscal 2000 and related primarily to new and renovated retail stores.

Coach 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.

Coach's future capital requirements will depend on the timing and rate of expansion of its businesses, new store openings, renovations and international expansion opportunities.

Coach intends to open 50 new retail stores over the next three years. Coach plans to open 15 of these stores in fiscal year 2001, of which eight were opened during the first half, 15 in 2002, and 20 in 2003. Coach also expects to complete its store renovation program over that time period. Coach expects 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. Coach intends to finance these investments from internally generated cash flow or by drawing down from its revolving credit facility.

Coach experiences significant seasonal variations in its working capital requirements. During the first fiscal quarter Coach builds inventory for the holiday selling season, opens new retail stores and increases trade receivables. In the second fiscal quarter Coach's working capital requirements are reduced substantially as Coach generates consumer sales and collects wholesale accounts receivable. In the first six months of fiscal 2001, Coach purchased approximately $125 million of inventory which was funded by operating cash flow and by borrowings under Coach's revolving credit facility. As of December 30, 2000, Coach had no borrowings under the revolving credit facility. Coach believes that its operating cash flow together with its revolving credit facility will provide sufficient capital to fund its operations for the next 12 months.

Until we effect a distribution of our Coach stock, Coach has agreed to not cause our ownership of Coach's outstanding capital stock to fall below 80%. As a result, Coach may be required to repurchase shares of its 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. Coach believes that its operating cash flow together with its revolving credit facility will provide sufficient funds for any required share repurchases.

SEPARATION AGREEMENTS WITH SARA LEE

Coach entered into various agreements with us which govern the separation of its business from, and Coach's ongoing business relationship with, us. These agreements are described in detail in the section of this offering circular-prospectus entitled "Agreements Between Sara Lee and Coach--Certain Relationships and Related Transactions."

Under the Master Transitional Services Agreement, we will continue to provide accounting, treasury, internal audit, information and other administrative services to Coach until this exchange offer is completed, for a fee of $1.0 million per year. The incremental cost of this fee, as compared to the costs that we charged Coach for these services in fiscal year 2000, is $0.165 million and Coach has reflected this amount in the unaudited pro forma financial information contained elsewhere in this offering circular-prospectus.

Under the Employee Matters Agreement and the Insurance and Indemnification Agreement, Coach will continue to participate in our employee benefit and pension programs, health benefit program and group insurance plans, and Coach will be covered by our insurance policies, until the earlier of the date we are no longer allowed to consolidate Coach's results of operations and financial position or the date Coach establishes its own plans. Sara Lee has agreed to allow Coach employees to participate in certain Sara Lee benefit programs and other benefit programs until June 30, 2001, regardless of when this exchange offer is completed. Coach may incur increased

costs for the plans and programs it establishes after this offering, however, the timing and future costs of these plans and programs cannot currently be determined.

The Lease Indemnification and Reimbursement Agreement relates to the transfer of leases to Coach from us. Currently, we are a guarantor or a party to virtually all of Coach's store leases. Coach has agreed to make efforts to remove us from all of its existing leases and, with a few exceptions, we will not guarantee or be a party to any new or renewed leases that Coach enters into after its separation from us, which occurred on October 2, 2000. Coach has agreed to obtain a letter of credit for the benefit of us in an amount approximately equal to the annual minimum rental payments under leases transferred to Coach by us but for which we retain contingent liability. Coach is required to obtain this letter of credit as of the date we no longer are allowed to consolidate Coach's 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. Coach currently expects the initial letter of credit to have a maximum amount of between $21.0 and $24.0 million and that Coach will be required to maintain the letter of credit for at least 10 years.

PUBLIC OFFERING OF COMMON STOCK

During October 2000, Coach entered into several transactions relating to the public offering of its common stock:

- Coach assumed $190 million of indebtedness to one of our subsidiaries.

- Coach declared a stock dividend on the common stock held by us resulting in 35,026,333 shares outstanding.

- In October 2000, Coach sold 8,487,000 shares of common stock in an initial public offering at a price of $16.00 per share. After deducting the underwriting discount and offering expenses, net proceeds of $122 million were received.

- Coach used the net offering proceeds of $122 million from the IPO to make a partial payment of the assumed indebtedness, resulting in remaining indebtedness of $68 million. As of the end of the second quarter of fiscal 2001, this balance was reduced to $46 million. This debt has subsequently been repaid from operating cash flow.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

FOREIGN EXCHANGE

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

INTEREST RATE

Coach has fixed rate long-term debt related to the Jacksonville distribution center and uses the sensitivity analysis technique to evaluate the change in fair value of this debt instrument. At December 30, 2000, the effect on the fair value of this debt of a 10% change in market interest rates would be approximately $0.2 million. Coach does not expect its operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

COMMODITY

Coach buys 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, Coach does not expect that a sudden short-term change in leather prices will have a significant effect on its operating results or cash flows. However, Coach uses the sensitivity analysis technique to evaluate the change in fair value of the leather purchases based upon longer-term price trends. At December 30, 2000, Coach estimates that a 10% change in the underlying price of tanned leather would have no effect on the cost of sales for the fiscal year ending June 30, 2001, as Coach has obtained purchase commitments for all leather expected to be purchased between now and the end of the fiscal year.

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 Coach does not use derivative instruments, these accounting statements will not have an effect on them.

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 in the fourth quarter of fiscal year 2001. Coach has not historically offered discount coupons or rebates to retail 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 Coach's 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, 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, we do not believe that the adoption of this statement will impact Coach's 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.

OVERVIEW

We are a global manufacturer and marketer of brand-name products for consumers throughout the world. We have operations in more than 40 countries and market branded consumer products in over 170 countries. Our primary purpose is to create long-term shareholder value. To further our purpose, in May 2000 we announced plans to reshape our business around a smaller number of global branded consumer packaged goods businesses. Our reshaping plans reaffirm our focus of marketing repeat purchase, non-durable, branded packaged products.

The reshaping also narrowed our focus to three major global business segments--Food and Beverage, Intimates and Underwear and Household Products. Our mission is to continue to build leadership brands in each of these three global business segments and to own the number one or number two brand in each category in which we compete. To implement our reshaping plans, we have divested and intend to continue to divest businesses that do not fit within our narrowed business focus or that may be more valuable apart from us. On December 4, 2000, we sold PYA/ Monarch, our foodservice division, to U.S. Foodservice for approximately $1.56 billion in cash. In October 2000, Coach completed an initial public offering of 19.5% of its common stock. We continue to own approximately 80.5% of Coach's outstanding common stock and will complete our divestiture of Coach upon the completion of this exchange offer and spin-off, if necessary. We also intend to look for opportunities to acquire companies that enhance our three major global business segments.

Our businesses are classified into three business segments: Sara Lee Food and Beverage, Intimates and Underwear, and Household Products.

SARA LEE FOOD AND BEVERAGE. Our Food and Beverage segment is comprised of Sara Lee Packaged Meats, Sara Lee Bakery and Coffee and Tea.

Sara Lee Packaged Meats processes and sells pork, poultry and beef products, such as smoked sausage, bacon, hot dogs, breakfast sausage, breakfast sandwiches, premium deli and luncheon meats, ham, turkey and packaged lunch combinations throughout the United States, Europe and Mexico. We are one of the largest processed meats companies in the world. Sales are transacted through our own sales force, brokers and institutional buyers. Some of the more prominent brands in the United States within this category include BALL PARK, BEST'S KOSHER, BRYAN, HILLSHIRE FARM, HYGRADE, JIMMY DEAN, KAHN'S, STATE FAIR, SARA LEE and GALILEO. Our more prominent European brands include AOSTE, JUSTIN BRIDOU and COCHONOU IN FRANCE, STEGEMAN in the Netherlands and NOBRE in Portugal. We own a 49.9% interest in AXA Alimentos, S.A. de C.V. AXA Alimentos owns Kir Alimentos S. de R.L. de C.V. and Zwanenberg de Mexico, S.A. de C.V., which are leading processed meats companies in Mexico. We also hold an equity investment in Johnsonville Sausage Company, a leading manufacturer of premium fresh sausage products in the United States.

Sara Lee Bakery produces a wide variety of fresh and frozen baked and specialty items. Its core products are frozen and fresh pies, cheesecakes, pound cakes and specialty breads and bagels which are sold throughout the United States, the United Kingdom, Mexico, Australia and numerous Asia-Pacific countries. Sales are transacted through our sales force and independent wholesalers and distributors.

At the end of fiscal year 2000, Sara Lee Coffee and Tea held the number three category position in worldwide roast and ground coffee. We have a significant presence in such countries as the Netherlands, Belgium, France, Denmark, Spain and Australia, and have established positions in Central and Eastern Europe and South America through acquisitions and expanded sales efforts. While DOUWE EGBERTS is our European flagship brand, our other premium European coffee brands include MAISON DU CAFE, MARCILLA and MERRILD in Europe, and CAFE DO PONTO, PILAO and CABOCLO in South America. Our PICKWICK brand is an important brand in the European tea market. Other tea brands include HORNIMANS and SUENOS DE ORO in Spain and the PARADISE iced tea brand in the

United States foodservice market. During fiscal year 2000, our Coffee and Tea business continued to hold leading positions in the U.S. out-of-home coffee category. Coffee and Tea's out-of-home business provides coffee, tea, juices and equipment to foodservice customers, such as restaurants, schools, businesses and hospitals, in 48 countries. Our Douwe Egberts Coffee Systems business provides coffee and dispensing equipment in Europe, while our Superior Coffee business provides similar products and services in the United States.

INTIMATES AND UNDERWEAR. The Intimates and Underwear line of business markets a portfolio of apparel brands in the intimates, underwear and legwear product categories. Bras, panties and shapewear are marketed under such labels as BALI, HANES HER WAY, PLAYTEX, WONDERBRA and DAISYFRESH in North America, and PLAYTEX and DIM in Europe. We are the leader in the North American intimates category based on unit volumes.

Our underwear and legwear business sources, manufactures and distributes men's, women's and children's underwear, hosiery and activewear (T-shirts, fleecewear and other jersey products for casualwear) in North America, South and Central America, Europe and the Asia-Pacific countries. These products are sold through our sales force to department stores, mass merchandisers, discount chains and the screen-print trade. Principal brands in the underwear category include CHAMPION, HANES, HANES HER WAY and RINBROS in North America, and ABANDERADO, PRINCESA, CHAMPION, HANES and DIM in Europe. We believe, based on unit volumes, that we are the leader in both the women's and girls' panties category in the United States, and in the heavily branded category of men's and boys' underwear in the United States, and have the leading position in men's and boys' underwear in Mexico. Activewear is marketed under Sara Lee's HANES and CHAMPION lines.

We are the leader in the hosiery category in North America and Western Europe. Our products consist of a wide variety of branded, packaged consumer products, including pantyhose, stockings, combination panty and pantyhose garments, tights, knee-highs and socks, many of which are available in both sheer and opaque styles. These products are sold in the United States under such brand names as HANES, L'EGGS, DONNA KARAN and DKNY (the last two being licensed), and abroad under such labels as DIM, PRETTY POLLY, ELBEO, NUR DIE, BELLINDA, FILODORO and PHILIPPE MATIGNON.

HOUSEHOLD PRODUCTS. Household Products is our most global line of business and includes our leading household and body care products as well as our Direct Selling division. Our Household Products markets branded products in more than 170 countries and is one of our fastest-growing divisions. Household Products is composed of four core categories: shoe care--led by a worldwide line of Kiwi products; body care items--led by the SANEX brand, but also including DUSCHDAS, BADEDAS and MONSAVON and baby care products sold under the ZWITSAL, FISSAN and PRODERM names; insecticides--sold internationally under the CATCH, BLOOM, VAPONA and RIDSECT brand names; and air fresheners--led by the AMBI-PUR brand. ZENDIUM and PRODENT oral care products, and BIOTEX and NEUTRAL specialty detergents are also important categories for us. We market body care items and insecticides principally in Europe as well as in the Asia-Pacific and Latin America markets. We sell these products through a variety of retail channels, including supermarkets.

Our Direct Selling businesses distribute a wide range of cosmetics, fragrances, jewelry, toiletries, apparel products and nutritional supplements directly to consumers in 17 countries through a network of independent sales representatives. The Direct Selling division has an independent sales force of more than 700,000 representatives. Our Direct Selling includes the Nutrimetics business in Australia, the House of Fuller business in Mexico, the House of Sara Lee businesses in Indonesia and the Philippines, and the Avroy Shlain business in South Africa. We also operate direct selling organizations in Japan, China and Uruguay. During fiscal 2001, Direct Selling plans to expand further in North and South America and Asia.

BUSINESS OF COACH

Unless otherwise stated, all financial and statistical information concerning Coach's operations presented below are as of or for the six months ended December 30, 2000, the end of Coach's second quarter of fiscal year 2001.

OVERVIEW

Coach is a designer, producer and marketer of high-quality, modern, American classic accessories. Coach believes that it is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. Net sales were $548.9 million for fiscal year 2000 and $348.7 million for the first six months of fiscal year 2001. Operating income before reorganization costs was $56.0 million in fiscal year 2000 and $78.5 million for the first six months of fiscal year 2001. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves. Together with its licensing partners, Coach also offers watches, footwear and furniture with the Coach brand name. Coach's products are sold through a number of direct to consumer channels, including its:

- 114 U.S. retail stores;
- direct mail catalogs;
- on-line store; and
- 65 U.S. factory stores.

Coach's direct to consumer business represented approximately 65% of its total sales in the first six months of fiscal year 2001. Its 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, Coach has grown from a family-run workshop in a Manhattan loft to a premier accessories marketer in the U.S. Coach developed its 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, Coach had grown into a niche maker and marketer of traditionally styled, high-quality leather goods with expanding national brand recognition, selling its products through upscale department and specialty stores, its own retail stores and its first direct mail catalog. We acquired the Coach Leatherware Company, Coach, Inc.'s predecessor, in 1985. Since then, Coach has built upon its national brand awareness, expanded into international sales, particularly in Japan and East Asia, diversified its product offerings beyond handbags, further developed its multi-channel distribution strategy and licensed products with the Coach brand name.

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

During this period, Coach embarked on a fundamental transformation of its brand. Coach repositioned its image in a modern, fashionable direction to make it more appealing to consumers. Coach built upon its 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 it introduced new product categories. In 1999, Coach began renovating its retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase its new product assortments and reinforce a consistent brand position. Over the last three years, Coach also has been implementing a flexible, cost-effective manufacturing model where independent manufacturers supply the majority of its products that allows Coach to bring its broader range of products to market more rapidly and efficiently.

Coach believes that these strategic initiatives have succeeded in repositioning the company as a modern lifestyle accessories brand. Primarily as a result of these repositioning initiatives, Coach's sales increased 11.7% and its earnings from operations before reorganization costs increased 78.8% in the first six months of fiscal year 2001, compared with the same period in fiscal year 2000.

Coach has developed a number of strengths that it believes 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 Coach's image, delivers a consistent message and differentiates it from other brands;

- a well-developed multi-channel presence allowing Coach to serve its 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 its industry, Coach must also accurately anticipate consumer trends and tastes.

GROWTH STRATEGIES

Based on its established strengths, Coach is pursuing the following strategies for future growth:

ACCELERATE NEW PRODUCT DEVELOPMENT. Coach is accelerating the development of new products, styles and product categories that support its 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 its existing product portfolio, such as its Coach Hamptons collection of handbags and accessories, which introduce new shapes, fabrics and detailing to Coach's 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 its core collections, such as a classic briefcase in a lightweight travel twill; and

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

During the first six months of fiscal year 2001, approximately 42% of Coach's net sales were generated from products introduced during this period, including new product categories and line extensions. Approximately 36% of its net sales were comprised of products introduced in the same period of fiscal year 2000.

MODERNIZE RETAIL PRESENTATION. Coach is modernizing its brand image by remodeling its retail stores to create a distinctive environment to showcase its new product assortments and reinforce a consistent brand position. These renovated retail stores have demonstrated significantly higher comparable store sales growth relative to unrenovated stores. For example, the 44 stores that were renovated by December 2000 experienced comparable store sales growth of approximately 5.6% during the first six months of fiscal year 2001, compared to the same period in the prior fiscal year. Comparable store sales growth for unrenovated stores during the same period was negative 0.6%. Coach has recently expanded and rebuilt its New York and San Francisco flagship stores in this modern format. Coach expects that:

- all of its retail stores will reflect the new store design by June 2003;

- approximately 90 international locations will be converted to, or opened with, the new store design by June 2001;

- approximately 35 of its leading U.S. department store locations will be remodeled by June 2001 and approximately 25 additional locations will be remodeled by June 2002; and

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

INCREASE U.S. RETAIL STORE OPENINGS. Coach opened eight new U.S. retail stores in fiscal year 2000 and eight in the first six months of fiscal year 2001. Over the next three years, the company plans to expand its network of 114 retail stores by opening 42 new stores located primarily in high volume markets. Coach believes that it has a successful retail store format that reinforces its 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 the company takes possession of a store to open it.

FURTHER PENETRATE INTERNATIONAL MARKETS. Coach is increasing its international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities for the company. Its current network of international distributors serves markets in Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. Coach has significant opportunities to increase sales through existing and new international distribution channels. Coach believes 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. Coach upgraded and reorganized its manufacturing, distribution and information systems over the past four years to allow the company to bring new and existing products to market more efficiently. While maintaining its quality control standards, Coach has shifted the majority of its manufacturing processes from owned domestic factories to independent manufacturers in lower cost markets. As a result, Coach has increased its flexibility and lowered its costs. In the first six months of fiscal year 2001, Coach's gross margin increased to 64.5% from 58.9% during the same period in fiscal year 2000.

Coach intends to continue to increase efficiencies in its sourcing, manufacturing and distribution processes by:

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

- implementing a new product development process and timeline;

- improving time to market capabilities and efficiencies;

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

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

- expanding its organization to improve 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 ITS PRODUCTS. Coach believes that a substantial amount of its U.S. sales are gift purchases because of the company's higher sales during the holiday season. Coach intends to further promote the Coach brand 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, Coach's 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 December 30, 2000, Coach's on-line store has generated over $8 million in net sales since its launch in October 1999. The 20 years of Coach catalog experience gives Coach expertise in order fulfillment and remote retailing that, it believes, leads to superior customer service and, consequently, high repeat traffic. Coach's website meets growing consumer demand for the flexibility and convenience of shopping over the Internet by offering a selective array of its products.

COACH'S PRODUCTS

HANDBAGS. Coach's original business was the design, manufacture and distribution of fine handbags, which today still accounts for approximately 55% of its net sales. Coach makes quarterly offerings of its handbag collections, 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 the concept and opportunity. Coach handbag collections' retail prices generally range from $120 to $350. Coach's current handbag collections, The Original Classics, Classic Fashion and Fashion, represent approximately 38%, 35%, and 27% of Coach's full price handbag net sales, respectively.

ACCESSORIES. Women's accessories represent approximately 11% of Coach's net sales and consists of wallets, cosmetic cases, key fobs, belts and hair accessories. The company recently completed a comprehensive updating of the design of the small leather goods collections to coordinate them with its popular handbag collections. Men's accessories also represent approximately 5% of Coach's net sales and consist of belts, leather gift boxes and other small

leather goods. Coach's 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 Coach's net sales and generally range from $160 to $700 at retail. Coach has recently expanded this category to include nylon cases and computer bags.

LUGGAGE AND TRAVEL ACCESSORIES. The Coach luggage collection is comprised of cabin bags, duffels, suitcases, garment bags and a comprehensive collection of travel accessories. Luggage and travel accessories represent approximately 4% of Coach's 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 Coach's business cases and handbag collections, its personal planning assortment includes folios, planners and desk agendas in a variety of leathers and fabrics. The category represents approximately 2% of Coach's 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 63% women's and contains a fashion assortment in all three categories. In total, this category represents approximately 4% of Coach's net sales. The outerwear line generally sells at a range of retail prices from $250 to $890.

WATCHES. Movado Group, Inc. has been Coach's watch licensee since 1998 and has developed a distinctive collection of watches inspired by both the women's and men's collections. These watches are manufactured in Switzerland and are branded with the Coach name and logo. This collection of over 35 styles generally retails from $195 to $995.

FOOTWEAR. Jimlar Corporation became the company's footwear licensee in 1998 after a three year relationship whereby Coach previously purchased Coach shoes manufactured by Jimlar Corporation for sale. The footwear is developed and manufactured in Italy and is distributed through more than 180 locations in the U.S. Jimlar plans to expand distribution to over 250 locations by June 2001. Approximately 80% of the business is in women's footwear. The collections coordinate with Coach handbags and employ fine materials including calf and suede. Footwear, including boots, generally retails between $130 to $350 a pair.

FURNITURE AND HOME FURNISHINGS. Coach 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 Coach's 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.

In some of these 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 its executive creative director, is responsible for conceptualizing and directing the design of all Coach products. Designers have access to the Coach's 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 Coach execute well-defined design concepts that are consistent with the brand's strategic direction.

Working under the same creative leadership, Coach's store design and point-of-sale merchandising group creates and oversees implementation of the store environments. Through Coach's program to renovate all retail store locations, which started in 1999 and is targeted for completion by June 2003, the company is introducing a contemporary environment in which to showcase its new product assortments. The modernized store environment, as exemplified by the Coach 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.

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

MARKETING

Coach's marketing strategy is to deliver a consistent message every time the consumer comes in contact with the Coach brand, through all of its communications and visual merchandising. The Coach image is created and executed internally by the creative marketing, visual merchandising and public relations teams, which helps ensure the consistency of the message.

In the U.S., Coach currently spends approximately $13 million annually for national, regional and local advertising, primarily print and outdoor advertising, in support of its major selling seasons. In Japan, the company currently spends approximately $1 million annually for advertising, primarily outdoor advertising at strategic locations, print advertising and advertorials all of which is funded by its distributors. Coach catalogs and coach.com also serve as effective brand communications vehicles, driving store traffic as well as direct to consumer sales. Coach's co-branding partners including Toyota, Lexus, Palm and Motorola, have together spent over $24 million in advertising relating to the Coach brand over the past four years, and through their programs have strengthened its brand cachet. Advertising by the co-branding partners provides important additional exposure of the Coach brand, although the revenues generated from the purchase of Coach products by the co-branding partners are not material to the Coach business. Coach licensees spend an additional $4 million annually as part of an integrated campaign, which Coach controls both in concept design and execution. In conjunction with promoting a consistent global image, Coach uses its 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 the advertising budget, Coach engages 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 Coach's direct marketing strategy, it uses its database consisting of approximately seven million U.S. households. Catalogs are Coach's 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 the www.coach.com online store provides an opportunity to increase the size of this database and to communicate with consumers to increase on-line and physical store sales and build brand awareness. Coach's on-line store, like its catalogs and brochures, provides a showcase environment where consumers can browse through a strategic offering of the company's latest styles and colors.

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

CHANNELS OF DISTRIBUTION

DIRECT TO CONSUMER

Over the past 20 years, Coach has augmented its wholesale business with the addition of significant direct to consumer distribution channels. Coach now has four different channels that provide it with immediate, controlled access to consumers: retail stores, e-commerce, direct mail and factory stores. The direct to consumer business represented approximately 65% of Coach's total sales in the first six months of fiscal year 2001, with the balance generated through the wholesale distribution channel.

RETAIL STORES. The company's retail stores establish, reinforce and capitalize on the image of the Coach brand. Coach owns and operates 114 retail stores in the U.S. that are located in upscale regional shopping centers and metropolitan areas. It operates six flagship stores, which offer the broadest assortment of Coach products, in high-visibility locations such as New York and San Francisco. The average store size is approximately 2,000 square feet. The following table shows the number of Coach retail stores and their total square footage:

	AT END OF FISCAL YEAR			FIRST SIX MONTHS OF FISCAL YEAR	
	1998	1999	2000	2000	2001
Retail Stores	100	101	106	101	114
Retail Square Footage	190,503	193,994	201,744	193,174	229,625

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, Coach expects to have remodeled all retail stores to reflect its modern design, which creates a distinctive environment that showcases the 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 the Coach modern American style.

E-COMMERCE. Coach launched its e-commerce website in early October 1999 in anticipation of the holiday season. Although this business is relatively new, approximately 3.5 million consumers have already visited the site, generating over $8 million in net sales through December 30, 2000. Coach believes it is positioned to support strong near-term growth, with a simple, clean user interface and, based upon Coach direct mail expertise, excellent order fulfillment capabilities. Like Coach catalogs and brochures, the on-line store provides a showcase environment where consumers can browse through a selected offering of the latest styles and colors.

DIRECT MAIL. Coach mailed its first Coach catalog in 1980. In fiscal year 2000, it mailed at least one Coach catalog to 3.5 million strategically-selected households, primarily from its database. While direct mail sales comprise a small portion of Coach's net sales, Coach views its catalogs as a key communications vehicle for the brand that also promotes store traffic. As an integral component

of its communications strategy, the graphics, models and photography are upscale and modern and present the product in an environment consistent with the Coach brand position. The 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. Coach's 65 factory stores serve as an efficient means to sell discontinued and irregular inventory outside the 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. The average factory store size is approximately 2,900 square feet. The following table shows the number of Coach factory stores and their total square footage:

	AT END OF FISCAL YEAR			FIRST SIX MONTHS OF FISCAL YEAR	
	1998	1999	2000	2000	2001
Factory Stores.....	62	62	63	63	65
Factory Square Footage.....	173,628	175,588	180,570	178,788	190,023

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 these factory stores, Coach primarily targets value oriented customers who would not otherwise buy the Coach brand.

INDIRECT CHANNELS

Coach began as a wholesaler to department and specialty retail stores. This distribution channel remains very important to its overall consumer reach. The company has grown its wholesale business by working closely with its customers, both domestic and international, to ensure a clear and consistent product presentation. As part of Coach's business transformation, selected shop-within-shop locations in major department stores are being renovated to achieve the same modern look and feel of the Coach retail stores. At the end of 2000, 23 U.S. department stores were renovated to reflect the new modern design.

U.S. WHOLESALE. Coach's products are currently sold in the U.S. at more than 1,400 wholesale locations. This channel represents approximately 14% of its total sales. Recognizing the continued importance of U.S. department and specialty stores as a distribution channel for premier accessories, Coach is strengthening its longstanding relationships with its key customers through its products and styles and Coach's 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. The company's more significant U.S. wholesale customers include Marshall Fields, 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. Coach's international business, which represents approximately 15% of total sales, is generated almost entirely through wholesale distributors and authorized retailers. Coach has developed relationships with a select group of distributors who market Coach products through specialty retailers, department stores, travel shopping locations, and freestanding Coach stores in 18 countries. Coach's current network of international distributors serves markets such as Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. Coach has created image enhancing environments in these locations to increase brand appeal and stimulate growth. Within the international arena, the primary focus continues to be the Japanese consumer. Coach targets 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. Coach's 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 Coach products are sold:

	AT END OF FISCAL YEAR			FIRST SIX MONTHS OF FISCAL YEAR	
	1998	1999	2000	2000	2001
International Retail Stores.....	17	14	16	16	17
International Department Store Locations.....	132	136	130	132	127
Other International Locations.....	20	22	26	20	26

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

LICENSING. In the company's licensing relationships, Coach takes an active role in the design process and controls the marketing and distribution of products under the Coach brand. The 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

Products made under license are sold through all of the channels listed above and, with Coach's approval, these 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, and watches in jewelry stores. Coach's licensing partners pay the company royalties on their sales of Coach branded products. However, such royalties currently comprise less than 1% of Coach revenues and are not material to the Coach business. The licensing agreements generally give Coach the right to terminate the license if specified sales targets are not achieved. These new venues provide additional, yet controlled, exposure of the Coach brand.

MANUFACTURING

Coach has refined its production capabilities in coordination with the repositioning of its brand. By shifting its production from owned domestic facilities to independent manufacturers in lower-cost markets, it can support a broader mix of product types, materials and a seasonal influx of new, more fashion-oriented styles. During the first six months of fiscal year 2001, approximately 42% of Coach's sales were generated from products introduced within the fiscal year. At the same time, the company helps manage total inventory and limit its 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.

Coach has developed a flexible model to try to meet shifts in marketplace demand and changes in consumer preferences. It uses three main sources to make Coach products: outsourcing with skilled partners, internal manufacturing and production by its licensing partners. All product sources must achieve and maintain Coach's high quality standards, which are an integral part of the Coach identity. The company monitors compliance with the quality control standards through on-site quality inspections at all Coach-operated or independent manufacturing facilities.

One of Coach's keys to success lies in the rigorous selection of raw materials. Coach has long-standing relationships with purveyors of fine leathers and hardware. As it has shifted a significant portion of its production to external sources, Coach requires that these same raw materials are used in all of its products, wherever they are made.

About 84% of Coach's fiscal year 2001 non-licensed product needs will be supplied by independent manufacturers, measured as a percentage of total units produced. Coach buys independently manufactured products from a variety of countries, including China, Costa Rica, Mexico, India, Italy, Spain, Hungary and Turkey. It operates a European Sourcing and Product Development organization based in Florence, Italy which works closely with the New York-based design team. This broad-based multi-country manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities. Coach carefully balances its commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. No one vendor provides more than 20% of the company's 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. The company believes that all of its manufacturing partners are in compliance with Coach integrity standards.

Coach currently operates one manufacturing facility in a leased premises. In fiscal year 2001, the 66,000 square foot facility in Lares, Puerto Rico is expected to produce about 14% of Coach's needs.

As part of the strategy to shift production to independent manufacturers in lower-cost markets, Coach ceased operations at the other facility, located in Medley, Florida, in calendar year 2000. In fiscal year 2000, this 107,000 square foot facility contributed approximately 9% of production.

DISTRIBUTION

In July 1999, Coach consolidated its 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. Coach's distribution center employees use handheld optical scanners to read product bar codes, which allows the company to more accurately process and pack orders, track shipments, manage inventory and generally provide better service to its customers. Coach's products are primarily shipped via United Parcel Service and common carriers to Coach retail stores and wholesale customers and via UPS direct to consumers.

The average order processing time is 2 to 3 days. During Coach's peak season in calendar year 2000, the second quarter in fiscal year 2001, the company shipped approximately 97% of all orders complete. Because of its 20 years of experience shipping orders to individual catalog customers, Coach believes it is well positioned to support the order fulfillment requirements of its growing business, especially business generated through the website.

MANAGEMENT INFORMATION SYSTEMS

The foundation of Coach's information systems is its 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 Coach's transactional information, resulting in increased efficiencies and greater inventory control. This system is fully scalable to accommodate rapid growth.

Complementing its ERP system are several other newly-implemented system solutions, each of which, Coach believes, is well-suited for its needs. The data warehouse system summarizes the transaction information and provides a single platform for all management reporting. The 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 Coach's highly automated warehouse management system and electronic data interchange system, while the unique requirements of Coach's catalog and Internet businesses are supported by the company's custom direct sales system. Finally, the 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

Coach faces intense competition in the product lines and markets in which it competes. Coach products compete with other branded products within their product category and with private label products sold by retailers, including some of its own customers. In its wholesale business, Coach competes 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 Coach competes, which may increase the number of competitors and adversely affect its competitive position and its business.

In varying degrees, depending on the product category involved, Coach competes on the basis of style, price, customer service, quality, and brand prestige and recognition. Some of its competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than Coach. However, Coach believes that it has significant competitive advantages because of its brand recognition and the acceptance of the Coach brand name by consumers.

TRADEMARKS AND PATENTS

Coach owns all of the material trademark rights used in connection with the production, marketing and distribution of all of its products, both in the U.S. and in the other countries in which the products are principally sold. The company owns and maintains worldwide registrations for trademarks in all relevant classes of products in each of the countries in which Coach products are sold. Its major trademarks include COACH, COACH AND LOZENGE DESIGN and COACH AND TAG DESIGN and it has applications pending for a proprietary "C" SIGNATURE FABRIC design. Coach is not dependent on any one particular trademark or design patent. In addition, several of Coach's products are covered by design patents or patent applications. Coach aggressively polices its trademarks and trade dress, and pursues infringers both domestically and internationally. It also pursues counterfeiters domestically and internationally through leads generated internally, as well as through its network of investigators, the Coach hotline and business partners around the world.

Coach's trademarks will remain in existence for as long as Coach continues to use and renew them on their expiration date. Coach has no material patents.

EMPLOYEES

As of December 30, 2000, Coach had approximately 3,200 employees, approximately 60 of which were covered by collective bargaining agreements. Of the total, approximately 1,700 are engaged in retail selling and administration positions and approximately 1,100 are engaged in

manufacturing, sourcing or distribution functions. The remaining employees are engaged in other aspects of the Coach business. Coach believes that its relations with its employees are good, and it has never encountered a strike or significant work stoppage.

GOVERNMENT REGULATION

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

LEGAL PROCEEDINGS

Coach is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business. In the ordinary course of business, the company is involved in the policing of its intellectual property rights. As part of its policing program, from time to time, Coach files lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, trademark dilution and/or state or foreign law claims. At any given point in time, Coach may have one or more of such actions pending. These actions often result in seizure of counterfeit merchandise and/or out of court settlements with defendants. From time to time, defendants will raise as affirmative defenses or as counterclaims the invalidity or unenforcability of certain of Coach's intellectual properties. Coach believes that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on the Coach business or financial condition.

PROPERTIES

The following table sets forth the location, use and size of Coach's manufacturing, distribution and corporate facilities as of December 30, 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
Lares, Puerto Rico	Manufacturing	66,000
Florence, Italy	Product Development	16,000

Coach also occupies 114 retail and 65 factory leased retail stores located in the U.S. Coach considers these properties to be in good condition generally and believes that its facilities are adequate for its operations and provide sufficient capacity to meet its anticipated requirements.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding each of Coach's executive officers and directors, as of December 30, 2000:

NAME	AGE	POSITION(S)(1)
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(2).....	58	Director
Paul Fulton(2).....	66	Director
Gary Grom(3).....	54	Director
Michael Murphy(2).....	64	Director
Richard Oberdorf(3).....	48	Director

- ------------------------

(1) Coach's executive officers serve indefinite terms and may be appointed and removed by Coach's board of directors at any time. Coach's directors are elected at the annual stockholders meeting and serve terms of one year.

(2) Member of the audit committee and the compensation and employee benefits committee.

(3) Messrs. Grom and Oberdorf are both employees of Sara Lee. Each of Messrs. Grom and Oberdorf will resign as a member of Coach's board if the exchange offer is completed.

LEW FRANKFORT has been involved with the Coach business in excess of 20 years. He has served as Chairman and Chief Executive Officer of Coach since November 1995. He has served as a member of Coach's board of directors since June 1, 2000, the date of incorporation. Mr. Frankfort served as Senior Vice President of Sara Lee from January 1994 to October 2000. 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 Coach's board of directors since June 1, 2000, the date of incorporation. Prior to joining Coach, Mr. Monda served as Senior Vice President, Finance & Administration and Chief Financial Officer of Timberland Company from December 1993 until May 1996, and was promoted to, and held the position of, Senior Vice President, Operations from May

1996 until January 1998. From May 1990 to December 1993, Mr. Monda served as Executive Vice President, Finance and Administration of J. Crew. Mr. Monda holds Bachelor of Science and Master of Arts degrees from Ohio State University.

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

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

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

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

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

JOSEPH ELLIS was elected to Coach's 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 Coach's 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 Coach's board of directors since June 1, 2000, the date of 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 Coach's 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., Civic Federation, Big Shoulders Fund, 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 currently serves as Vice President, Corporate Development of Sara Lee. He has served as a member of Coach's board of directors since June 1, 2000, the date of incorporation. From September 1997 to November 2000, Mr. Oberdorf held various positions at Sara Lee, including Vice President of Portfolio Management. 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

Coach's 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. The audit committee reviews Coach's auditing, accounting, financial reporting and internal control functions and makes recommendations to the board of directors for the selection of independent accountants. In addition, the committee reviews Coach's accounting principles and financial reporting, its compliance with foreign trade regulations as well as the independence of, and the non-audit services provided by, Coach's independent accountants. In discharging its duties, the audit committee:

- reviews and approves the scope of the annual audit and the independent accountant's fees;

- meets independently with Coach's internal auditing staff, its independent accountants and senior management; and

- reviews the general scope of Coach's 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

Coach's 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. The compensation and employee benefits committee determines, approves and reports to the board of directors on all elements of compensation for Coach's elected officers, including targeted total cash compensation and long-term equity based incentives and administers various employee benefit plans.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

DIRECTOR COMPENSATION

Directors who are Coach or Sara Lee employees receive no compensation for their services as directors. Coach's outside directors (I.E., directors who are neither Coach nor Sara Lee employees) receive an annual retainer of $30,000 and an annual grant of 5,000 options to purchase shares of Coach common stock. The exercise price of these options equals the fair market value of Coach common stock on the date of grant. Coach's outside directors may 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, Coach's outside directors may elect to defer part or all of their annual cash retainer under the Directors' Deferred Compensation Plan described below. Deferred amounts are invested in a stock equivalent account. Chairpersons of Coach's board committees receive an additional $5,000 annually. There are no service contracts in existence or proposed between Coach and any of its directors.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the number of shares of Coach common stock beneficially owned on March 1, 2001 by each director, each of the executive officers named in the Summary Compensation Table below and all of Coach's 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 the stock. The total number of shares of Coach common stock outstanding as of March 1, 2001 was 43,513,333.

	SHARES OF COACH BENEFICIALLY OWNED	
NAME OF BENEFICIAL OWNER	NUMBER	PERCENTAGE
Lew Frankfort(1)	661,118	1.5
Keith Monda(2)	63,913	*
David DeMattei(3)	61,213	*
Reed Krakoff(4)	76,907	*
Richard Randall	0	*
Carole Sadler(5)	20,067	*
Felice Schulaner(6)	3,303	*
Joseph Ellis(7)	5,000	*
Paul Fulton(7)	15,000	*
Gary Grom	10,000	*
Richard Oberdorf	10,000	*
Michael Murphy(7)	15,000	*
All Directors and Officers as a Group (12 people)	941,521	2.2

- --------------

* Less than 1%.

(1) Includes 621,018 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(2) Includes 51,213 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(3) Includes 51,213 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(4) Includes 66,907 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(5) Includes 18,667 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(6) Represents 3,303 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

(7) Includes 5,000 shares of common stock that may be purchased within 60 days of March 1, 2001 pursuant to the exercise of options.

EXECUTIVE COMPENSATION OF COACH

Until October 2000, the executive officers named in the table below participated in Sara Lee compensation plans. The following table sets forth compensation information for Coach's chief executive officer and the 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 us for services performed for the Coach business during the fiscal years ended July 1, 2000 and July 3, 1999.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS		
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS(1)	NUMBER OF SECURITIES UNDERLYING OPTIONS(2)	ALL OTHER COMPENSATION(3)
Lew Frankfort..... Chairman and Chief Executive Officer	2000	$470,833	$460,616	$ 250,000(4)	$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	250,000(4)	112,088	24,000	36,576
	1999	350,000	286,907	639,470(5)	100,800	50,000	5,347
David DeMattei..... President, Retail Division	2000	450,000	360,000	250,000(4)	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	250,000(4)	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 Sara Lee restricted stock units on the date of grant. For fiscal year 2000, market value was calculated based on $22.875 per share and includes 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, 4,900. For fiscal year 1999, market value was calculated based on $24.00 per share and includes 8,400 performance based restricted stock units granted to Lew Frankfort, 4,200 to Keith Monda, 6,000 to David DeMattei and 4,200 to Reed Krakoff. 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 we approve 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 us. 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. On October 4, 2000, all service-based

restricted stock units were converted into Coach service-based restricted stock units as described in "Stock Ownership Guidelines for Executive Officers."

(2) Number of shares of Sara Lee common stock underlying options. On October 4, 2000, all of these options were converted into options to purchase shares of Coach common stock as described in "Stock Ownership Guidelines for Executive Officers."

(3) Includes payment by us 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 us 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 our contributions under our 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 our contributions under our 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.

(4) Represents payments made in November 2000 under the Coach 2000 Growth Incentive Plan. These payments were made on an accelerated basis based on the achievement of operating profit targets for fiscal year 2000 and the waiver of other requirements under the plan, as described in "2000 Growth Incentive Plan."

(5) 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 of Coach named above in the Summary Compensation Table during the fiscal year ended July 1, 2000.

SARA LEE OPTION GRANT IN LAST FISCAL YEAR(1)

NAME	NUMBER OF SECURITIES UNDERLYING THE OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO SARA LEE EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SARA LEE SHARE (2)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM(3)	
					5%	10%
Lew Frankfort.....	76,000	*	$22.66	August 2009	$1,082,880	$2,744,231
	27,708(4)	*	23.81	August 2006	268,604	625,960
	69,041(4)	*	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 us to our employees in fiscal year 2000 was 35,958,092.

(1) Because Coach stock was not available in the last fiscal year, all executive officers received options to purchase Sara Lee stock. The Sara Lee options were subsequently converted into

options to purchase Coach stock on October 4, 2000 as described in "Stock Ownership Guidelines for Executive Officers."

(2) 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 (4) 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 us, our compensation and employee benefits committee may provide for appropriate adjustments, including acceleration of the vesting period.

(3) 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.

(4) 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 of Coach named above in the Summary Compensation Table.

AGGREGATED SARA LEE OPTION EXERCISES AND FISCAL YEAR END OPTION VALUES

NAME	SARA LEE SHARES ACQUIRED ON EXERCISE	VALUE REALIZED($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL-YEAR-END		VALUE OF SARA LEE UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Lew Frankfort	107,666	$503,417	375,873(2)	196,002(2)	$ 0	$ 0

- ------------------------

(1) Options are "in-the-money" at fiscal year-end if the market value of the underlying Sara Lee 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.

(2) All of these Sara Lee options were converted into options to purchase Coach common stock on October 4, 2000 as described in "Stock Ownership Guidelines for Executive Officers."

2000 GROWTH INCENTIVE PLAN

During fiscal year 2000, Sara Lee's Compensation and Employee Benefits Committee approved Coach's 2000 Growth Incentive Plan. The plan is intended to provide Coach's senior management with incentive compensation tied to the achievement of near-term profitability and growth targets and to enhance retention. Under the plan, a portion of fiscal year 2000 operating profit in excess of the specified target is retained in a fund. This fund will be paid out to participants in the plan in

September 2001 if Coach realizes a specified profit growth target in fiscal year 2001 compared to fiscal year 2000. In November 2000, partial payments were made under the plan to four participants on an accelerated basis and the fiscal year 2001 profit growth requirement was waived with respect to such payments. Additional payments will be made to all participants in the plan in September 2001 if the fiscal year 2001 growth target and other conditions are met.

SEVERANCE POLICY

Coach's severance policy provides 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 may 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 our insurance plans, except for life and disability insurance (which end 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 one of our competitors.

RETIREMENT PLANS

The following table shows the approximate annual pension benefits payable upon retirement under our qualified pension plan, as well as a nonqualified supplemental benefit plan. Executive officers of Coach are eligible to participate in our retirement plans until June 30, 2001. We have agreed that Lew Frankfort, Coach's Chairman and Chief Executive Officer, will continue to accrue service time under our supplemental benefit plan through April 1, 2001. The compensation covered by our 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 us to individual trusts established by the participants.

ESTIMATED ANNUAL NORMAL RETIREMENT PENSION
BASED UPON THE INDICATED CREDITED SERVICE

FINAL AVERAGE COMPENSATION	10 YEARS	15 YEARS	25 YEARS	35 YEARS
30$0,000	$ 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 January 1, 2001, the executive officers had the following years of credited service under the pension plans: Lew Frankfort, 15 years and five months; Keith Monda, two years and six months; David DeMattei, two years and five months; Reed Krakoff, four years; and Carole Sadler, three years and nine months.

STOCK OWNERSHIP GUIDELINES FOR EXECUTIVE OFFICERS

Coach's board of directors believes that the interests of its executive officers and other senior management will be more closely aligned with the interests of Coach stockholders if the executive officers and other senior management hold a significant investment in Coach common stock. To ensure significant stock ownership, Coach's board of directors has adopted stock ownership guidelines that encourage 27 Coach employees, at the vice president level and above, to own a specified number of Coach securities. The ownership guidelines range from 150,000 shares for the Chief Executive Officer to 20,000 shares for each of the Vice Presidents. Employees who are subject to the stock ownership guidelines have several years to achieve compliance. Shares covered by deferred stock units and shares allocated under the 401(k) plan or other benefit plans count towards compliance with the stock ownership guidelines.

To facilitate Coach executives' achievement of Coach stock ownership guidelines and in addition to the common stock reserved for issuance under Coach stock plans, Coach offered the opportunity and 45 Coach employees elected to convert previously granted options to purchase Sara Lee common stock into options to purchase 1,494,893 shares of Coach common stock at the time of Coach's initial public offering. These employees hold management titles beginning at the "Director" level and above, up to and including the Chief Executive Officer. The number and exercise prices of the Coach options granted were 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 Coach's initial public offering. The Coach options have substantially the same vesting and exercise provisions as the Sara Lee options surrendered and cancelled. However, the Coach options are not exercisable under any circumstance until April 4, 2001. Between April 4, 2001 and October 4, 2001, Coach options are exercisable only if the exchange offer and any subsequent spin-off have occurred or we have otherwise disposed of our controlling interest in Coach. After October 4, 2001, Coach options are exercisable only if certain requirements are satisfied that are intended to preserve our ownership of at least 80% of Coach's outstanding stock or until the completion of the exchange offer and spin-off, if necessary.

Under several of our long-term performance or restricted stock plans, some of Coach's key employees were granted restricted stock unit awards. At the time of Coach's initial public offering in October 2000, seven Coach employees converted previously granted Sara Lee service-based restricted stock units into 33,575 Coach service-based restricted stock units that have the same vesting requirements. Sara Lee performance-based restricted stock units were not eligible for conversion at the time of Coach's initial public offering. The Coach service-based restricted stock units have substantially the same release provisions as the Sara Lee service-based restricted stock units surrendered and cancelled. However, shares will not be issued under vested restricted stock units unless certain requirements are satisfied that are intended to preserve our ownership of at least 80% of Coach's outstanding stock until the completion of the exchange offer and spin-off, if necessary.

TREATMENT OF SARA LEE OPTIONS AND RESTRICTED STOCK UNITS IN THE EXCHANGE OFFER

All Sara Lee options held by Coach employees at the time the exchange offer is completed will expire in accordance with the existing terms of the governing plan provisions. As of December 30, 2000, Coach employees held options to purchase 297,316 shares of Sara Lee common stock. As of December 30, 2000, Coach employees held 32,800 unvested Sara Lee performance-based restricted stock units which may not be tendered in the exchange offer.

2000 STOCK INCENTIVE PLAN

Coach's 2000 Stock Incentive Plan, referred to as the 2000 Plan, provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights and other stock awards to Coach employees.

NUMBER OF SHARES OF COMMON STOCK AVAILABLE UNDER THE 2000 PLAN. A total of 5,300,742 shares of Coach common stock have been reserved for issuance pursuant to the 2000 Plan. In connection with its initial public offering, Coach granted its employees options to purchase 2,868,625 shares of its common stock at the initial public offering price of $16.00 per share. None of these options are exercisable until October 2001, other than acceleration due to death or disability or until the completion of the exchange offer and any subsequent spin-off. 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 Coach employees of outstanding awards administered under the 2000 Plan, or in connection with an 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 Coach's board of directors administers the 2000 Plan. Coach has adopted procedures satisfactory to us to ensure that the issuance of shares of Coach common stock under the 2000 Plan will not cause our ownership of Coach's outstanding capital stock to fall below 80%, which is necessary to preserve the tax-free status of the exchange offer and any spin-off. Under these procedures, until the completion of the exchange offer and any spin-off, Coach is required to repurchase shares of its common stock on the open market as options are exercised or restricted stock units vest before shares can be issued 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, Coach's compensation and employee benefits committee consists solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. The 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 Coach common stock on the grant date. 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 Coach common stock to Coach, or satisfies the minimum tax-withholding obligations by authorizing Coach 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, vesting continues during the severance period and 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 in Coach's initial public offering provide that retirement within two years of such offering will be treated as a voluntary termination. Coach employees 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 Coach's interests, such as accepting employment with one of its competitors. The ability of Coach employees to exercise options (including in the event of acceleration of vesting due to death or disability) is subject to certain limitations intended to preserve our ownership of at least 80% of Coach's outstanding stock until the exchange offer or the spin-off is completed.

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 completion of the exchange offer, one-half of all unvested Coach options will vest automatically. The 2000 Plan expressly states that a distribution in connection with an exchange offer for Sara Lee common stock does not constitute a change of control.

AMENDMENT OF THE 2000 PLAN. Coach's 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 the 2000 Plan without the affected award holder's consent.

EXECUTIVE DEFERRED COMPENSATION PLAN

In June 2000, Coach's board of directors adopted the Executive Deferred Compensation Plan, referred to as the Deferred Compensation Plan. We, as Coach's sole stockholder at that time,

approved the Deferred Compensation Plan. 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. Participants were offered the opportunity to elect to transfer their deferrals under the Sara Lee Executive Deferred Compensation Plan to the Deferred Compensation Plan on October 4, 2000. All amounts deferred under the Deferred Compensation Plan are represented by deferred stock units, which represent the right to receive shares of Coach 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 completion of the exchange offer or spin-off, no distribution will be made from the Deferred Compensation Plan unless Coach purchases shares on the open market to satisfy the distribution before shares are issued to fund the distribution.

PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

Coach's board of directors has adopted the Performance-Based Annual Incentive Plan, referred to as the Annual Plan. We, as Coach's sole stockholder at that time, approved the Annual Plan. The Annual Plan is intended to provide Coach senior management with annual incentive compensation that is tied to the achievement of pre-established and objective performance goals, such as return on investment and cash flow. The compensation and employee benefits committee of Coach's 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 consists solely of two or more "outside directors". 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

Coach's board of directors has adopted the 2000 Non-Employee Director Stock Plan, referred to as the Director Plan. We, as Coach's sole stockholder at that time, approved the Director Plan.

ADMINISTRATION. The compensation and employee benefits committee of Coach's board of directors administers the Director Plan. Coach has adopted procedures satisfactory to us to ensure that the issuance of shares of Coach common stock under the Director Plan will not cause our ownership of Coach's outstanding capital stock to fall below 80%, which is necessary to preserve the tax-free status of the exchange offer and any spin-off. Under these procedures, until the completion of the exchange offer and any spin-off, Coach will be required to repurchase shares of its common stock on the open market as options are exercised and before Coach can issue shares to fund option exercises.

NUMBER OF SHARES AVAILABLE UNDER THE DIRECTOR PLAN. As of October 4, 2000, an aggregate of 84,813 shares of common stock were reserved for options and share awards under the Director Plan. In connection with Coach's initial public offering, it granted to its non-employee directors options to purchase 15,000 shares of Coach common stock at the initial public offering price of $16.00 per share. 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 receives an annual option retainer consisting of 5,000 options on the last regularly scheduled meeting of the board held in the second fiscal quarter of each year, beginning the second fiscal quarter of 2001. 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 the Director Plan have a term not longer than 10 years and an exercise price equal to the fair market value of Coach 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 our ownership of at least 80% of Coach outstanding capital stock until the exchange offer and any subsequent spin-off are completed. No option may be exercised until the later of April 2001 or the completion of the exchange offer and any subsequent spin-off. After termination of services as a non-employee director, an optionee may exercise the vested portion of his or her option for the period of time stated in the option agreement. Generally, if termination is due to:

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

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

STOCK AND OPTIONS IN LIEU OF FEES. Coach 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. The company 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 the 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 OF 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 in connection with an exchange offer for Sara Lee stock does not constitute a change of control.

AMENDMENT AND TERMINATION OF THE DIRECTOR PLAN. Coach's 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.

NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR OUTSIDE DIRECTORS

Coach's board of directors has adopted, and we as its sole stockholder at that time, have approved the Non-Qualified Deferred Compensation Plan for Outside Directors, referred to as 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 Coach 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 completion of the exchange offer and any subsequent spin-off, no distribution shall be made from the Directors' Deferred Compensation Plan unless Coach purchases shares on the open market to satisfy the distribution before it issues shares to fund the distribution.

SHARES ELIGIBLE FOR FUTURE SALE

Coach shares distributed to Sara Lee stockholders in the exchange offer will be freely transferable, except for shares of Coach common stock received by persons who may be deemed to be "affiliates" of Coach under the Securities Act. Affiliates generally include individuals or entities that control, are controlled by, or are under common control with, Coach. The directors and principal executive officers of Coach will be affiliates, as may be significant stockholders of Coach. Affiliates of Coach may sell their shares of Coach common stock only under an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, if any, such as the exemption afforded by Rule 144 under the Securities Act.

DESCRIPTION OF CAPITAL STOCK OF COACH

THE FOLLOWING IS A SUMMARY OF THE MATERIAL TERMS OF COACH'S CAPITAL STOCK. FOR A COMPLETE DESCRIPTION, REFER TO THE MARYLAND GENERAL CORPORATION LAW, AND TO COACH'S CHARTER AND BYLAWS. COACH HAS FILED ITS CHARTER AND BYLAWS AS EXHIBITS TO THIS REGISTRATION STATEMENT.

GENERAL

Coach's charter provides that it 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 its 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 it has authority to issue. As of January 1, 2001, 43,513,333 shares of common stock, and no shares of preferred stock, were issued and outstanding. The Maryland General Corporation Law provides that Coach's stockholders are not obligated to it or its creditors with respect to Coach stock, except to the extent that the subscription price or other agreed upon consideration has not been paid.

COMMON STOCK

Holders of Coach's common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of its securities. Holders of common stock are entitled to receive dividends as authorized by the board of directors out of assets legally available for the payment of dividends. They are also entitled to share ratably in the assets legally available for distribution to the stockholders in the event of liquidation, dissolution or winding up, after payment of or adequate provision for all of the known debts and liabilities. These rights are subject to the preferential rights of any other class or series of Coach 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 Coach 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 (including any change to the terms of the stock described in this section), 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. Coach's charter provides for approval by a majority of all the votes entitled to be cast in these situations.

POWER TO RECLASSIFY SHARES OF COACH STOCK

Coach's charter (1) authorizes the board of directors to classify and reclassify any unissued shares of common stock and preferred stock into other classes or series of stock and (2) permits the 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 Coach has the authority to issue. Prior to issuance of shares of each class or series, the board is required by Maryland law and by the 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 its common stock or otherwise be in their best interest. No shares of its preferred stock are presently outstanding and Coach has no present plans to issue any preferred stock.

POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK AND PREFERRED STOCK

Coach believes 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 it 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 Coach's securities may be listed or traded. Although Coach has no present intention of doing so, it 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.

EXCHANGE AGENT AND REGISTRAR

The exchange agent and registrar for Coach's common stock is Mellon Investor Services LLC.

CERTAIN PROVISIONS OF MARYLAND LAW AND COACH'S CHARTER AND BYLAWS

BOARD OF DIRECTORS

Coach's charter and bylaws provide that the number of directors may be established exclusively by the board of directors. The charter provides that any vacancy will be filled, by a majority of the remaining directors. However, if at the time of a vacancy there is a person who, together with its affiliates, beneficially owns a majority of the shares entitled to vote in the election of directors (referred to as the "majority holder") (1) any vacancy on Coach's board of directors which results from the removal of a director may be filled only by the affirmative vote of a majority of 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 the majority holder 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 voting stock.

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

REMOVAL OF DIRECTORS

Neither Coach's charter nor its bylaws addresses the removal of directors. Under Maryland law, the stockholders of a corporation may remove a director, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast for the election of directors.

BUSINESS COMBINATIONS

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after

the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include certain mergers, asset transfers, issuances or reclassifications of equity securities and certain other transactions. 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 ten percent 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.

Pursuant to the statute, Coach has exempted any business combination with Sara Lee or any director, officer or affiliate of Sara Lee who becomes a Sara Lee affiliate with the approval of Sara Lee's board of directors, or any director, officer or affiliate of Coach who becomes a Coach affiliate with the approval of Coach's board of directors, and, consequently, the five-year prohibition and the super-majority vote requirements described above will not apply to a business combination between any of them and Coach. As a result, they may be able to enter into business combinations with Coach, which may not be in the best interest of the stockholders, without compliance by Coach with the super-majority vote requirements and 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 Coach common stock or otherwise be in their best interest.

CONTROL SHARE ACQUISITIONS

Coach's bylaws contain a provision exempting from Maryland's control share acquisition statute any and all acquisitions by any person of shares of Coach 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 acquirer or by officers or 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 acquirer or in respect of which the acquirer

is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer 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 acquirer 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 acquirer 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 acquirer 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

Coach's charter may be amended only with the approval of Coach's board of directors and 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 the stockholders, 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 it has authority to issue, change Coach's name or change the name, designation or par value of any class or series of Coach stock or the aggregate par value of Coach's stock.

DISSOLUTION OF THE COMPANY

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

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Coach's 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 notice of the meeting;

- by the board of directors;

- by Sara Lee during the period it holds at least 50% of Coach's 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 the 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 the notice of the meeting;

- by the board of directors;

- by Sara Lee during the period it holds at least 50% of Coach's 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 a corporation to include in its charter a provision limiting the liability of its directors and officers to it and its 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. Coach's charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law requires a corporation (unless the charter provides otherwise, which Coach'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 company 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 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, Coach may not indemnify for an adverse judgment in a suit by Coach or in its right or for a judgment on the basis that personal benefit was improperly received, unless, in either case, a court orders indemnification and then only for expenses.

In addition, Maryland law permits Coach to advance reasonable expenses to a director or officer upon its 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 Coach if it is ultimately determined that the standard of conduct was not met.

Coach's charter also authorizes it and the bylaws obligate it, 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 its 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. The charter also permits Coach to indemnify and advance expenses to any person who served its predecessor in any of the capacities described above and any employee or agent of Coach or its predecessor.

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

The business combination provisions and, if the applicable provision in the bylaws is rescinded, the control share acquisition provisions of Maryland law and the advance notice provisions of the 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.

TRANSACTION WITH INTERESTED PARTIES

Under the terms of Coach's charter, for so long as we own at least 50% of its outstanding common stock, we will not have a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as Coach, and neither we nor any of our officers or directors shall be liable to Coach or its stockholders for breach of any duty by reason of any such activities. If we acquire knowledge of a potential transaction or matter that may be a corporate opportunity for us and Coach, we shall have no duty to communicate or offer such corporate opportunity to Coach and shall not be liable to Coach or its stockholders for breach of any duty as Coach's majority stockholder if we pursue or acquire such corporate opportunity for ourself, direct such corporate opportunity to another person or entity, or do not communicate information regarding, or offer, such corporate opportunity to Coach.

If one of Coach's directors, officers or employees who is also a director, officer or employee of us acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both Coach and us, such director, officer or employee will be entitled to offer such corporate opportunity to Coach or us 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 will be liable to Coach or its stockholders for breach of any duty by reason of the fact that (1) the director, officer or employee offered such corporate opportunity to us (rather than Coach) or did not communicate information regarding such corporate opportunity to Coach or (2) we pursue or acquire such corporate opportunity for ourself or direct such corporate opportunity to another person or do not communicate information regarding such corporate opportunity to Coach. Neither we nor any of our officers or directors will be liable to Coach or its stockholders for breach of any duty by reason of the fact that we or an officer or director of us 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 us and Coach.

These conflict of interests provisions will no longer be in effect upon the completion of the exchange offer.

COMPARISON OF RIGHTS OF STOCKHOLDERS OF COACH AND STOCKHOLDERS OF SARA LEE

Upon completion of the exchange offer, Sara Lee stockholders who exchange their shares of Sara Lee common stock for shares of Coach common stock will become stockholders of Coach. These holders' rights will continue to be governed by Maryland law and will be governed by Coach's charter and by laws. Because each of us and Coach is organized under the laws of Maryland, differences in the rights of a Coach stockholder from those of a Sara Lee stockholder arise principally from differences in the charter and bylaws of each of us and Coach.

The following is a summary of the material differences between the companies' charter and bylaws. The summary is not a complete statement of the rights of stockholders of the two companies or a complete description of the specific provisions referred to below. The summary is qualified in its entirety by reference to the governing corporate instruments of us and Coach, which you should read. Copies of the governing corporate instruments of us and Coach have been filed with the SEC. To find out where you can get copies of these documents, see "Where You Can Find More Information" on page 132.

SARA LEE	COACH
AUTHORIZED CAPITAL	
COMMON STOCK	
1.2 billion shares of common stock, $.01 par value per share, of which 827,823,149 shares were issued and outstanding as of February 28, 2001.	100 million shares of common stock, $.01 par value per share, of which 43,513,333 shares were issued and outstanding as of February 28, 2001. Coach's board of directors has authority to amend its charter, without stockholder approval, to change the number of authorized shares. Coach's authorized stock is more fully described in the section entitled "Description of Capital Stock of Coach" on page 110.
PREFERRED STOCK	
12 million shares of preferred stock, without par value, of which 6 million shares have been designated Series A Junior Participating Preferred Stock and 3,654,072 shares have been designated Series A ESOP convertible preferred stock. 1.5 million shares of convertible adjustable preferred stock, without par value. As of February 28, 2001, no shares of Series A Junior Participating Preferred Stock, no shares of convertible adjustable preferred stock and 3,406,492 shares of Series A ESOP Preferred Stock were issued and outstanding.	25 million shares of preferred stock, $.01 par value per share, none of which were issued and outstanding as of February 28, 2001.

SARA LEE	COACH
VOTING	
One vote for each share of common stock held of record on all matters submitted to a vote of the stockholders; no cumulative voting for the election of directors. Each share of Series A Junior Participating Preferred Stock is entitled to 100 votes, and each share of Series A ESOP convertible preferred stock is entitled to 10.264 votes, on each matter submitted to a vote of the stockholders.	One vote for each share held of record on all matters submitted to a vote of the stockholders; no cumulative voting for the election of directors. In accordance with Maryland corporate law, Coach's charter provides that the authorization of extraordinary transactions may be taken by the affirmative vote of holders of a majority of all the votes entitled to be cast on the matter regardless of any statutory supermajority requirement.
BOARD OF DIRECTORS	
NUMBER	
17 members currently; must always be at least 3 directors and no more than 25 directors; number of directors may be changed from time to time by a majority of the entire board of directors. No staggered board.	7 members currently, must always be at least 1; number of directors may be changed from time to time by a majority of the entire board of directors. No staggered board. 2 directors who are Sara Lee employees will resign upon completion of the exchange offer.
VACANCY	
A vacancy on the Sara Lee board of directors for any reason will be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum.	A vacancy on the Coach board of directors may be filled only by the affirmative vote of the majority of the remaining directors, even though less than a quorum. However, if at the time of a vacancy there is a person who together with its affiliates, beneficially owns a majority of the shares entitled to vote in the election of directors (referred to as the "majority holder"): - any vacancy which results from the removal of a director may be filled only by the affirmative vote of a majority of Coach's voting stock; and - 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 the majority holder or, if the vacancy remains unfilled at the time of the next meeting of stockholders, by the affirmative vote of the holder or holders of a majority of Coach's voting stock.

SARA LEE	COACH
REMOVAL	
The stockholders of Sara Lee may remove any director, with or without cause, by the affirmative vote of at least two-thirds of all votes entitled to be cast for the election of directors.	Coach's charter does not address removal of directors. Consequently, Maryland law 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 for the election of directors.
AMENDMENTS TO CHARTER	
Two-thirds of all votes entitled to be cast required to amend.	Majority of all votes entitled to be cast required to amend, except in certain circumstances, as described in the section entitled "Amendment to the Charter" on page 113.
NOMINATIONS AND PROPOSALS BY STOCKHOLDERS	
Advance written notice of (1) nominations for election of directors and (2) business to be properly brought before an annual meeting of stockholders is required. Must generally be delivered to the secretary not later than 90 days nor earlier than 120 days before the first anniversary of the date of the mailing of the notice of the preceding year's annual meeting. If the date of the mailing of the notice for the preceding year's annual meeting is advanced or delayed by more than 30 days from the anniversary date, notice must be delivered not earlier than the close of business on the 120th day before the date of mailing of the notice of the annual meeting and not later than the close of business on the 90th day before the date of mailing of notice of the annual meeting or the 10th day following the day on which public announcement of the date of mailing of the notice of the annual meeting is first made by Sara Lee.	Advance written notice of (1) nominations for election of directors and (2) business to be properly brought before an annual meeting of stockholders is required. Must generally be delivered to the secretary not later than 90 days nor earlier than 120 days before the first anniversary of the preceding year's annual meeting. If the date of the annual meeting is advanced or delayed by more than 30 days from the anniversary date, notice must be delivered not earlier than 120 days nor later than 90 days before the annual meeting or the 10th day following the day on which public announcement of the date of the meeting is first made. Provided, however, Sara Lee and any of its affiliates are exempt from the advance notice provisions during any period in which Sara Lee beneficially owns at least 50% of the votes entitled to be cast generally in the election of directors.
SPECIAL SHAREHOLDER MEETINGS	
May be called by: (1) the chairman of the board, (2) the board, (3) the president, or (4) stockholders entitled to cast at least a majority of all of the votes entitled to be cast at the special meeting by request to the secretary.	May be called by: (1) the chairman of the board, (2) the president, (3) the chief executive officer, (4) the board or (5) stockholders entitled to cast at least a majority of all the votes entitled to be cast at the special meeting by request to the secretary.

SARA LEE	COACH
CORPORATE OPPORTUNITIES	
No limitation in the charter.	Coach's charter provides that, for so long as Sara Lee owns at least 50% of Coach's outstanding common stock: - Sara Lee and its officers and directors shall not be liable to Coach or its stockholders for a breach of any duty by reason of competing with Coach or usurping a corporate opportunity from Coach; - any director, officer or employee of Coach who is also a director, officer or employee of Sara Lee will not be liable to Coach or its stockholders for breach of any duty by reason of offering a corporate opportunity to Sara Lee and not to Coach; and - neither Sara Lee nor any officer or director of Sara Lee shall be liable to Coach or its stockholders for breach of any duty resulting from their taking or failing to take any action or exercising or failing to exercise any rights or giving or withholding any consent in connection with any agreement or contract between Sara Lee and Coach.

THE FOLLOWING IS A SUMMARY OF THE MATERIAL TERMS OF THE MASTER SEPARATION AGREEMENT AND THE OTHER AGREEMENTS BETWEEN US AND COACH. FOR COMPLETE INFORMATION, YOU SHOULD READ THE FULL TEXT OF THESE AGREEMENTS, WHICH HAVE BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE AND COACH BELIEVE THAT THESE AGREEMENTS ARE ON TERMS THAT, OVERALL, ARE NO MORE FAVORABLE TO COACH OR 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 Coach's separation from us.

THE SEPARATION. The separation occurred on October 2, 2000. Under the separation agreement, we transferred assets and liabilities to Coach related to its business, including its allocable portion of our indebtedness in the form of a note payable to one of our subsidiaries. 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 us 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.

COVENANTS BETWEEN SARA LEE AND COACH. Coach has agreed with us to exchange information, engage in auditing practices, not take any action that would jeopardize our ownership of over 80% of Coach's outstanding capital stock prior to the completion of this exchange offer and any subsequent spin-off and resolve disputes in a particular manner. Coach also agreed to maintain the confidentiality of certain information, preserve available legal privileges, conduct its business prior to the completion of the exchange offer 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 our environmental management system.

INFORMATION EXCHANGE. Both parties have agreed to share information relating to governmental, accounting, contractual and other similar requirements of their 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 our policies in effect on the separation date. However, after completion of the exchange offer and any subsequent spin-off, each party may amend its record retention policies; but if a party desires to effect the amendment within three (3) years after the completion of the exchange offer, the amending party must give 30 days prior written notice to the other party. 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.

- Except in the case of legal or other proceedings by one party against the other, 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. Until the completion of this exchange offer and any subsequent spin-off, Coach has agreed to:

- not select a different independent accounting firm from that used by us without our consent;

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

- not change its fiscal year;

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

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

- not make significant changes in accounting principles without our consent, not to be unreasonably withheld.

SARA LEE'S OWNERSHIP OF OVER 80% OF COACH'S CAPITAL STOCK. Coach has agreed with us that, until the completion of this exchange offer and any subsequent spin-off, it will not take any action, such as issuing stock, without our consent if that action would jeopardize our ownership of over 80% of Coach's outstanding capital stock. Coach may, however, issue stock options and restricted stock awards, provided it gives us prior written notice and obtains our prior consent, and provided it repurchases sufficient amounts of Coach stock in open market transactions before such options are exercised or become transferable or such restricted stock is awarded, and uses such repurchased stock to satisfy option exercises and restricted stock awards, so that we will continue to own over 80% of Coach's outstanding stock.

EMPLOYEE DISCOUNTS. Each of Sara Lee and Coach offers to its employees, and to employees of its affiliated companies, discounts on the prices of designated products purchased by such employees. During the time that Coach was a division or subsidiary of Sara Lee, Coach employees were eligible for discounts on Sara Lee baked goods, coffee and Hanes products, and Sara Lee employees were eligible for discounts on Coach products. The discounts generally range from 10% to 50% below retail prices. In the Master Separation Agreement between Sara Lee and Coach dated as of August 24, 2001, Sara Lee agreed to extend its existing employee discount program on Hanes products to employees of Coach and its affiliates, and Coach agreed to extend its existing employee discount program on Coach products to employees of Sara Lee and its affiliates, until October 2, 2010.

DISPUTE RESOLUTION. If a dispute arises with us, under the separation agreement or the related agreements before or after the completion of the exchange offer and any subsequent spin-off, Coach has agreed to the following procedures:

- our senior executives and the senior executives of Coach and 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. We did not make any promises to Coach regarding:

- the value of any asset that we transferred to Coach;

- whether there is a lien or encumbrance on any asset we transferred, but we will provide Coach with notice if we receive notice of any claim or encumbrance;

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

- the legal sufficiency of any conveyance of title to any asset we transferred to Coach.

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.

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

INDEMNIFICATION FOR LIABILITY ARISING FROM THIS OFFERING CIRCULAR-PROSPECTUS. We and Coach have agreed that the mutual indemnification provisions of the Registration Rights section of the Master Separation Agreement shall apply to this offering circular-prospectus as if Sara Lee were making a request for a demand registration.

EXPENSES. We will bear the costs and expenses associated with the exchange offer. Each party will bear its 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. Before the completion of the exchange offer, the separation agreement and all ancillary agreements may be terminated by mutual consent of the parties.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The general assignment and assumption agreement identifies the assets we transferred to Coach and the liabilities that were assumed by Coach from us in connection with the separation. The agreement also describes when and how these transfers and assumptions occurred.

ASSET TRANSFER. Effective on October 2, 2000, we transferred to Coach all inventory and other assets related to the Coach business except those assets expressly agreed to be retained by us.

ASSUMPTION OF LIABILITIES. Effective on October 2, 2000, Coach assumed from us all liabilities related to the Coach business. The liabilities that Coach assumed also included its allocable portion of our indebtedness in the form of a note payable to one of our subsidiaries. Coach fully repaid this indebtedness on January 12, 2001.

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

TERMS OF OTHER ANCILLARY AGREEMENTS GOVERN. If another ancillary agreement expressly provided for the transfer of an asset or an assumption of a liability, the terms of the other ancillary agreement determined 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 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, Coach has exclusive authority and control of all pending actions solely relating to its business, its assets or its liabilities and we have exclusive authority and control of all pending actions solely relating to our business, assets or liabilities. We may, in our sole discretion, have exclusive authority and control over all pending actions relating to the Coach business, assets or liabilities if we or our affiliates or subsidiaries are a party to such action. In such case, we must obtain Coach's 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 Coach some of the assets, liabilities and responsibilities relating to its current and former employees. The agreement also provides for Coach employees' participation in some of the benefit plans that we currently sponsor. Under this agreement, Coach has assumed and agreed to pay, perform and fulfill all obligations relating to its employees arising out of their present or future employment with Coach and their prior employment with us relating to the Coach business.

All Coach employees participate in our sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan, on terms comparable to those for our employees until earlier of the completion of the exchange offer or until Coach establishes its own benefit plans for its employees. Coach intends to establish its own benefit programs prior to the beginning of its fiscal year 2002. We have agreed to allow Coach employees to continue to participate in certain of our benefit plans until June 30, 2001, if the exchange offer is completed before June 30, 2001.

Once Coach establishes its own benefit plans, it may modify or terminate each plan in accordance with the terms of that plan and Coach policies. Each of Coach's benefit plans will

provide that all service, compensation and other benefit determinations that were recognized under our corresponding benefit plan will be taken into account under that Coach benefit plan.

Assets relating to the employee liabilities that Coach assumed pursuant to the employee matters agreement were transferred to Coach or its related plans and trusts from trusts and other funding vehicles associated with our benefit plans.

TAX SHARING AGREEMENT

The tax sharing agreement allocates responsibilities for tax matters between Coach and us. Until the completion of the exchange offer and any subsequent spin-off, we are responsible for preparing and filing all consolidated, combined and unitary tax returns that include Coach and its subsidiaries, as well as Coach's separate federal, state, local and foreign income tax returns. Coach has the right to review and comment on the tax returns that we file on its behalf, but we have 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, Coach is responsible for preparing and filing any tax returns that include only it and its subsidiaries.

The tax sharing agreement requires Coach to pay us the incremental tax costs of its inclusion in consolidated, combined and unitary tax returns prepared by us. In the case of a consolidated federal income tax return, the amount Coach owes us will be computed as if Coach had filed its own separate, consolidated federal income tax return for it and its subsidiaries. The tax sharing agreement requires us to compensate Coach for some, but not all, of the tax benefits that we may derive from Coach's inclusion in our consolidated federal income tax return. In the case of a unitary, combined or consolidated state income tax return, the amount Coach owes us generally will be determined by comparing the amount of the group tax liability including Coach on the return with the amount of the group tax liability excluding Coach from the return. The tax sharing agreement also provides that any refunds or deficiencies resulting from a redetermination of Coach's tax liability for periods during which Coach joined in filing consolidated, combined or unitary tax returns are for our account. Coach is responsible for any taxes with respect to tax returns that include only it and its 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, Coach could be required to pay a deficiency in the group's federal income tax liability for a period during which it was a member of our group even if the tax sharing agreement allocates that liability to us or another member of the group. However, the tax sharing agreement provides that we will indemnify Coach if it is required to pay a deficiency in the group's federal income tax liability that is the responsibility of us or another member of the group under the tax sharing agreement.

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

The tax sharing agreement also requires us and Coach to indemnify the other party for certain taxes and similar obligations, including any taxes resulting from the failure of the exchange offer and any subsequent spin-off to qualify as tax-free to us as a result of actions taken, or the failure to take required actions, by us or Coach. The actions taken, or the failure to take action, by us or Coach that would give rise to an obligation to indemnify the other party under the tax sharing

agreement include the following, if such action, or failure to act, would prevent the exchange offer and any subsequent spin-off from qualifying as tax-free:

- any action or omission that is materially inconsistent with information previously provided with respect to the exchange offer, the ruling or the related legal opinion or a material breach of any significant covenant or representation made in connection with the exchange offer, the ruling or the legal opinion;

- a cessation, transfer or disposition of an active business;

- an issuance of stock, a buy-back of stock, or payment of an extraordinary dividend after the exchange offer, in each case outside certain limitations;

- certain acquisitions of the stock or assets of either Sara Lee or Coach before or after the exchange offer and any spin-off are completed; and

- certain issuances of stock by Sara Lee or Coach, or any of their affiliates, or a change in ownership of Sara Lee or Coach, or any of their affiliates, in each case pursuant to a plan that includes the exchange offer, which, in the aggregate, results in the ownership by one or more persons of 50% or more of the stock of either Coach or us.

These indemnity obligations include any interest and penalties on taxes, duties or fees for which we and Coach must indemnify the other party. Furthermore, we and Coach agreed to comply with the representations and undertakings made in connection with the ruling issued to us by the IRS and the tax opinion issued to us by Skadden, Arps, Slate, Meagher & Flom (Illinois) relating to the tax-free nature of the exchange offer and any spin-off.

The tax sharing agreement further requires Coach and us to cooperate with respect to tax matters, the exchange of information and the retention of records which may affect the income tax liability of Coach or us. Disputes arising between Coach and us 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 our provision of transitional services to Coach, on an interim basis until the earlier of the completion of the exchange offer or October 2002. 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 Coach pays us 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 Coach pays a specified rate per minute of use and other than specifically excluded services. This fee will be prorated for the actual term of the agreement if the exchange offer is completed before October 2002. Coach may terminate the agreement with respect to any service at any time upon notice to us, however, the termination of any service will have no effect upon the fee. The master transitional services agreement also gives Coach the ability to request us to provide additional services to it, but only at our discretion and only upon Coach's payment of an additional agreed upon fee. Coach may also extend the term of the agreement with our consent on mutually acceptable terms.

REAL ESTATE MATTERS AGREEMENT

The real estate matters agreement addresses matters relating to leased properties used in Coach's business that we leased on Coach's behalf. Under the agreement, we have agreed to assign to Coach all leases for store sites and other facilities used by Coach upon the later to occur of the separation date, October 2, 2000, or the fifth business day after Coach obtains 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 transfers of leased properties and provides that Coach will pay all reasonable costs and expenses in obtaining the landlord consents. If Coach did not obtain a required consent by the separation date, the parties agreed to use their respective commercially reasonable efforts to allow Coach to occupy the property until the consent is obtained. Coach will be responsible for all costs, expenses and liabilities incurred by us as a consequence of Coach's occupancy.

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

Under the agreement, Coach is also obligated to use commercially reasonable efforts to obtain the release of any and all of our obligations, including any guarantee, surety or other security, with respect to all of the leased properties transferred to it. Coach has agreed to indemnify us for any and all losses incurred by us as a result of Coach's occupancy of any leased property after the separation date. In the event Coach executes any new leases after the separation date, other than certain scheduled properties, or any of the leases transferred to Coach after that date are subject to renewal after the separation date, we 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, we continued to be the primary lessee or guarantor or otherwise were not fully and unconditionally released under many of Coach's property leases. Under the lease indemnification and reimbursement agreement, Coach agreed to obtain a letter of credit, for our benefit, that it will execute in favor of us upon the completion of this exchange offer.

LETTER OF CREDIT. The letter of credit shall approximately equal Coach's annual minimum rental payments under the leases that we have transferred to Coach and from which we were not fully and unconditionally released by the landlord, referred to as the "Relevant Leases." The required amount of the letter of credit will be reduced or increased accordingly as Coach's annual minimum rental payments under the Relevant Leases decrease or increase. Coach currently anticipates the annual minimum rental payments under the Relevant Leases is between $21.0 and $24.0 million. Coach is required to maintain the letter of credit until the annual minimum rental payments under the Relevant Leases fall below $2,000,000.

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

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

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

- upon the acceleration of Coach's bank indebtedness in excess of $5,000,000, we may draw down on the entire amount of the letter of credit, provided Coach is unable to refinance such indebtedness in a timely manner.

COVENANTS. As long as we have not been fully and unconditionally released from any Relevant Lease, Coach 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 Coach's business and only so long as Coach's ratio of adjusted debt to earnings before interest, taxes, depreciation, amortization and rent is less than 4.0; or

- transfer its interest under any Relevant Lease, unless we consent and we are fully and unconditionally released under the Relevant Lease.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

GENERAL RELEASE OF PRE-SEPARATION CLAIMS. Effective as of October 2, 2000, Coach released us and our affiliates, agents, successors and assigns, and we have released Coach, and its affiliates, agents, successors and assigns, from any liabilities arising from events occurring on or before such date. This provision does not impair a party from enforcing the separation agreement, any ancillary agreement or any arrangement specified in any of these agreements.

INDEMNIFICATION. In general, Coach has agreed to indemnify us and our affiliates, agents, successors and assigns from all liabilities arising from:

- the Coach business, any of Coach's liabilities or any of its contracts; and

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

We have agreed to indemnify Coach and its affiliates, agents, successors and assigns from all liabilities arising from:

- our business other than the Coach business; and

- any breach by us 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 THE PROSPECTUS USED IN COACH'S INITIAL PUBLIC OFFERING. Coach has agreed to indemnify us for any liability arising from any untrue statement or omission of a material fact in the prospectus used in Coach's initial public offering, other than any liability relating to statements or omissions relating exclusively to:

- us and our affiliates and subsidiaries;

- our business;

- our intentions with respect to the divestiture by us of all or a significant portion of Coach capital stock owned by us; or

- the terms of the divestiture by us of all or a significant portion of Coach capital stock owned by us.

We will indemnify Coach with respect to any liabilities relating to the items listed above, with respect to us.

ENVIRONMENTAL MATTERS. Coach has agreed to indemnify us and our affiliates, agents, successors and assigns from:

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

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

- the violation of environmental laws as a result of the operation of Coach's 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 Coach's facilities after the separation date.

We have agreed to indemnify Coach and its affiliates, agents, successors and assigns from:

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

- the violation of environmental laws as a result of the operation of any of Coach's 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 Coach's facilities prior to the separation date.

INSURANCE MATTERS. The agreement also contains provisions governing Coach's insurance coverage from the separation date until the completion of the exchange offer. In general, Coach agrees to reimburse us for premium expenses, deductibles and retention amounts related to Coach's insurance coverage during this period. We have agreed to maintain insurance policies on Coach's behalf until the completion of the exchange offer. We will promptly distribute to Coach any insurance proceeds that we recover under any of our insurance policies relating to the Coach business. While we maintain insurance policies on its behalf, Coach will work with us to secure additional insurance if desired by both parties.

INTERCOMPANY NOTE

On October 2, 2000, Coach assumed an intercompany note payable to one of our subsidiaries in the aggregate principal amount of $190 million. The note represented Coach's allocable portion of our indebtedness. The note bore interest at a rate of one month LIBOR plus 30 basis points, until the completion of the exchange offer, and one month LIBOR plus 250 basis points thereafter. The note required mandatory prepayments from excess cash flow, as defined in the note, remaining after repayment of borrowings under the revolving credit facility. As required by the terms of the note, Coach used all of the net proceeds of its initial public offering to repay a portion of the amount outstanding under the note. The remainder of the note was repaid on January 12, 2001.

REVOLVING CREDIT FACILITIES

On July 2, 2000, Coach entered into a revolving credit facility with us under which Coach could borrow up to $75 million from us. This facility was paid off and terminated on February 27, 2001.

To provide funding for working capital for operations and general corporate purposes, on February 27, 2001, Coach, certain lenders and Fleet National Bank, as a lender and administrative agent entered into a senior unsecured revolving credit facility for up to $100 million.

Indebtedness under the revolving credit facility bears interest at a rate of LIBOR plus 75 to 150 basis points based on a fixed charge coverage ratio grid or the prime rate announced by Fleet National Bank, at Coach's option.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences to Sara Lee stockholders as a result of the exchange offer and any subsequent spin-off. The summary is based on the Internal Revenue Code, the Treasury regulations promulgated thereunder, and interpretations of the Internal Revenue Code and Treasury regulations by the courts and the IRS, all as they exist as of the date of this document. This summary does not discuss all tax considerations that may be relevant to Sara Lee stockholders in light of their particular circumstances, nor does it address the consequences to Sara Lee stockholders subject to special treatment under the United States federal income tax laws, such as tax-exempt entities, non-resident alien individuals, foreign entities, foreign trusts and estates and beneficiaries thereof, persons who acquire such shares of Sara Lee common stock pursuant to the exercise of employee stock options or otherwise as compensation, insurance companies, and dealers in securities. In addition, this summary does not address the United States federal income tax consequences to Sara Lee stockholders who do not hold their shares of Sara Lee common stock as capital assets. This summary does not address any state, local or foreign tax consequences. Sara Lee stockholders are urged to consult their tax advisors as to the particular tax consequences to them of the exchange offer and any subsequent spin-off.

IRS RULING AND TAX OPINION--FEDERAL INCOME TAX CONSEQUENCES. We have received a ruling from the IRS and a tax opinion from Skadden, Arps, Slate, Meagher & Flom (Illinois) stating that, for United States federal income tax purposes, the exchange offer and any subsequent spin-off will qualify under Section 355 of the Internal Revenue Code as a distribution that is tax-free to Sara Lee stockholders, except with respect to any cash received in lieu of fractional shares of Coach common stock. We will not be able to rely on the ruling or the tax opinion if any factual representations made to the IRS or to counsel are incorrect or untrue in any material respect, or any undertakings made to the IRS or to counsel are not complied with. Neither we nor Coach is aware of any facts or circumstances that would cause any such representations to be incorrect or untrue in any material respect. An opinion of counsel is not binding on the IRS or the courts. If we complete the exchange offer and any subsequent spin-off and, notwithstanding the ruling, the exchange offer and any subsequent spin-off are determined to be taxable for United States federal income tax purposes, we and our stockholders that receive shares of Coach common stock could be subject to a material amount of taxes as a result of the exchange offer and any subsequent spin-off. We and Coach will be liable to each other for any such corporate level taxes incurred by the other to the extent such taxes are attributable to specified actions or failures to act by Coach or us, or to specified transactions involving Coach or us following the exchange offer and any subsequent spin-off. These indemnification obligations are only for our and Coach's benefit. We and Coach will not indemnify any individual stockholder for any taxes that may be incurred in connection with the exchange offer or any subsequent spin-off. For a description of our and Coach's obligations in connection with the ruling and the tax opinion and potential tax liabilities if the exchange offer and any subsequent spin-off are determined to be taxable, see the section in this document entitled "Agreements between Sara Lee and Coach--Certain Relationships and Related Transactions--Tax Sharing Agreement", beginning on page 124.

The ruling and the tax opinion provide that for United States federal income tax purposes:

- no gain or loss will be recognized by, and no amount will be included in the income of, the Sara Lee stockholders upon their receipt of shares of Coach common stock in the exchange offer and any subsequent spin-off;

- for those Sara Lee stockholders that surrender all of their shares of Sara Lee common stock in the exchange offer, the aggregate tax basis of the shares of Coach common stock held by the Sara Lee stockholders after the exchange offer, including any fractional share interests

with respect to which cash is received as described below, will be the same as the aggregate tax basis of the shares of Sara Lee common stock exchanged in the exchange offer;

- for those Sara Lee stockholders that do not surrender all of their shares of Sara Lee common stock in the exchange offer, each such stockholder's aggregate tax basis in the shares of Sara Lee common stock held before the completion of the exchange offer will be allocated between the shares of Sara Lee common stock and shares of Coach common stock, including any fractional share interests with respect to which cash is received as described below, held by such stockholder after the exchange offer and any subsequent spin-off in proportion to their relative fair market values;

- the holding period of the shares of Coach common stock received by the Sara Lee stockholders in the exchange offer and any subsequent spin-off, including any fractional share interests with respect to which cash is received as described below, will include the holding period of the shares of Sara Lee common stock with respect to which the shares of Coach common stock were received; and

- if a stockholder of Sara Lee receives cash as the result of an independent exchange agent sale of a fractional share of Coach common stock on behalf of the stockholder, the stockholder will recognize gain or loss in an amount equal to the difference between the tax basis allocable to such fractional share interest and the amount of cash received.

The ruling and the tax opinion do not specifically address tax basis issues with respect to holders of shares of Sara Lee common stock who own blocks of shares of Sara Lee common stock with different per share tax bases. Such holders are urged to consult their tax advisors regarding the possible tax basis consequences to them of the exchange offer and any subsequent spin-off.

For Sara Lee stockholders that do not surrender all of their shares of Sara Lee common stock in the exchange offer, the aggregate tax basis in the shares of Sara Lee common stock and shares of Coach common stock held after the exchange offer will equal such stockholder's aggregate tax basis in its shares of Sara Lee common stock held before the exchange offer. The portion of the stockholder's aggregate tax basis allocated to shares of Coach common stock received in the exchange offer will equal the aggregate tax basis in the shares of Sara Lee common stock held before the exchange offer multiplied by a fraction equal to:

- the fair market value of shares of Coach common stock received in the exchange offer, divided by

- the fair market value of shares of Coach common stock received in the exchange offer plus the fair market value of the shares of Sara Lee common stock held immediately after the exchange offer.

For Sara Lee stockholders that receive additional shares of Coach common stock in any subsequent spin-off, the calculation described above must be repeated using the tax basis in the shares of Sara Lee common stock, as determined following the exchange offer, as the starting point in the calculation.

United States Treasury regulations require each Sara Lee stockholder that receives shares of Coach common stock in the exchange offer and any subsequent spin-off to attach to the holder's United States federal income tax return for the year in which the stock is received a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Internal Revenue Code to the exchange offer and any subsequent spin-off. Within a reasonable time after the exchange offer and any subsequent spin-off, Sara Lee will provide Sara Lee stockholders who participated in the exchange offer and Sara Lee stockholders

who received shares of Coach common stock in any subsequent spin-off with the information necessary to comply with such requirement, and will provide information regarding the allocation of tax basis as described above.

Sara Lee stockholders are urged to consult their tax advisors as to the particular tax consequences to them of the exchange offer and any subsequent spin-off, including the application of state, local and foreign tax laws and any changes in federal tax laws that occur after the date of this document.

LEGAL MATTERS

The validity of the issuance of the shares of Coach common stock offered hereby will be passed upon by Ballard Spahr Andrews & Ingersoll, LLP. Certain legal matters with respect to the exchange offer, the spin-off and certain United States federal income tax consequences to Sara Lee stockholders with respect to the exchange offer and any subsequent spin-off will be passed upon by Skadden, Arps, Slate, Meagher & Flom (Illinois).

EXPERTS

The Sara Lee Corporation financial statements incorporated by reference and the Coach, Inc. financial statements included in this offering circular-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 incorporated by reference or included herein in reliance upon the authority of said firm in accounting and auditing in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We and Coach file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information filed by either company at the SEC's public reference rooms at 450 5th Street NW, Washington DC 20549 or in, New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. In addition, the SEC maintains an Internet site that contains reports, proxy statements and other information regarding registrants that file electronically, such as us and Coach. The address of the SEC's Internet site is http://www.sec.gov.

Coach has filed a registration statement on Form S-4 under the Securities Act of 1933, of which this document forms a part, to register the shares of Coach common stock to be issued to stockholders whose shares of Sara Lee common stock are accepted for exchange pursuant to the exchange offer. We will file a Schedule TO Issuer Tender Offer Statement with the SEC with respect to the exchange offer. This offering circular-prospectus, and the related letter of transmittal, constitute our offer to exchange, in addition to being a prospectus of Coach. This document does not contain all the information set forth in the registration statement or in the Schedule TO, selected portions of which are omitted in accordance with the rules and regulations of the SEC. For further information pertaining to us, the shares of Sara Lee common stock, Coach and the shares of Coach common stock, reference is made to the registration statement and its exhibits. Statements contained in this document or in any document incorporated in this document by reference as to the contents of any contract or other document referred to within this document or other documents that are incorporated by reference are not necessarily complete and, in each instance, reference is made to the copy of the applicable contract or other document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each statement contained in this document is qualified in its entirety by reference to the underlying documents.

The shares of Sara Lee common stock and shares of Coach common stock are listed on the NYSE. Reports, proxy statements and other information concerning us and Coach can be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

This document incorporates documents by reference that are not included as part of this document. We and Coach undertake to provide, without charge to each person, including any beneficial owner of shares of Sara Lee common stock, to whom a copy of this document has been delivered, upon written or oral request, a copy of any and all of the documents that have been incorporated into this document by reference, other than exhibits to those documents unless the exhibits are specifically incorporated into this document by reference. Requests for these documents should be directed to us or Coach, as the case may be, at the following addresses and telephone numbers:

Sara Lee Corporation	Coach, Inc.
Three First National Plaza	516 West 34th Street
Chicago, Illinois 60602	New York, New York 10001
Attn: Shareholder Services	Attn: Investor Relations Department
Telephone: (312) 726-2600	Telephone: (212) 594-1850

In order to ensure timely delivery of the requested documents, requests should be made by March 28, 2001.

The following documents, that we have filed with the SEC (File No. 1-3344), are incorporated into this document by reference:

- Annual Report on Form 10-K for the year ended July 1, 2000, filed on September 29, 2000;

- Quarterly Report on Form 10-Q for the first quarter ended September 30, 2000, filed on November 9, 2000;

- Current Report on Form 8-K, filed December 19, 2000; and

- Quarterly Report on Form 10-Q for the second quarter ended December 30, 2000, filed on February 9, 2001.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of Sara Lee Corporation:

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

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

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

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

Arthur Andersen LLP
33 West Monroe Street
Chicago, Illinois 60603

July 26, 2000
(except with respect to the matters
discussed in Note 3 and Note 17, as to which
the date is October 4, 2000 and to Note 13 and 18, as to
which the date is January 26, 2001)

COACH, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS

	FISCAL YEARS ENDED			PRO FORMA AS ADJUSTED
	JULY 3, 1999	JULY 1, 2000	DECEMBER 30, 2000	DECEMBER 30, 2000
	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)		(UNAUDITED)	(UNAUDITED)
ASSETS				
Cash	$ 148	$ 162	$ 5,331	$ 5,331
Trade accounts receivable, less allowances of $6,119 at July 3, 1999, $5,931 July 1, 2000, and 5,826 at December 30, 2000	11,818	15,567	28,698	28,698
Inventories				
Finished goods	82,086	95,446	98,287	98,287
Work in process	2,433	677	666	666
Materials and supplies	16,876	5,974	2,420	2,420
Total inventory	101,395	102,097	101,373	101,373
Prepaid expenses	3,106	3,239	1,663	1,663
Deferred income taxes	6,477	8,996	13,427	13,427
Other current assets	3,676	3,627	3,704	3,704
Receivable from Sara Lee	--	--	31,895	--
Total current assets	126,620	133,688	186,091	154,196
Receivable from Sara Lee	54,150	63,783	--	--
Trademarks and other assets	11,269	10,590	10,219	10,219
Property				
Machinery and equipment	16,532	16,256	9,770	9,770
Furniture and fixtures	67,751	61,192	57,651	57,651
Leasehold improvements	88,611	89,448	99,248	99,248
Construction in progress	8,687	15,048	15,197	15,197
Accumulated depreciation	(120,430)	(116,760)	(112,483)	(112,483)
Property, net	61,151	65,184	69,383	69,383
Deferred income taxes	23,369	18,189	13,264	13,264
Goodwill, net	5,529	5,219	5,075	5,075
Total assets	$ 282,088	$ 296,653	$ 284,032	$ 252,137
LIABILITIES AND STOCKHOLDERS' EQUITY				
Bank overdrafts	$ 4,023	$ 4,940	$ 12,378	$ 12,378
Accounts payable	10,122	2,926	756	756
Accrued liabilities				
Advertising and promotions	7,583	8,760	12,416	12,416
Duties	--	--	2,198	2,198
Income and other taxes	5,694	6,040	23,695	23,695
Payroll and benefits	28,169	37,994	31,315	31,315
Rent, utilities, insurance, interest and administration fees	11,855	10,224	12,682	12,682
Product repairs	6,100	5,400	5,200	5,200
Other	1,354	3,275	3,468	3,468
Long-term debt due within 1 year	35	40	45	45
Note Payable with Sara Lee			46,000	--
Revolving credit facility with Sara Lee	--	--	--	--
Total current liabilities	74,935	79,599	150,153	104,153
Long-term debt	3,775	3,735	3,730	17,835
Other liabilities	216	511	2,275	2,275
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--43,513,333 shares	--	--	435	435
Capital surplus	--	--	127,680	127,680
Sara Lee Corporation equity	203,966	213,103	--	--
Accumulated other comprehensive loss	(804)	(295)	(241)	(241)
Total equity	203,162	212,808	127,874	127,874
Total liabilities and common stockholders' equity	$ 282,088	$ 296,653	$ 284,032	$ 252,137

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

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	FISCAL YEAR ENDED			TWENTY-SIX WEEKS ENDED	
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)			(UNAUDITED)	(UNAUDITED)
Net sales	$522,220	$507,781	$548,918	$312,160	$348,710
Cost of sales	235,512	226,190	220,085	128,368	123,710
Gross profit	286,708	281,591	328,833	183,792	225,000
Selling, general and administrative expenses	261,695	255,008	272,816	139,922	146,546
Reorganization costs	--	7,108	--	--	4,950
Operating income	25,013	19,475	56,017	43,870	73,504
Interest income	272	27	33	16	154
Interest expense	(508)	(441)	(420)	(210)	(1,666)
Minority interest in subsidiary	66	--	--	--	--
Income before income taxes	24,843	19,061	55,630	43,676	71,992
Income taxes	4,180	2,346	17,027	13,365	25,197
Net income	$ 20,663	$ 16,715	$ 38,603	$ 30,311	$ 46,795
Net income per share:					
-- Basic	$ 0.59	$ 0.48	$ 1.10	$ 0.87	$ 1.19
-- Diluted	$ 0.59	$ 0.48	$ 1.10	$ 0.87	$ 1.18
Shares used in computing net income per share					
-- Basic	35,026	35,026	35,026	35,026	39,270
-- Diluted	35,026	35,026	35,026	35,026	39,769

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

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENT OF EQUITY

	TOTAL	STOCKHOLDER'S EQUITY	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)	SHARES OF COMMON STOCK
			(DOLLARS AND SHARES 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	
Initial capitalization of Coach, Inc.....					35,026
Comprehensive income.....				$39,112	
BALANCES AT JULY 1, 2000.....	$212,808	$213,103	$(295)		35,026
Net income.....	46,795	46,795	--	46,795	--
Capitalization of intercompany balance.....	(63,783)	(63,783)	--	--	--
Assumption of long-term debt.....	(190,000)	(190,000)	--	--	--
Issuance of common stock...	122,000	122,000	--	--	8,487
Translation adjustments....	54	--	54	54	--
Comprehensive income.....				$46,849	
BALANCES AT DECEMBER 30, 2000 (unaudited).....	$127,874	$128,115	$(241)		43,513

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

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	FISCAL YEAR ENDED			TWENTY-SIX WEEKS ENDED	
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JANUARY 1, 2000	DECEMBER 30, 2000
	(DOLLARS IN THOUSANDS)				
				(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES					
Net income	$ 20,663	$ 16,715	$ 38,603	$ 30,311	$ 46,795
Adjustments for noncash charges included in net income:					
Depreciation	21,571	21,339	21,729	10,262	11,002
Amortization of intangibles	1,213	917	899	448	445
Reorganization costs	--	7,108	--	--	4,950
Increase (decrease) in deferred taxes	1,172	(4,286)	2,661	(6,412)	494
Other noncash credits, net	(766)	2,843	(1,688)	111	52
Changes in current assets and liabilities:					
Decrease (increase) in trade accounts receivable	4,473	1,315	(3,751)	(8,881)	(13,131)
(Increase) decrease in inventories	(30,206)	30,977	(725)	10,128	724
Decrease (increase) in other current assets	9,347	(1,876)	(90)	1,125	1,569
Increase (decrease) in accounts payable	2,337	(1,922)	(7,196)	(8,095)	(2,170)
(Decrease) increase in accrued liabilities	(12,629)	5,875	11,154	28,696	17,092
Decrease in receivable from Sara Lee	25,340	18,651	22,442	5,042	11,304
Net cash from operating activities	42,515	97,656	84,038	62,735	79,126
INVESTMENT ACTIVITIES					
Purchases of property and equipment	(15,178)	(13,519)	(26,060)	(13,089)	(17,003)
Acquisition of minority interest	--	(896)	--	--	--
Dispositions of property	840	2,646	2,695	1,541	807
Net cash used in investment activities	(14,338)	(11,769)	(23,365)	(11,548)	(16,196)
FINANCING ACTIVITIES					
Additional capital contribution	1,095	--	--	--	--
Issuance of common stock	--	--	--	--	122,000
Borrowings from Sara Lee	533,427	445,154	541,047	264,004	319,043
Repayments to Sara Lee	(555,979)	(529,043)	(573,122)	(317,098)	(362,242)
Equity distribution	--	--	(29,466)	--	--
Bank overdrafts	(6,731)	(1,996)	917	1,917	7,438
Repayments of long-term debt	--	(35)	(35)	--	(144,000)
Net cash used in financing activities	(28,188)	(85,920)	(60,659)	(51,177)	(57,761)
Effect of changes in foreign exchange rates on cash	7	(2)	--	--	--
(Decrease) increase in cash and equivalents	(4)	(35)	14	10	5,169
Cash and equivalents at beginning of year	187	183	148	148	162
Cash and equivalents at end of period	$ 183	$ 148	$ 162	$ 158	$ 5,331

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

INTRODUCTION

The historical financial statements for the years ended June 27, 1998, July 3, 1999 and July 1, 2000 presented herein cover financial periods that ended prior to Coach's initial public offering and do not reflect the results of such offering or Coach's separation from Sara Lee.

The unaudited financial statements for the twenty-six weeks ended December 30, 2000 were included in Coach's quarterly report on form 10-Q. The quarterly financial statements, in the opinion of Coach, include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position of Coach at December 30, 2000 and the results of operations and the cash flows for the periods presented herein. The results of operations for the twenty-six weeks ended December 30, 2000 are not necessarily indicative of the operating results to be expected for the full fiscal year.

The following footnotes relate to the fiscal years 1998, 1999 and 2000 audited financial statements. Footnotes related to the unaudited financial statement for the twenty-six weeks ended December 30, 2000 immediately follow these footnotes.

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.

1.) BACKGROUND AND BASIS OF PRESENTATION (CONTINUED)

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

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

2.) SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
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 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.

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

3.) STOCK-BASED COMPENSATION (CONTINUED)
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.

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

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

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

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

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

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

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

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

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

Under APB No. 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 No. 123, Coach's pro forma net income and pro forma net income per share basic and diluted for 1998, 1999 and 2000 would have been as follows:

	1998	1999	2000
Net income	$18,489	$14,615	$36,051
Net income per share basic and diluted	$ 0.53	$ 0.42	$ 1.03

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. The Coach IPO price of $16.00 and the average Sara Lee stock price for the five trading days ending October 3, 2000 of $19.825 are the prices on the conversion date. Based upon the actual employees who have elected to convert their Sara Lee options into Coach options at the IPO date and the stock prices noted above, 1,204 Sara Lee options will convert into the same number of Coach options. These options will be accounted for under APB No. 25. No intrinsic value will exist in these options on the IPO date and no expense will result.

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 27 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

3.) STOCK-BASED COMPENSATION (CONTINUED)
of $16.00 and the average Sara Lee stock price for the five trading days ending October 3, 2000 of $19.825 are the prices on the conversion 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 17 (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

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

6.) LEASES (CONTINUED)
cases, to renewal options and provide for the payment of taxes, insurance and maintenance. 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.

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

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

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

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

9.) RETIREMENT PLANS

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

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

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

9.) RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

9.) RETIREMENT PLANS (CONTINUED)

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

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

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

9.) RETIREMENT PLANS (CONTINUED)

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

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

10.) INCOME TAXES

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

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

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

10.) INCOME TAXES (CONTINUED)

Current and deferred tax provisions (benefits) were:

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

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

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

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

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

11.) SEGMENT INFORMATION

The Company operates its business in two reportable segments: Direct to Consumer and Wholesale. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through company owned retail stores, the Coach catalog and the Internet constitute the Direct to Consumer segment. Wholesale refers to sales of Coach products to other retailers. In deciding how to allocate resources and assess performance, Coach's executive officers regularly evaluate the sales and operating income of these segments. Operating income is the gross margin of the segment at

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

11.) SEGMENT INFORMATION (CONTINUED)
standard cost less direct expenses of the segment. Unallocated corporate expenses include manufacturing variances, general marketing, administration and information systems, distribution and customer service expenses.

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

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

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

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

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

11.) SEGMENT INFORMATION (CONTINUED)

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

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

12.) GEOGRAPHIC AREA INFORMATION

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

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

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

	UNITED STATES	INTERNATIONAL(1)	TOTAL
2000			
Net sales	$488,843	$60,075	$548,918
Long-lived assets	80,382	611	80,993

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

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

13.) EARNINGS PER SHARE

Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have shares outstanding. On October 2, 2000, Coach was capitalized and on October 4, 2000, Coach paid a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding after the dividend. The effects of this stock dividend have been retroactively applied to all prior periods. Basic net income per share is computed by dividing net income by the 35,026,333 assumed number of shares outstanding.

Diluted income per share is the same as basic net income per share since no dilutive securities were outstanding during any historical period.

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.

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

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)
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 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.

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)

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 shares of Coach common stock, Coach must obtain a letter of credit in an 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.

15.) RELATIONSHIP WITH SARA LEE (CONTINUED)
TAX SHARING AGREEMENT

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

EMPLOYEE MATTERS AGREEMENT

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

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 retail customers discount coupons or rebates. Any product discounts offered to retail customers are reflected as a reduction in the selling price of the product recorded in net sales.

16.) RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)
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.

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, 2,849 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 No. 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 $16.00 and the average Sara Lee stock price for the 5 trading days ending October 3, 2000 of $19.825 are the prices on the conversion date. Based upon the actual employees who have elected to convert their Sara Lee options into Coach options at the IPO date and the stock prices noted above, 1,204 Sara Lee options will convert into the same number of Coach options. These options will be accounted for under APB No. 25. No intrinsic value will exist in these options on the IPO date and no expense will result.

17.) SUBSEQUENT EVENTS (CONTINUED)

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 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.) SUBSEQUENT EVENTS--STOCK DIVIDEND AND INITIAL PUBLIC OFFERING

On October 4, 2000, Coach paid a 35,025.333 to 1.0 common stock dividend that resulted in 35,026,333 shares of common stock outstanding after the dividend. In October 2000, Coach completed an initial public offering of 8,487,000 shares of its common stock at an initial offering price of $16.00 per share, resulting in net offering proceeds of $122 million. Coach common stock now trades on the New York Stock Exchange. After Coach's initial public offering, Sara Lee owns approximately 80.5% of Coach's common stock.

The unaudited financial statements for the twenty-six weeks ended December 30, 2000 were included in Coach's quarterly report on form 10-Q. The quarterly financial statements, in the opinion of Coach, include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position of Coach at December 30, 2000 and the results of operations and the cash flows for the periods presented herein. The results of operations for the twenty-six weeks ended December 30, 2000 are not necessarily indicative of the operating results to be expected for the full fiscal year.

The following footnotes relate to the consolidated financial statements for the twenty-six weeks ended December 30, 2000 and January 1, 2000.

1.) BACKGROUND (UNAUDITED)

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

On May 30, 2000, Sara Lee announced its plan to create an independent publicly traded company, Coach, Inc. ("Coach" or the "Company") comprised of Sara Lee's branded leather goods and accessories business. On June 1, 2000, Coach was incorporated under the laws of the State of Maryland. On October 2, 2000 (the separation date), Sara Lee transferred the assets and liabilities of the Coach business to Coach, Inc., including Coach's assumption of indebtedness in the form of note payable to a subsidiary of Sara Lee. On this date, Coach began to operate as a wholly owned subsidiary of Sara Lee.

During October 2000 Coach completed an initial public offering of 8,487 shares of common stock. This reduced Sara Lee's ownership to 80.5%.

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

2.) REVOLVING CREDIT FACILITY/LONG-TERM DEBT (UNAUDITED)

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

2.) REVOLVING CREDIT FACILITY/LONG-TERM DEBT (UNAUDITED) (CONTINUED)

During October 2000, Coach completed an equity restructuring which resulted in the assumption of $190,000 of long-term debt payable to a subsidiary of Sara lee. The net proceeds of the initial public offering were used to partially repay this loan resulting in a balance of $68,000.

This long-term debt has a maturity date of September 30, 2002 and accrues interest at US dollar LIBOR plus 30 basis points while Sara Lee owns greater than a majority of Coach's capital stock, and US dollar LIBOR plus 250 basis points when Sara Lee owns less than 80% of Coach's capital stock. 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. During the second quarter additional payments were made in the amount of $22,000 reducing the balance to $46,000 at December 30, 2000. In January 2001, this loan was fully paid off by the Company, by redeeming the short-term investments with Sara Lee and drawing down on the revolving credit facility.

3.) REORGANIZATION COSTS (UNAUDITED)

In the first quarter of fiscal year 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000 (the "Medley reorganization"). This reorganization involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. The reduction in costs from this reorganization program is not known at this time. However, Coach expects cost savings of $2.7 million in the current fiscal year and $4.5 million in annual savings in future years from these actions. The Medley facility is a cost center and separate profitability measures are not available. This facility was treated as a held for sale facility under SFAS 121 since the decision to dispose of it was made. Depreciation expense of $0.9 million and $0.3 million for fiscal year 2000 and the twenty-six weeks ended December 30, 2000, respectively, was recognized for this facility.

Coach recognized a reorganization cost of $4,950 in the first quarter of fiscal year 2001. This reorganization cost includes $3,168 for worker separation costs, $785 for lease termination costs, and $997 for the write down of long-lived assets to their estimated net realizable values. The $4,950 of Medley reorganization cost recognized in the financial statements for the twenty-six weeks ended December 30, 2000 differs from management's estimate of $6,300 included in Footnote 17 to the fiscal year 2000 financial statements. This change is attributable to management's continued negotiations with both the landlord and the employees at the facility and the resulting refinement of the cost estimates made prior to the finalization and recognition of this plan of reorganization.

The composition of the reorganization reserves is set forth in the table below. At December 30, 2000, production has ceased at the Medley facility, disposition of the fixed assets is underway and

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

3.) REORGANIZATION COSTS (UNAUDITED) (CONTINUED)
the termination of the 362 employees has been completed. We expect the Medley reorganization actions will be completed by the end of this fiscal year.

	ORIGINAL REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF DECEMBER 30, 2000
Workers' separation costs.....	$3,168	--	$(1,964)	$1,204
Lease termination costs.....	785	--	(126)	659
Anticipated losses on disposal of fixed assets.....	997	$(997)	--	--
Total reorganization reserves....	$4,950	$(997)	$(2,090)	$1,863

During 1999, Coach closed the Carlstadt, New Jersey warehouse and distribution center and the Italian manufacturing operation and reorganized the Medley, Florida manufacturing facility (the "Carlstadt reorganization"). As contemplated in the original plan, a portion of the Carlstadt facility remains in use for product development. Related to these facility closures and the reorganization activities, 737 employees were terminated. At July 1, 2000, these reorganization actions were complete and certain worker's separation costs remained to be paid subject to the separation agreements with each employee. During the first half, workers' separation costs of $142 were paid. The Carlstadt reorganization is now complete.

4.) EARNINGS PER SHARE (UNAUDITED)

Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have shares outstanding. The initial capitalization of Coach, Inc. was 1 share. Subsequently, a stock dividend was declared resulting in 35,026 shares held by Sara Lee. The number of shares outstanding has been restated to reflect the effect of this stock dividend for all periods presented. During October 2000, the initial public offering of our common stock was accomplished resulting in the issuance of an additional 8,487 shares. Following the offering, 43,513 shares are outstanding.

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

4.) EARNINGS PER SHARE (UNAUDITED) (CONTINUED)
Dilutive securities include share equivalents held in employee benefit programs and the impact of stock option programs. The following is a reconciliation of shares outstanding:

	THIRTEEN WEEKS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
Shares held by Sara Lee	35,026	35,026
Shares held by the public	8,487	--
Total basic shares	43,513	35,026
Dilutive securities:		
Employee benefit and stock award plans	165	--
Stock option programs	835	--
Total diluted shares	44,513	35,026

	TWENTY-SIX WEEKS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
Shares held by Sara Lee	35,026	35,026
Shares held by the public	4,244	--
Total basic shares	39,270	35,026
Dilutive securities:		
Employee benefit and stock award plans	82	--
Stock option programs	417	--
Total diluted shares	39,769	35,026

Unaudited pro forma as adjusted net income per share basic is computed by dividing net income by the assumed number of shares reflecting the October 2000 stock dividend and October 2000 initial public offering of 8,487 shares. Unaudited pro forma as adjusted net income per share diluted is computed by dividing net income by the assumed number of shares reflecting the October 2000 stock dividend, the October 2000 initial public offering and the dilutive effect of stock option and benefits plans during the period.

5.) SEGMENT INFORMATION (UNAUDITED)

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

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

5.) SEGMENT INFORMATION (UNAUDITED) (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
THIRTEEN WEEKS ENDED DECEMBER 30, 2000				
Net sales	$145,732	$68,426	--	$214,158
Operating income	59,216	29,868	$(27,372)	61,712
Interest income	--	--	125	125
Interest expense	--	--	1,524	1,524
Income before taxes	59,216	29,868	(28,771)	60,313
Depreciation and amortization	3,443	376	2,010	5,829
Total assets	136,702	64,230	83,100	284,032
Additions to long-lived assets	7,713	683	1,034	9,430

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
THIRTEEN WEEKS ENDED JANUARY 1, 2000				
Net sales	$134,814	$59,314	--	$194,128
Operating income	51,915	22,637	$(33,731)	40,821
Interest income	--	--	8	8
Interest expense	--	--	105	105
Income before taxes	51,915	22,637	(33,828)	40,724
Depreciation and amortization	2,473	375	2,479	5,327
Total assets	121,035	56,269	157,724	335,028
Additions to long-lived assets	6,337	333	797	7,467

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000				
Net sales	$226,240	$122,470	--	$348,710
Operating income	79,268	51,994	$(57,758)	73,504
Interest income	--	--	154	154
Interest expense	--	--	1,666	1,666
Income before taxes	79,268	51,994	(59,270)	71,992
Depreciation and amortization	6,510	770	4,167	11,447
Total assets	136,702	64,230	83,100	284,032
Additions to long-lived assets	13,951	1,582	1,470	17,003

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

5.) SEGMENT INFORMATION (UNAUDITED) (CONTINUED)

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
TWENTY-SIX WEEKS ENDED JANUARY 1, 2000				
Net sales	$205,175	$106,985	--	$312,160
Operating income	66,670	39,111	$(61,911)	43,870
Interest income	--	--	16	16
Interest expense	--	--	210	210
Income before taxes	66,670	39,111	(62,105)	43,676
Depreciation and amortization	4,986	752	4,972	10,710
Total assets	121,035	56,269	157,724	335,028
Additions to long-lived assets	9,226	689	3,174	13,089

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000	DECEMBER 30, 2000	JANUARY 1, 2000
Manufacturing variances	$ 1,470	$ 2,412	$ 1,853	$ 9,401
Advertising, marketing and design	13,848	14,270	22,776	22,050
Administration and information systems	5,408	11,045	15,684	18,640
Distribution and customer service	6,646	6,004	12,495	11,820
Reorganization costs	--	--	4,950	--
Total corporate unallocated	$27,372	$33,731	$57,758	$61,911

6.) RELATIONSHIP WITH SARA LEE (UNAUDITED)

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

	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Payable (receivable) balance at beginning of period	$ (63,783)
Capitalization of intercompany balance	63,783
Cash collections from operations	(362,242)
Cash borrowings	319,043
Allocations of corporate expenses and charges	11,304
Payable (receivable) balance at end of period	$ (31,895)
Average balance during the period	$ (47,839)

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

6.) RELATIONSHIP WITH SARA LEE (UNAUDITED) (CONTINUED)
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.

7.) RECENT ACCOUNTING PRONOUNCEMENTS (UNAUDITED)

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

8.) PUBLIC OFFERING (UNAUDITED)

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

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

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

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

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

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

Coach issued options to purchase 3,206 shares of Coach common stock at the offering price.

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

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

8.) PUBLIC OFFERING (UNAUDITED) (CONTINUED)

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

Coach employees elected to convert previously held Sara Lee restricted stock units under deferred compensation agreements, into 125 shares of Coach restricted stock units.

9) STOCK-BASED COMPENSATION (UNAUDITED)

Coach has established the 2000 Stock Incentive Plan and the 2000 Non-Employee Director Stock Plan to award stock options and other forms of equity compensation to certain members of Coach management and the outside members of our Board of Directors. The exercise price of each stock option equals 100% of the market price of Coach's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years.

Concurrent with the initial public offering in October 2000, Coach granted 3,191 options to essentially all full-time employees and 15 options to outside members of the Board of Directors at the initial public offering price of $16.

Certain employees with the title of Director or above who held Sara Lee stock options at the initial public offering date were given the right to convert the Sara Lee options into Coach options. 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 that Sara Lee ceases to own at least 80% of Coach's outstanding capital stock, subject to the original vesting requirements. Coach employees converted at the initial public offering date 1,204 Sara Lee options into the same number of Coach options while maintaining the same exercise price.

A summary of Coach options held by Coach employees follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Options granted at the initial public offering date	3,206	$16.00
Sara Lee options converted	1,204	24.12
Granted	186	22.83
Canceled/Expired	(79)	16.48
Options outstanding at December 30, 2000	4,517	$18.42

The fair value of each Coach option grant is estimated on the date of grant using the Black-Scholes option-pricing model and the assumptions for expected lives of 3 years, a risk free interest rate of 4.8%, expected volatility of 40% and no dividend yield.

The weighted average fair value of individual options granted during the quarter ended December 30, 2000 was $5.30. Under APB No.25, no compensation cost is recognized for stock options under the Coach stock-based compensation plans. Had compensation cost for the grants

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

9) STOCK-BASED COMPENSATION (UNAUDITED) (CONTINUED)
for stock based compensation been determined consistent with SFAS No. 123, Coach's net income, net income per share basic and net income per share diluted would have been:

	THIRTEEN WEEKS ENDED DECEMBER 30, 2000	TWENTY-SIX WEEKS ENDED DECEMBER 30, 2000
Net Income.....	$38,020	$45,611
Net Income per share		
-- Basic.....	$ 0.87	$ 1.16
-- Diluted.....	$ 0.85	$ 1.15

Sara Lee announced its intent to divest its 80.5% ownership in Coach pursuant to an exchange offer to Sara Lee shareholders. Previously, Coach planned to convert all remaining Sara Lee options held by Coach employees at the exchange offer date. These remaining Sara Lee options will no longer convert into Coach options and will expire in accordance with the existing terms of the governing plan provisions.

As of December 30, 2000, Coach employees held options to purchase 297 shares of Sara Lee common stock. All Sara Lee options held by Coach employees at the time the exchange offer is completed will remain outstanding after the exchange offer and will continue to be exercisable in accordance with their terms.

10.) SUBSEQUENT EVENTS (UNAUDITED)

On January 24, 2001, Sara Lee announced its intent to divest 80.5% ownership in Coach, pursuant to an exchange offer to Sara Lee shareholders. On January 26, 2001, Coach filed a registration statement on Form S-4 with the Securities and Exchange Commission to begin the exchange offer process. The exchange offer is expected to be completed by the end of April 2001.

On February 27, 2001, Coach, certain lenders and Fleet National Bank ("Fleet"), as a lender and administrative agent, entered into a senior unsecured revolving credit facility for $100 million to provide funding for working capital for operations and general corporate purposes. Indebtedness under this revolving credit facility bears interest calculated, at Coach's option, at either a rate of LIBOR plus 75 to 150 basis points based on a fixed charge coverage grid or the prime rate announced by Fleet. The initial LIBOR margin under the facility is 125 basis points. Under this revolving credit facility, Coach will pay a commitment fee of 20 to 35 basis points based on a fixed charge coverage grid on any unborrowed amounts. The initial commitment fee is 30 basis points. This credit facility may be prepaid without penalty or premium.

The facility contains various covenants and customary events of default, including but not limited to:

- maintenance of a cash flow leverage ratio not greater than 1.5 to 1.0;

- maintenance of a fixed charge coverage ratio greater than 1.75 to 1.0 until March 30, 2002 and greater than 2.0 to 1.0 thereafter;

10.) SUBSEQUENT EVENTS (UNAUDITED) (CONTINUED)

- annual paydown to $25 million for 30 consecutive days during the period November 1st through June 30th; and

- restrictions on other indebtedness, liens, payment of dividends, mergers and acquisitions, dispositions, transactions with affiliates, and sale and leaseback transactions in excess of amounts approved by the lenders.

11.) 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 December 30, 2000:

- Prior to the completion of the exchange offer, Sara Lee will repay the $32 million owed to Coach. At the same time, the note payable that Coach has recorded to Sara Lee will mature and Coach will repay the $46 million owed to Sara Lee. To facilitate these repayments the $32 million owed to Coach by Sara Lee will be netted against the $46 million Coach owes to Sara Lee resulting in a net payment of cash from Coach of $14 million. Coach will fund the $14 million by borrowing under their credit facility.

The letter of transmittal, certificates for shares of Sara Lee common stock and any other required documents should be sent or delivered by each Sara Lee stockholder or his or her broker, dealer, commercial bank, trust company or other nominee to the exchange agent at one of the following addresses:

BY MAIL:	BY HAND:	BY OVERNIGHT DELIVERY:
Mellon Investor Services	Mellon Investor Services	Mellon Investor Services
Attn: Reorganization Department	Attn: Reorganization Department	Attn: Reorganization Department
Post Office Box 3341	85 Challender Rd.-Mail Drop-Reorg	120 Broadway, 13th Floor
South Hackensack, NJ 07606	Ridgefield Park, NJ 07660	New York, NY 10271

You may direct any questions and requests for assistance to the exchange agent, the information agent or the dealer manager at their respective addresses and telephone numbers and locations. Additional copies of this offering circular-prospectus, the letter of transmittal and other exchange offer material may be obtained from the exchange agent, the information agent or the dealer manager. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning the exchange offer.

THE INFORMATION AGENT FOR THE EXCHANGE OFFER IS:

[LOGO]
445 Park Avenue, 5th Floor
New York, New York 10022-2606
(800) 607-0088 (Toll-Free)
(212) 754-8000

THE DEALER MANAGER FOR THE EXCHANGE OFFER IS:

GOLDMAN, SACHS & CO.
85 Broad Street
New York, New York 10004
(800) 323-5678 (Toll-Free)
(212) 902-1000

PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 20. 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. Coach's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Coach's charter authorizes it and the bylaws obligate it, 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 also permits Coach 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 Coach's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(A) EXHIBITS.

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation of Coach, which are incorporated herein by reference from Exhibit 3.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
3.2	Amended and Restated Bylaws of Coach*
4.1	Specimen Certificate for Common Stock of Coach, which is incorporated herein by reference from Exhibit 4.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
5.1	Opinion of Ballard Spahr Andrews & Ingersoll, LLP*
8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom (Illinois) regarding certain tax matters*
10.1	Master Separation Agreement and between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.2	Tax Sharing Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.3	General Assignment and Assumption Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.3 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.4	Employee Matters Agreement between Coach and Sara Lee, which is incorporated by reference herein from Exhibit 2.4 to Coach's Form 10-Q for the quarterly period ended September 30, 2000, filed with the Commission on November 14, 2000
10.5	Real Estate Matters Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.5 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.6	Master Transitional Services Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.7	Indemnification and Insurance Matters Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.8	Revolving Note, which is incorporated herein by reference from Exhibit 2.8 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.9	Form of Substitute Note, which is incorporated herein by reference from Exhibit 2.9 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.10	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.10 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.11	Form of Coach, Inc. 2000 Stock Incentive Plan, which is incorporated herein by reference from Exhibit 10.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)

EXHIBIT NO.	DESCRIPTION
10.12	Form of Coach, Inc. Executive Deferred Compensation Plan, which is incorporated herein by reference from Exhibit 10.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.13	Form of Coach, Inc. Performance-Based Annual Incentive Plan, which is incorporated herein by reference from Exhibit 10.3 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.14	Form of Coach, Inc. 2000 Non-Employee Director Plan, which is incorporated herein by reference from Exhibit 10.4 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.15	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) which is incorporated herein by reference from Exhibit 10.5 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.16	Jacksonville, FL Lease Agreement, which is incorporated herein by reference from Exhibit 10.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.17	New York, NY Lease Agreement, which is incorporated herein by reference from Exhibit 10.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.18	Revolving Credit Agreement, by and between Coach, certain lenders and Fleet National Bank
21.1	List of Subsidiaries of Coach, which is incorporated herein by reference from Exhibit 21.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
23.1	Consent of Arthur Andersen LLP, with respect to Coach, Inc.
23.2	Consent of Arthur Andersen LLP, with respect to Sara Lee Corporation
23.3	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)
23.4	Consent of Skadden, Arps, Slate, Meagher & Flom (Illinois) (included in Exhibit 8.1)
24.1	Power of Attorney*
99.1	Letter from C. Steven McMillan*
99.2	Letter of Transmittal*
99.3	Instructions to the Letter of Transmittal*
99.4	Form of Form of Election*
99.5	Instructions to the Form of Election*
99.6	Checklist for Participation in the Exchange Offer*
99.7	Letter to Brokers, Securities Dealers, Commercial Banks, Trust Companies and Other Nominees*
99.8	Letter to Clients for use by Brokers, Commercial Banks, Trust Companies and Other Nominees*
99.9	Notice of Solicited Tenders*
99.10	Guaranteed Delivery*
99.11	Instructions Backup Withholding; Substitute Form W-9; Forms W-8*

---

* 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 22: UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report under section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report under section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant under 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 to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request. The undersigned registrant hereby further undertakes to supply by means of a post-effective amendment all information concerning a transaction that was not the subject of and included in the registration statement when it became effective.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That for the purpose of determining liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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 March 26, 2001.

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 March 26, 2001:

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
* Richard Randall	Senior Vice President and Chief Financial Officer (as principal financial officer and principal accounting officer of Coach)
* Gary Grom	Director
* Richard Oberdorf	Director
* Joseph Ellis	Director
* Michael Murphy	Director
* Paul Fulton	Director

*By Keith Monda as attorney-in-fact.

Exhibit 10.18

REVOLVING CREDIT AGREEMENT

Dated as of February 27, 2001

among

COACH, INC.,

THE LENDERS LISTED ON SCHEDULE I HERETO

and

FLEET NATIONAL BANK, as Administrative Agent

and

HSBC BANK USA, as Syndication Agent

with

FLEET SECURITIES, INC., as Arranger

TABLE OF CONTENTS

EXHIBITS

SCHEDULES

REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT is made as of February 27, 2001, by and among COACH, INC. (the "BORROWER"), a Maryland corporation having its principal place of business at 516 West 34th Street, New York, New York 10001, FLEET NATIONAL BANK, a national banking association ("FLEET"), the other lending institutions listed on SCHEDULE 1 and Fleet, as administrative agent (the "ADMINISTRATIVE AGENT") for itself and such other lending institutions.

1. DEFINITIONS AND RULES OF INTERPRETATION.

1.1. DEFINITIONS. The following terms shall have the meanings set forth in this Section 1 or elsewhere in the provisions of this Credit Agreement referred to below:

ADJUSTMENT DATE. With respect to any quarter, the second Business Day following the Administrative Agent's receipt of the Compliance Certificate required to be delivered pursuant to Section 8.3(c) for such quarter; PROVIDED, HOWEVER, that in the event that the Borrower fails to deliver any Compliance Certificate to the Administrative Agent within the time period set forth in Section 8.3(c), the Adjustment Date shall be the second Business Day following the date on which such Compliance Certificate was required to be delivered pursuant to Section 8.3(c).

ADMINISTRATIVE AGENT'S OFFICE. The Administrative Agent's office located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Administrative Agent may designate from time to time.

ADMINISTRATIVE AGENT. Fleet National Bank, acting as administrative agent for the Lenders and each other Person appointed as the successor Administrative Agent in accordance with Section 14.9.

ADMINISTRATIVE AGENT'S FEE. See Section 5.2.

ADMINISTRATIVE AGENT'S SPECIAL COUNSEL. Bingham Dana LLP or such other counsel as may be approved by the Administrative Agent.

AFFILIATE. Any Person that would be considered to be an affiliate of any other Person under Rule 144(a) of the Rules and Regulations of the Securities and Exchange Commission, as in effect on the date hereof, if such other Person were issuing securities.

APPLICABLE MARGIN. Subject to the last paragraph of this definition and with respect to each period commencing on an Adjustment Date through the date immediately preceding the next Adjustment Date (each a "RATE ADJUSTMENT PERIOD"), the Applicable Margin with respect to Prime Rate Loans, Eurodollar Rate Loans, Standby Letter of Credit Fees, Documentary Letter of Credit Fees or Commitment Fees, as the case may be, shall be the applicable margin set forth below for each such category with respect to the Fixed Charge Ratio, as determined for the

Reference Period of the Borrower and its Subsidiaries ending on the last day of the fiscal quarter of the Borrower and its Subsidiaries ended immediately prior to the applicable Rate Adjustment Period.

LEVEL	FIXED CHARGE RATIO	PRIME RATE LOANS	EURODOLLAR RATE LOANS	STANDBY LETTER OF CREDIT FEES	DOCUMENTARY LETTER OF CREDIT FEES	COMMITMENT FEE
I	Greater than or equal to 5.00:1.00	0.000%	0.750%	0.750%	0.375%	0.200%
II	Less than 5.00:1.00 but greater than or equal to 3.50:1.00	0.000%	1.000%	1.000%	0.500%	0.250%
III	Less than 3.50:1.00 but greater than or equal to 2.50:1.00	0.000%	1.250%	1.250%	0.625%	0.300%
IV	Less than 2.50:1.00	0.000%	1.500%	1.500%	0.750%	0.350%

During the period commencing on the Closing Date through the date immediately preceding the first Adjustment Date to occur after the fiscal quarter ending March 31, 2001, the Applicable Margin with respect to the Loans outstanding and the Letter of Credit Fees and the Commitment Fee payable shall be the Applicable Margin set forth in Level III above. Notwithstanding the foregoing, (a) if the Borrower fails to deliver any Compliance Certificate required under Section 8.3(c) hereof, then, for the period commencing on the next Adjustment Date to occur subsequent to such failure through the date immediately following the date on which such Compliance Certificate is delivered, the Applicable Margin shall be the Applicable Margin set forth in Level IV above, and (b) at all times while an Event of Default shall have occurred and be continuing, the Applicable Margin to be included in the calculations set forth in Section 5.11 shall be the Applicable Margin set forth in Level IV above.

APPLICABLE PENSION LEGISLATION. At any time, any pension or retirement benefits legislation (be it national, federal, provincial, territorial or otherwise) then applicable to the Borrower or any of its Subsidiaries.

ARRANGEMENT FEE. See Section 5.1.

ARRANGER. Fleet Securities, Inc.

ASSIGNMENT AND ACCEPTANCE. See Section 15.1.

BALANCE SHEET DATE. July 1, 2000.

BORROWER. As defined in the preamble hereto.

BUSINESS DAY. Any day on which banking institutions in Boston, Massachusetts and New York, New York, are open for the transaction of banking business and, in the case of Eurodollar Rate Loans, also a day which is a Eurodollar Business Day.

CAPITAL EXPENDITURES. Amounts paid or Indebtedness incurred by the Borrower or any of its Subsidiaries in connection with (i) additions to property, plant and equipment and other capital expenditures of the Borrower or any of its Subsidiaries that are (or would be required to be) set forth in a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP, and (ii) without duplication, obligations with respect to Capitalized Leases and Synthetic Leases (had the Synthetic Lease been treated for accounting purposes as a Capitalized Lease) incurred by the Borrower or any of its Subsidiaries during such period.

CAPITALIZED LEASES. Leases under which the Borrower or any of its Subsidiaries is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

CAPITAL STOCK. Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

CERCLA. The Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended.

CHANGE OF CONTROL. (a) Other than pursuant to the Shareholder Distribution, an event or series of events by which SLC shall at any time have beneficial ownership, directly OR indirectly, of less than fifty-one percent (51%) of the common stock of the Borrower, as adjusted pursuant to any stock split, stock dividend or recapitalization or reclassification of the capital of the Borrower; (b) an event or series of events occurring after the Closing Date by which any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act), directly OR indirectly, of twenty percent (20%) or more of the outstanding shares of Capital Stock of the Borrower; or (c) during any period of twelve consecutive calendar months, individuals who were directors of the Borrower on the first day of such period (together with any new directors whose election by such board or whose nomination for election by the shareholders of the Borrower was approved by a vote of a majority of the directors still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) shall cease to constitute a majority of the board of directors of the Borrower.

CLOSING DATE. The first date on which the conditions set forth in Section 11 have been satisfied and any Revolving Credit Loans are to be made or any Letter of Credit is to be issued hereunder.

CLOSING FEE. See Section 5.1.

CODE. The Internal Revenue Code of 1986.

COMMITMENT. With respect to each Lender, the amount set forth on SCHEDULE 1 hereto as the amount of such Lender's commitment to make Revolving Credit Loans to, and to participate in the issuance, extension, amendment and renewal of Letters of Credit for the account of, the Borrower, as the same may be reduced from time to time; or if such commitment is terminated pursuant to the provisions hereof, zero.

COMMITMENT FEE. See Section 2.2.

COMMITMENT PERCENTAGE. With respect to each Lender, the percentage set forth on SCHEDULE 1 hereto as such Lender's percentage of the aggregate Commitments of all of the Lenders.

COMPLIANCE CERTIFICATE. See Section 8.3(c).

CONSOLIDATED OR CONSOLIDATED. With reference to any term defined herein, shall mean that term as applied to the accounts of the Borrower and its Subsidiaries, consolidated in accordance with GAAP.

CONSOLIDATED EBIT. Consolidated Net Income, PLUS, to the extent deducted in determining Consolidated Net Income, consolidated income taxes and Consolidated Total Interest Expense, in each case as determined in accordance with GAAP.

CONSOLIDATED EBITDA. With respect to any fiscal period, an amount equal to the sum of (a) Consolidated EBIT for such period PLUS (b) consolidated depreciation and consolidated amortization for such period as determined in accordance with GAAP.

CONSOLIDATED EBITDAR. With respect to any fiscal period, an amount equal to the sum of (a) Consolidated EBITDA for such period PLUS (b) Rental Expense for such period as determined in accordance with GAAP.

CONSOLIDATED NET INCOME. The consolidated net income (or loss) of the Borrower and its Subsidiaries determined in accordance with GAAP.

CONSOLIDATED TANGIBLE NET WORTH. At any date of determination, the sum of all amounts which would be included under shareholders' equity on a consolidated balance sheet of the Borrower and its Subsidiaries, determined in accordance with GAAP as at such date, and less the sum of:

(a) the total book value of all assets of the Borrower and its Subsidiaries properly classified as intangible assets under GAAP, including such items as good will, the purchase price of acquired assets in excess of the fair market value thereof, trademarks, trade names, service marks, brand names, copyrights, patents and licenses, and rights with respect to the foregoing; PLUS

(b) all amounts representing any write-up in the book value of any assets of the Borrower or its Subsidiaries resulting from a revaluation thereof subsequent to the Interim Balance Sheet Date.

CONSOLIDATED TOTAL FUNDED DEBT. With respect to the Borrower and its Subsidiaries, the sum, without duplication, of the aggregate amount of Indebtedness of the Borrower and its Subsidiaries, on a consolidated basis, relating to (i) obligations for borrowed money, (ii) the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business), and (iii) obligations under any Synthetic Leases or any Capitalized LEASES, but excluding the Maximum Drawing Amount of all Letters of Credit outstanding and the maximum drawing amount of any other letters of credit outstanding.

CONSOLIDATED TOTAL INTEREST EXPENSE. For any period, interest expense (without deduction of interest income) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP as of such date.

CONVERSION REQUEST. A notice given by the Borrower to the Administrative Agent of the Borrower's election to convert or continue a Loan in accordance with Section 2.7.

CREDIT AGREEMENT. This Revolving Credit Agreement, including the Schedules and Exhibits hereto.

DEFAULT. See Section 13.1.

DELINQUENT LENDER. See Section 14.5.3.

DISTRIBUTION. The declaration or payment of any dividend on or in respect of any shares of any class of Capital Stock of the Borrower, other than dividends payable solely in shares of common stock of the Borrower; the purchase, redemption, defeasance, retirement or other acquisition of, or sinking fund or other similar payment in respect of, any shares of any class of Capital Stock of the Borrower, directly or indirectly through a Subsidiary of the Borrower or otherwise; the return of capital by the Borrower to its shareholders as such; or any other distribution on or in respect of any shares of any class of Capital Stock of the Borrower.

DOCUMENTARY LETTER OF CREDIT FEE. See Section 4.6.

DOLLARS or $. Dollars in lawful currency of the United States of America.

DOMESTIC LENDING OFFICE. Initially, the office of each Lender designated as such in SCHEDULE 1 hereto; thereafter, such other office of such Lender, if any, located within the United States that will be making or maintaining Base Rate Loans.

DRAWDOWN DATE. The date on which any Revolving Credit Loan is made or is to be made, and the date on which any Revolving Credit Loan is converted or continued in accordance with Section 2.7.

ELIGIBLE ASSIGNEE. Any of (a) a commercial bank or other financial institution; (b) a Lender Affiliate; and (c) if, but only if, any Default or Event of Default has occurred and is continuing, any other bank, insurance company, commercial finance company or other financial institution or other Person approved by the Administrative Agent.

EMPLOYEE BENEFIT PLAN. Any employee benefit plan, whether single-employer or multiple-employer, within the meaning of Section 3(3) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, other than a Guaranteed Pension Plan or a Multiemployer Plan.

ENVIRONMENTAL LAWS. Any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act, CERCLA, the Superfund Amendments and Reauthorization Act of 1986, the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state, local or foreign law, statute, regulation, ordinance, order or decree relating to health, safety or the environment.

EPA. See Section 7.16(b).

ERISA. The Employee Retirement Income Security Act of 1974.

ERISA AFFILIATE. Any Person which is treated as a single employer with the Borrower under Section 414(b) or (c) of the Code.

ERISA REPORTABLE EVENT. A reportable event with respect to a Guaranteed Pension Plan within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder.

EUROCURRENCY RESERVE RATE. For any day with respect to a Eurodollar Rate Loan, the maximum rate (expressed as a decimal) at which any bank subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "EUROCURRENCY LIABILITIES" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

EURODOLLAR BUSINESS DAY. Any day on which commercial banks are open for international business (including dealings in Dollar deposits) in London or such other Eurodollar interbank market as may be selected by the Administrative Agent in its sole discretion acting in good faith.

EURODOLLAR LENDING OFFICE. Initially, the office of each Lender designated as such in SCHEDULE 1 hereto; thereafter, such other office of such Lender, if any, that shall be making or maintaining Eurodollar Rate Loans.

EURODOLLAR RATE. For any Interest Period with respect to a Eurodollar Rate Loan, the rate of interest equal to (a) the arithmetic average of the rates per annum for the Reference Lender (rounded upwards to the nearest 1/16 of one percent) of the rate at which such Reference Lender's Eurodollar Lending Office is offered Dollar deposits two Eurodollar Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations of such Eurodollar Lending Office are customarily conducted, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the principal amount of the Eurodollar Rate Loan of the Reference Lender to which such Interest Period applies, divided by (b) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

EURODOLLAR RATE LOANS. Revolving Credit Loans bearing interest calculated by reference to the Eurodollar Rate.

EVENT OF DEFAULT. See Section 13.1.

FEE LETTER. The fee letter dated as of the Closing Date, among the Borrower, the Administrative Agent and the Arranger.

FEES. Collectively, the Commitment Fee, the Letter of Credit Fees, the Administrative Agent's Fee, the Closing Fee, the Arrangement Fee and any other fee agreed to be paid by the Borrower pursuant to or in connection with this Credit Agreement.

FINANCIAL AFFILIATE. A Subsidiary of the bank holding company controlling any Lender, which Subsidiary is engaging in any of the activities permitted by Section 4(e) of the Bank Holding Company Act of 1956 (12 U.S.C. Section 1843).

FIXED CHARGE RATIO. As at any date of determination, the ratio of (a) the sum of Consolidated EBITDAR MINUS Capital Expenditures for the Reference Period ending on such date, to (b) the sum of Consolidated Total Interest Expense PLUS Rental Expense for such Reference Period.

FIXED RATE. With respect to any Swing Line Loan, the fixed rate of interest quoted by the Swing Line Lender on any date or whenever the Borrower requests a Swing Line Loan, which rate the Swing Line Lender is willing to charge with respect to a Swing Line Loan made by it.

FIXED RATE LOANS. A Swing Line Loan bearing interest at the Fixed Rate for a period of time agreed to by the Borrower and the Swing Line Lender pursuant to Section 2.5(c).

FLEET. Fleet National Bank, a national banking association, in its individual capacity.

GAAP OR GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. (a) When used in Section 10, whether directly or indirectly through reference to a capitalized term used therein, means (i) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, and (ii) to the extent consistent with such principles, the accounting practice of the Borrower reflected in its financial statements for the year ended on the Balance Sheet Date, and (b) when used in general, other than as provided above, means principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, which are applicable to the circumstances as of the date of determination, consistently applied.

GOVERNING DOCUMENTS. With respect to any Person, its certificate or articles of incorporation, its by-laws and all shareholder agreements, voting trusts and similar arrangements applicable to any of its Capital Stock.

GOVERNMENTAL AUTHORITY. Any foreign, federal, state, regional, local, municipal or other government, or any department, commission, board, bureau, agency, public authority or instrumentality thereof, or any court or arbitrator.

GUARANTEED PENSION PLAN. Any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

GUARANTORS. Collectively, each Significant Subsidiary of the Borrower existing on the Closing Date and each other Person which is required to be or become a guarantor from time to time pursuant to Section 8.11 hereof. Each such Person shall be a party to a Guaranty.

GUARANTY(IES). Collectively, the guaranties dated as of the date required by Section 8.11 from each Person required to become a Guarantor pursuant to Section 8.11 in favor of the Administrative Agent and the Lenders, in each case of the payment and performance of the Obligations, and in the form attached hereto as EXHIBIT E.

HAZARDOUS SUBSTANCES. Any hazardous waste, as defined by 42 U.S.C. Section 6903(5), any hazardous substances as defined by 42 U.S.C. Section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section 9601(33) and any toxic substances, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws.

INDEBTEDNESS. As to any Person and whether recourse is secured by or is otherwise available against all or only a portion of the assets of such Person and whether or not contingent, but without duplication:

(a) every obligation of such Person for money borrowed,

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses,

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person,

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith),

(e) every obligation of such Person under any Capitalized Lease,

(f) every obligation of such Person under any Synthetic Lease,

(g) all sales by such Person of (i) accounts or general intangibles for money due or to become due, (ii) chattel paper, instruments or documents creating or evidencing a right to payment of money or (iii) other receivables (collectively "RECEIVABLES"), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith,

(h) every obligation of such Person under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices (a "DERIVATIVE CONTRACT"),

(i) every obligation in respect of Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law, and

(j) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (i) of another Person, in any manner, whether directly or indirectly.

INELIGIBLE SECURITIES. Securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

INTEREST PAYMENT DATE. (a) As to any Prime Rate Loan, the first day of the next succeeding calendar quarter with respect to interest accrued during such calendar quarter, including, without limitation, the calendar quarter which includes the Drawdown Date of such Prime Rate Loan; (b) as to any Eurodollar Rate Loan in respect of which the Interest Period is (i) 3 months or less, the last day of such Interest Period and (ii) more than 3 months, the date that is 3 months from the first day of such Interest Period and, in addition, the last day of such Interest Period; and (c) as to any Swing Line Loan which is also a Fixed Rate Loan, on the first day of the next succeeding calendar quarter with respect to interest accrued during such calendar quarter.

INTEREST PERIOD. With respect to each Revolving Credit Loan, (a) initially, the period commencing on the Drawdown Date of such Loan and ending on the last day of one of the periods set forth below, as selected by the Borrower in a Loan Request or as otherwise required by the terms of this Credit Agreement (i) for any Prime Rate Loan, the last day of the calendar quarter; (ii) for any Fixed Rate Loan, the period (not to exceed ten (10) days) requested by the Borrower and agreed to by the Swing Line Lender pursuant to Section 2.5(c); and (iii) for any Eurodollar Rate Loan, 1, 2, 3, or 6 months; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Revolving Credit Loan and ending on the last day of one of the periods set forth above, as selected by the Borrower in a Conversion Request; PROVIDED that all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period with respect to a Eurodollar Rate Loan would otherwise end on a day that is not a Eurodollar Business Day, that Interest Period shall be extended to the next succeeding Eurodollar Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Eurodollar Business Day;

(B) if any Interest Period with respect to a Prime Rate Loan would end on a day that is not a Business Day, that Interest Period shall end on the next succeeding Business Day;

(C) if the Borrower shall fail to give notice as provided in Section 2.7, the Borrower shall be deemed to have requested a conversion of the affected Eurodollar Rate Loan to a Prime Rate Loan and the continuance of

all Prime Rate Loans as Prime Rate Loans on the last day of the then current Interest Period with respect thereto;

(D) any Interest Period relating to any Eurodollar Rate Loan that begins on the last Eurodollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Eurodollar Business Day of a calendar month; and

(E) any Interest Period that would otherwise extend beyond the Revolving Credit Loan Maturity Date shall end on the Revolving Credit Loan Maturity Date.

INTERIM BALANCE SHEET DATE. December 30, 2000.

INTERNATIONAL STANDBY PRACTICES. With respect to any standby Letter of Credit, the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590, or any successor code of standby letter of credit practices among banks adopted by the Issuing Lender in the ordinary course of its business as a standby letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

INVESTMENTS. All expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of stock or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guaranties (or other commitments as described under Indebtedness), or obligations of, any Person.

ISSUING LENDER. With respect to standby Letters of Credit, Fleet, and with respect to documentary Letters of Credit, any Lender acceptable to the Administrative Agent and the Borrower. As used herein, the term Issuing Lender shall refer, as the context requires, to the Issuing Lender issuing, extending, renewing or amending any particular Letter of Credit or collectively to each and every Lender which acts as an Issuing Lender hereunder.

LENDER AFFILIATE. (a) With respect to any Lender, (i) an Affiliate of such Lender or (ii) for all purposes hereof other than the definition of "Eligible Assignee", any entity (whether a corporation, partnership, limited liability company, trust or legal entity) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by such Lender or an Affiliate of such Lender, and (b) following a Default or an Event of Default, with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other entity (whether a corporation, partnership, limited liability company, trust or other legal entity) that is a fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

LENDERS. Fleet and the other lending institutions listed on SCHEDULE 1 hereto and any other Person who becomes an assignee of any rights and obligations of a Lender pursuant to Section 15.

LETTER OF CREDIT. See Section 4.1.1.

LETTER OF CREDIT APPLICATION. See Section 4.1.1.

LETTER OF CREDIT FEE. See Section 4.6.

LETTER OF CREDIT PARTICIPATION. See Section 4.1.4.

LEVERAGE RATIO. As at any date of determination, the ratio of (a) Consolidated Total Funded Debt outstanding on such date to (b) Consolidated EBITDA for the Reference Period ending on such date.

LIEN. Any mortgage, deed of trust, security interest, pledge, hypothecation, assignment, attachment, deposit arrangement, encumbrance, lien (statutory, judgment or otherwise), or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any Capitalized Lease, any Synthetic Lease, any financing lease involving substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC or comparable law of any jurisdiction).

LOAN DOCUMENTS. This Credit Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Guaranties and the Fee Letter.

LOAN REQUEST. See Section 2.6.

LOANS. The Revolving Credit Loans.

MASTER SEPARATION AGREEMENT. The Master Separation Agreement dated as of August 24, 2000, between the Borrower and SLC.

MATERIAL ADVERSE EFFECT. With respect to any change or effect, a material adverse change in, or a material adverse effect on, as the case may be, (i) business, properties, condition (economic, financial or otherwise), assets, operations or income of the Borrower, individually, or the Borrower and its Subsidiaries, taken as a whole, (ii) the ability of the Borrower or any Guarantor to perform its obligations under any Loan Document to which it is a party, or (iii) the ability of the Administrative Agent or any Lender to enforce the Loan Documents.

MAXIMUM DRAWING AMOUNT. The maximum aggregate amount that the beneficiaries may at any time draw under outstanding Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

MINORITY OWNED JOINT VENTURE. Any joint venture or other entity which is not either a Subsidiary or a Specified Joint Venture.

MOODY'S. Moody's Investors Services, Inc.

MULTIEMPLOYER PLAN. Any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate.

NOTES. The Revolving Credit Notes.

OBLIGATIONS. All indebtedness, obligations and liabilities of any of the Borrower and its Subsidiaries to any of the Lenders (including the Swing Line Lender), any Issuing Lender and the Administrative Agent arising or incurred under this Credit Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred or any Note, Letter of Credit Application, Letter of Credit or other instrument at any time evidencing any thereof, whether any of such indebtedness, obligations or liabilities (a) arise or are incurred individually or collectively, directly or indirectly, jointly or severally, absolutely or contingently, (b) arise by contract, operation of law or otherwise, (c) are matured or unmatured, liquidated or unliquidated, secured or unsecured, or (d) exist on the date of this Credit Agreement or arise thereafter.

OUTSTANDING. With respect to the Loans, the aggregate unpaid principal thereof as of any date of determination.

PBGC. The Pension Benefit Guaranty Corporation created by Section 4002 of ERISA and any successor entity or entities having similar responsibilities.

PERMITTED LIENS. Liens permitted by Section 9.2.

PERSON. Any individual, corporation, limited liability company partnership, limited liability partnership, trust, other unincorporated association, business, or other legal entity, and any Governmental Authority.

PRIME RATE. The higher of (a) the variable annual rate of interest publicly announced from time to time by Fleet as its "prime rate", such rate being a reference rate, and (b) one-half of one percent (0.5%) above the Federal Funds Effective Rate. For the purposes of this definition, "FEDERAL FUNDS EFFECTIVE RATE" shall mean for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged and published by federal funds brokers for such day (or, if such day is not a Business Day, for the next preceding Business Day), by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three funds brokers of recognized standing selected by the Administrative Agent. Changes in the Prime Rate resulting from any changes in Fleet's "prime rate" shall take place immediately without notice or demand of any kind.

PRIME RATE LOANS. Revolving Credit Loans bearing interest calculated by reference to the Prime Rate.

REAL ESTATE. All real property at any time owned or leased (as lessee or sublessee of such leasehold interest) by the Borrower or any of its Subsidiaries.

RECORD. The grid attached to a Note, or the continuation of such grid, or any other similar record, including computer records, maintained by any Lender with respect to any Loan referred to in such Note.

REFERENCE LENDER. Fleet, or, in the event that Fleet is unable to provide a quote for the Eurodollar Rate, such other Lender as Fleet shall select.

REFERENCE PERIOD. As of any date of determination, the period of four (4) consecutive fiscal quarters of the Borrower and its Subsidiaries ending on the last day of any fiscal quarter, treated as a single accounting period.

REGISTER. See Section 15.3.

REIMBURSEMENT OBLIGATION. The Borrower's obligation to reimburse the Issuing Lender and the Lenders on account of any drawing under any Letter of Credit as provided in Section 4.2.

RENTAL EXPENSE. All rental expenses of the Borrower or any of its Subsidiaries during any applicable fiscal period with respect to Rental Obligations, determined on a consolidated basis in accordance with GAAP.

RENTAL OBLIGATIONS. All obligations of the Borrower or any of its Subsidiaries under any rental agreements or leases of real or personal property, other than (a) obligations that can be terminated by the giving of notice without liability to the Borrower or such Subsidiary in excess of the liability for rent due as of the date on which such notice is given and under which no penalty or premium is paid as a result of any such termination, and (b) obligations in respect of any Capitalized Leases or any Synthetic Leases.

REQUIRED LENDERS. As of any date, the Lender(s) holding greater than fifty percent (50%) of the outstanding principal amount of the Notes on such date; and if no such principal is outstanding, the Lender(s) whose aggregate Commitment(s) constitute(s) greater than fifty percent (50%) of the Total Commitment.

RESTRICTED PAYMENT. In relation to the Borrower and its Subsidiaries, any (a) Distribution, or (b) payment by the Borrower or its Subsidiaries (i) to the Borrower's or any such Subsidiary's shareholders (or other equity holders), in each case, other than to the Borrower, or (ii) to any Affiliate of the Borrower or any Subsidiary or any Affiliate of the Borrower's or such Subsidiary's shareholders (or other equity holders), in each case, other than to the Borrower.

REVOLVING CREDIT LOAN MATURITY DATE. February 27, 2004.

REVOLVING CREDIT LOANS. Revolving credit loans (including the Swing Line Loans) made or to be made by the Lenders or the Administrative Agent to the Borrower pursuant to Section 2.

REVOLVING CREDIT NOTE RECORD. A Record with respect to a Revolving Credit Note.

REVOLVING CREDIT NOTES. See Section 2.4.

SEPARATION DATE. The effective date of the initial public offering of a portion of the Borrower's Capital Stock by SLC and of the separation of SLC and the Borrower, as provided in the Master Separation Agreement.

SETTLEMENT. The making or receiving of payments, in immediately available funds, by the Lenders, to the extent necessary to cause each Lender's actual share of the outstanding amount of Revolving Credit Loans (after giving effect to any Loan Request) to be equal to such Lender's Commitment Percentage of the outstanding amount of such Revolving Credit Loans (after giving effect to any Loan Request), in any case where, prior to such event or action, the actual share is not so equal.

SETTLEMENT AMOUNT. See Section 2.9.1.

SETTLEMENT DATE. (a) The Drawdown Date relating to any Loan Request, (b) the date which is no more than ten (10) days after the making of a Swing Line Loan pursuant to Section 2.6.2, (d) at the option of the Administrative Agent, on any Business Day following a day on which the account officers of the Administrative Agent active upon the Borrower's account become aware of the existence of an Event of Default, (e) any day on which any conversion of a Prime Rate Loan to a Eurodollar Rate Loan occurs, or (f) any Business Day on which (i) the amount of outstanding Revolving Credit Loans decreases and (ii) the amount of the Administrative Agent's Revolving Credit Loans outstanding equals zero Dollars ($0).

SETTLING LENDER. See Section 2.9.1.

SHAREHOLDER DISTRIBUTION. The divestiture by SLC of the shares of Capital Stock of the Borrower owned by SLC, which divestiture may be effected by SLC as a dividend, an exchange with existing SLC stockholders for shares of SLC capital stock, a spin-off or otherwise, as a result of which SLC is no longer required to consolidate the Borrower's results of operations and financial position (determined in accordance with GAAP).

SIGNIFICANT SUBSIDIARY. Each Subsidiary of the Borrower which qualifies as "significant", as such term is defined under Regulation S-X promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SLC. Sara Lee Corporation, a Maryland corporation.

SLC NEGATIVE PLEDGE. The negative pledge given by the Borrower in favor of SLC with respect to any of the Borrower's rights as assignee or lessee in or to any of the "Properties" (as defined in the Lease Indemnification and Reimbursement Agreement, dated as of August 24, 2000, between SLC and the Borrower (as in effect on the date hereof, the "LEASE INDEMNITY") or any rents thereunder, pursuant to Section 4.2 of the Lease Indemnity.

S&P. Standard & Poor's Ratings Group.

SPECIFIED JOINT VENTURE. Any joint venture or other entity (a) with respect to which the Borrower and its Subsidiaries are liable for less than fifty percent (50%) of any and all of the obligations and liabilities of such entity, and (b) which would otherwise, because of clause (a) of the definition of "Subsidiary", be considered a Subsidiary.

STANDBY LETTER OF CREDIT FEE. See Section 4.6.

SUBSIDIARY. At any time and from time to time, any corporation, association, partnership, limited liability company, joint venture or other business entity of which the Borrower and/or any Subsidiary of the Borrower, directly or indirectly at such time, either (a) owns or controls more than fifty percent (50%) of the Voting Stock, or (b) is entitled to share in more than fifty percent (50%) of the profits and losses, however determined, but excluding Specified Joint Ventures for all purposes hereof other than when used in Sections 8.3(a) and (b).

SWING LINE LENDER. Fleet.

SWING LINE LOANS. Revolving Credit Loans made by Fleet pursuant to Section 2.6.2.

SYNTHETIC LEASE. Any lease of goods or other property, whether real or personal, which is treated as an operating lease under GAAP and as a loan or financing for U.S. income tax purposes.

TOTAL COMMITMENT. The sum of the Commitments of the Lenders, as in effect from time to time.

TYPE. As to any Revolving Credit Loan which is not a Swing Line Loan, its nature as a Prime Rate Loan or a Eurodollar Rate Loan.

UNIFORM CUSTOMS. With respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 or any successor version thereto adopted by the Issuing Lender in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

UNPAID REIMBURSEMENT OBLIGATION. Any Reimbursement Obligation for which the Borrower does not reimburse the Administrative Agent, the Issuing Lender and the Lenders on the date specified in, and in accordance with, Section 4.2.

VOTING STOCK. Stock or similar interests, of any class or classes (however designated), the holders of which are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the corporation, association, trust or other business entity involved, whether or not the right so to vote exists by reason of the happening of a contingency.

1.2. RULES OF INTERPRETATION.

(a) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Credit Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms not otherwise defined herein have the meanings assigned to them by GAAP applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) All terms not specifically defined herein or by GAAP, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings assigned to them therein, with the term "INSTRUMENT" being that defined under Article 9 of the Uniform Commercial Code.

(h) Reference to a particular "Section" refers to that section of this Credit Agreement unless otherwise indicated.

(i) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Credit Agreement as a whole and not to any particular section or subdivision of this Credit Agreement.

(j) Unless otherwise expressly indicated, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including."

2. THE REVOLVING CREDIT FACILITY.

2.1. COMMITMENT TO LEND.

(a) Subject to the terms and conditions set forth in this Credit Agreement, each of the Lenders severally agrees to lend to the Borrower and the Borrower may borrow, repay, and reborrow from time to time from the Closing Date up to but not including the Revolving Credit Loan Maturity Date upon notice by the Borrower to the Administrative Agent given in accordance with Section 2.6, such sums as are requested by the Borrower up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Lender's Commitment MINUS such Lender's Commitment Percentage of the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations, PROVIDED that the sum of the outstanding amount of the Revolving Credit Loans (after giving effect to all amounts requested), including the Swing Line Loans, PLUS the Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not at any time exceed the Total Commitment at such time. The Revolving Credit Loans shall be made PRO RATA in accordance with each Lender's Commitment Percentage. Each request for a Revolving Credit Loan hereunder shall constitute a representation and warranty by the Borrower that the conditions set forth in Section 11 and Section 12, in the case of the initial Revolving Credit Loans to be made on the Closing Date, and Section 12, in the case of all other Revolving Credit Loans, have been satisfied on the date of such request.

(b) LIMITED INCREASE IN TOTAL COMMITMENT. Unless a Default or Event of Default has occurred and is continuing, the Borrower may request, on one or more occasions, that the Total Commitment in effect on the date of such request be increased by up to $25,000,000, PROVIDED, HOWEVER, that (i) the aggregate amount of any and all increases pursuant to this Section 2.1(b) shall not exceed $25,000,000, (ii) any Lender which is a party to this Agreement prior to such increase shall have the right to elect to fund its PRO RATA share of the increase and any additional amounts allocated by the Administrative Agent, thereby increasing its Revolving Credit Commitment hereunder, but no Lender shall be required to do so, (iii) in the event that it becomes necessary to include one or more new Lenders to provide additional funding under this Section 2.1(b) in order to enable such increase in the Total Commitment to occur, such new Lender must be reasonably acceptable to the Administrative Agent and the Borrower, (iv) the Lenders' Commitment Percentages shall be correspondingly adjusted, (v) each new Lender shall make all (if any) such payments to the other Lenders as may be necessary to result in the sum of the Revolving Credit Loans to be made by such new Lender PLUS such new Lender's proportionate share of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations being equal to such new Lender's Commitment Percentage (as then in effect) of the aggregate principal amount of the sum of all Revolving Credit Loans outstanding to the Borrower as of such date PLUS the Maximum Drawing Amount and all Unpaid Reimbursement Obligations as of such date), and (vi) Revolving Credit Notes issued or amended and such other changes shall be made to the Loan Documents, as shall be necessary to reflect any such increase in the Total Commitment. Any such increase in the Total Commitment (whether by

$25,000,000 or by a lesser amount) shall require, among other things, the satisfaction of such conditions precedent as the Administrative Agent may require, including, without limitation, the obtaining by any applicable Lender of requisite internal approvals, the Administrative Agent's receipt of evidence of applicable corporate authorization and other corporate documentation from the Borrower and the legal opinion of counsel to the Borrower, each in form and substance satisfactory to the Administrative Agent and such Lenders as are participating in such increase.

2.2. COMMITMENT FEE. The Borrower agrees to pay to the Administrative Agent for the accounts of the Lenders in accordance with their respective Commitment Percentages a commitment fee (the "Commitment Fee") calculated at the rate per annum of the Applicable Margin with respect to the Commitment Fee as in effect from time to time on the average daily amount during each calendar quarter or portion thereof from the date hereof to the Revolving Credit Loan Maturity Date by which the Total Commitment MINUS the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations exceeds the outstanding amount of Revolving Credit Loans (with outstanding Swing Line Loans not being considered Revolving Credit Loans or usage for purposes of this calculation) during such calendar quarter. The Commitment Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on the first such date following the date hereof, with a final payment on the Revolving Credit Loan Maturity Date or any earlier date on which the Commitments shall terminate.

2.3. REDUCTION OF TOTAL COMMITMENT. The Borrower shall have the right at any time and from time to time upon three (3) Business Days prior written notice to the Administrative Agent to reduce by $5,000,000 or an integral multiple thereof or to terminate entirely the Total Commitment, whereupon the Commitments of the Lenders shall be reduced pro rata in accordance with their respective Commitment Percentages of the amount specified in such notice or, as the case may be, terminated. Promptly after receiving any notice of the Borrower delivered pursuant to this Section 2.3, the Administrative Agent will notify the Lenders of the substance thereof. Upon the effective date of any such reduction or termination, the Borrower shall pay to the Administrative Agent for the respective accounts of the Lenders the full amount of any Commitment Fee then accrued on the amount of the reduction. No reduction or termination of the Commitments may be reinstated.

2.4. THE REVOLVING CREDIT NOTES. The Revolving Credit Loans shall be evidenced by separate promissory notes of the Borrower in substantially the form of EXHIBIT A hereto (each a "REVOLVING CREDIT NOTE"), dated as of the Closing Date (or such other date on which a Lender may become a party hereto in accordance with Section 15 hereof) and completed with appropriate insertions. One Revolving Credit Note shall be payable to the order of each Lender in a principal amount equal to such Lender's Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Lender, PLUS interest accrued thereon, as set forth below. The Borrower irrevocably authorizes each Lender to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of

receipt of any payment of principal on such Lender's Revolving Credit Note, an appropriate notation on such Lender's Revolving Credit Note Record reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on such Lender's Revolving Credit Note Record shall be PRIMA FACIE evidence, absent manifest error, of the principal amount thereof owing and unpaid to such Lender, but the failure to record, or any error in so recording, any such amount on such Lender's Revolving Credit Note Record shall not limit or otherwise affect the obligations of the Borrower hereunder or under any Revolving Credit Note to make payments of principal of or interest on any Revolving Credit Note when due.

2.5. INTEREST ON REVOLVING CREDIT LOANS. Except as otherwise provided in Section 5.11,

(a) Each Revolving Credit Loan which is a Prime Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at the rate per annum equal to the Prime Rate PLUS the Applicable Margin with respect to Prime Rate Loans as in effect from time to time.

(b) Each Revolving Credit Loan which is a Eurodollar Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at the rate per annum equal to the Eurodollar Rate determined for such Interest Period PLUS the Applicable Margin with respect to Eurodollar Rate Loans as in effect from time to time.

(c) Each Swing Line Loan shall bear interest from the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at a rate per annum equal to, at the Borrower's option (i) the Prime Rate PLUS the Applicable Margin with respect to Prime Rate Loans in effect from time to time, and (ii) the Fixed Rate, which interest shall be paid on each Interest Payment Date for Swing Line Loans for the account of the Swing Line Lender. Interest periods for Swing Line Loans which are also Fixed Rate Loans shall be for a period of ten (10) days or less. The Borrower shall give the Swing Line Lender notice no later than 1:00 p.m. on the last day of the Interest Period that is a Fixed Rate Loan of its intention to repay such Swing Line Loan or to refund such Swing Line Loan with a Revolving Credit Loan which is not a Swing Line Loan in accordance with Section 2.9. In the event that the Borrower fails to give such notice, such Swing Line Loan shall, on the last day of such Interest Period cease to be a Fixed Rate Loan.

The Borrower promises to pay interest on each Revolving Credit Loan in arrears on each Interest Payment Date with respect thereto.

2.6. REQUESTS FOR REVOLVING CREDIT LOANS.

2.6.1. GENERAL. The Borrower shall give to the Administrative Agent written notice in the form of EXHIBIT B hereto (or telephonic notice confirmed promptly in a writing in the form of EXHIBIT B hereto) of each Revolving Credit Loan requested hereunder (a "LOAN REQUEST") (a) by no later than 11:00 a.m. (Boston time) on the proposed Drawdown Date of any Prime Rate Loan and (b) by no later than 12:00 noon (Boston time) no less than three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Rate Loan. Each such notice shall specify (i) the principal amount of the Revolving Credit Loan requested, (ii) the proposed Drawdown Date of such Revolving Credit Loan, (iii) the Interest Period for such Revolving Credit Loan and (iv) the Type of such Revolving Credit Loan. Promptly upon receipt of any such notice, the Administrative Agent shall notify each of the Lenders thereof. Each Loan Request shall be irrevocable and binding on the Borrower and shall obligate the Borrower to accept the Revolving Credit Loan requested from the Lenders on the proposed Drawdown Date. With respect to Eurodollar Rate Loans, each Loan Request shall be in a minimum aggregate amount of $1,000,000 or an integral multiple of $500,000 in excess thereof, and with respect to Prime Rate Loans, each Loan Request shall be in a minimum aggregate amount of $500,000 or an integral multiple of $100,000 in excess thereof.

2.6.2. SWING LINE. Notwithstanding the notice and minimum amount requirements set forth in Section 2.6.1 but otherwise in accordance with the terms and conditions of this Credit Agreement, the Swing Line Lender may, at the Borrower's request and in the Swing Line Lender's sole discretion and without conferring with the Lenders, make Revolving Credit Loans (each a "SWING LINE LOAN") to the Borrower in an amount requested by the Borrower PROVIDED, that (a) each such Swing Line Loan shall be in a minimum aggregate amount of $500,000 or an integral multiple of $100,000 in excess thereof, and (b) the aggregate outstanding amount of all Swing Line Loans made by the Swing Line Lender pursuant to this Section 2.6.2 shall not exceed $10,000,000 at any one time. The Borrower hereby requests and authorizes the Swing Line Lender to make from time to time such Swing Line Loans as may be so requested. The Borrower acknowledges and agrees that the making of such Swing Line Loans shall, in each case, be subject in all respects to the provisions of this Credit Agreement as if they were Swing Line Loans covered by a Loan Request including, without limitation, the limitations set forth in Section 2.1 and the requirements that the applicable provisions of Section 11 (in the case of Swing Line Loans made on the Closing Date) and Section 12 be satisfied. All actions taken by the Swing Line Lender pursuant to the provisions of this Section 2.6.2 shall be conclusive and binding on the Borrower and the Lenders absent the Swing Line Lender's gross negligence or willful misconduct.

2.7. CONVERSION OPTIONS.

2.7.1. CONVERSION TO DIFFERENT TYPE OF REVOLVING CREDIT LOAN. The Borrower may elect from time to time to convert any outstanding

Revolving Credit Loan to a Revolving Credit Loan of another Type, PROVIDED that (a) with respect to any such conversion of a Eurodollar Rate Loan to a Prime Rate Loan, the Borrower shall give the Administrative Agent at least one (1) Business Day prior written notice of such election; (b) with respect to any such conversion of a Prime Rate Loan to a Eurodollar Rate Loan, the Borrower shall give the Administrative Agent at least three (3) Eurodollar Business Days prior written notice of such election; (c) with respect to any such conversion of a Eurodollar Rate Loan into a Prime Rate Loan, such conversion shall only be made on the last day of the Interest Period with respect thereto and (d) no Revolving Credit Loan may be converted into a Eurodollar Rate Loan when any Default or Event of Default has occurred and is continuing. On the date on which such conversion is being made each Lender shall take such action as is necessary to transfer its Commitment Percentage of such Revolving Credit Loans to its Domestic Lending Office or its Eurodollar Lending Office, as the case may be. All or any part of outstanding Revolving Credit Loans of any Type may be converted into a Revolving Credit Loan of another Type as provided herein, PROVIDED that any partial conversion to a Eurodollar Rate Loan shall be in an aggregate principal amount of $1,000,000 or an integral multiple of $500,000 in excess thereof, and any partial conversion to a Prime Rate Loan shall be in an aggregate principal amount of $500,000 or an integral multiple of $100,000 in excess thereof. Each Conversion Request relating to the conversion of a Revolving Credit Loan to a Eurodollar Rate Loan shall be irrevocable by the Borrower.

2.7.2. CONTINUATION OF TYPE OF REVOLVING CREDIT LOAN. Any Revolving Credit Loan of any Type may be continued as a Revolving Credit Loan of the same Type upon the expiration of an Interest Period with respect thereto by compliance by the Borrower with the notice provisions contained in Section 2.7.1; PROVIDED that no Eurodollar Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Prime Rate Loan on the last day of the first Interest Period relating thereto ending during the continuance of any Default or Event of Default of which officers of the Administrative Agent active upon the Borrower's account have actual knowledge. In the event that the Borrower fails to provide any such notice with respect to the continuation of any Eurodollar Rate Loan as such, then such Eurodollar Rate Loan shall be automatically converted to a Prime Rate Loan on the last day of the first Interest Period relating thereto. The Administrative Agent shall notify the Lenders promptly when any such automatic conversion contemplated by this Section 2.7 is scheduled to occur.

2.7.3. EURODOLLAR RATE LOANS. Any conversion to or from Eurodollar Rate Loans shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of all Eurodollar Rate Loans having the same Interest Period shall not be less than $1,000,000 or an integral multiple of $500,000 in excess

thereof. No more than ten (10) Eurodollar Rate Loans having different Interest Periods may be outstanding at any time.

2.7.4. APPLICABILITY OF CONVERSION AND CONTINUATION PROVISIONS. Notwithstanding anything to the contrary herein contained, the provisions of this Section 2.7 shall not apply to Swing Line Loans.

2.8. FUNDS FOR REVOLVING CREDIT LOAN.

2.8.1. FUNDING PROCEDURES. Not later than 3:00 p.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loans, each of the Lenders will make available to the Administrative Agent, at the Administrative Agent's Office, in immediately available funds, the amount of such Lender's Commitment Percentage of the amount of the requested Revolving Credit Loans. Upon receipt from each Lender of such amount, and upon receipt of the documents required by Sections 11 and 12 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Administrative Agent will make available to the Borrower the aggregate amount of such Revolving Credit Loans made available to the Administrative Agent by the Lenders. The failure or refusal of any Lender to make available to the Administrative Agent at the aforesaid time and place on any Drawdown Date the amount of its Commitment Percentage of the requested Revolving Credit Loans shall not relieve any other Lender from its several obligation hereunder to make available to the Administrative Agent the amount of such other Lender's Commitment Percentage of any requested Revolving Credit Loans.

2.8.2. ADVANCES BY ADMINISTRATIVE AGENT. The Administrative Agent may, unless notified to the contrary by any Lender prior to a Drawdown Date, assume that such Lender has made available to the Administrative Agent on such Drawdown Date the amount of such Lender's Commitment Percentage of the Revolving Credit Loans to be made on such Drawdown Date, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If any Lender makes available to the Administrative Agent such amount on a date after such Drawdown Date, such Lender shall pay to the Administrative Agent on demand an amount equal to the product of (a) the average computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent during each day included in such period, times (b) the amount of such Lender's Commitment Percentage of such Revolving Credit Loans, times (c) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Lender's Commitment Percentage of such Revolving Credit Loans shall become immediately available to the Administrative Agent, and the denominator of which is 360. A statement of the Administrative Agent submitted to such Lender with respect to any amounts owing under this paragraph shall be prima facie evidence (absent

manifest error) of the amount due and owing to the Administrative Agent by such Lender. If the amount of such Lender's Commitment Percentage of such Revolving Credit Loans is not made available to the Administrative Agent by such Lender within three (3) Business Days following such Drawdown Date, the Administrative Agent shall be entitled to recover such amount from the Borrower on demand, with interest thereon at the rate per annum applicable to the Revolving Credit Loans made on such Drawdown Date.

2.9. SETTLEMENTS.

2.9.1. GENERAL. On each Settlement Date, the Administrative Agent shall, not later than 1:00 p.m. (Boston time), give telephonic, facsimile or electronic mail notice (a) to the Lenders and the Borrower of the respective outstanding amount of Revolving Credit Loans made by the Administrative Agent on behalf of the Lenders or in the form of Swing Line Loans from the immediately preceding Settlement Date through the close of business on the prior day and the amount of any Eurodollar Rate Loans to be made (following the giving of notice pursuant to Section 2.6.1(b)) on such date pursuant to a Loan Request and (b) to the Lenders of the amount (a "SETTLEMENT AMOUNT") that each Lender (a "SETTLING LENDER") shall pay to effect a Settlement of any Revolving Credit Loan. A statement of the Administrative Agent submitted to the Lenders and the Borrower or to the Lenders with respect to any amounts owing under this Section 2.9 shall be prima facie evidence (absent manifest error) of the amount due and owing. Each Settling Lender shall, not later than 3:00 p.m. (Boston time) on such Settlement Date, effect a wire transfer of immediately available funds to the Administrative Agent in the amount of the Settlement Amount for such Settling Lender. All funds advanced by any Lender as a Settling Lender pursuant to this Section 2.9 shall for all purposes be treated as a Revolving Credit Loan made by such Settling Lender to the Borrower and all funds received by any Lender pursuant to this Section 2.9 shall for all purposes be treated as repayment of amounts owed with respect to Revolving Credit Loans made by such Lender. In the event that any bankruptcy, reorganization, liquidation, receivership or similar cases or proceedings in which the Borrower is a debtor prevent a Settling Lender from making any Revolving Credit Loan to effect a Settlement as contemplated hereby, such Settling Lender will make such dispositions and arrangements with the other Lenders with respect to such Revolving Credit Loans, either by way of purchase of participations, distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Lender's share of the outstanding Revolving Credit Loans being equal, as nearly as may be, to such Lender's Commitment Percentage of the outstanding amount of the Revolving Credit Loans.

2.9.2. FAILURE TO MAKE FUNDS AVAILABLE. The Administrative Agent may, unless notified to the contrary by any Settling Lender prior to a Settlement Date, assume that such Settling Lender has made or will make available to the Administrative Agent on such Settlement Date the amount of such Settling Lender's Settlement Amount, and the Administrative Agent

may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If any Settling Lender makes available to the Administrative Agent such amount on a date after such Settlement Date, such Settling Lender shall pay to the Administrative Agent on demand an amount equal to the product of (a) the average computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent during each day included in such period, times (b) the amount of such Settlement Amount, times (c) a fraction, the numerator of which is the number of days that elapse from and including such Settlement Date to the date on which the amount of such Settlement Amount shall become immediately available to the Administrative Agent, and the denominator of which is 360. A statement of the Administrative Agent submitted to such Settling Lender with respect to any amounts owing under this Section 2.9.2 shall be prima facie evidence (absent manifest error) of the amount due and owing to the Administrative Agent by such Settling Lender. If such Settling Lender's Settlement Amount is not made available to the Administrative Agent by such Settling Lender within three (3) Business Days following such Settlement Date, the Administrative Agent shall be entitled to recover such amount from the Borrower on demand, with interest thereon at the rate per annum applicable to the Revolving Credit Loans as of such Settlement Date.

2.9.3. NO EFFECT ON OTHER LENDERS. The failure or refusal of any Settling Lender to make available to the Administrative Agent at the aforesaid time and place on any Settlement Date the amount of such Settling Lender's Settlement Amount shall not (a) relieve any other Settling Lender from its several obligations hereunder to make available to the Administrative Agent the amount of such other Settling Lender's Settlement Amount or (b) impose upon any Lender, other than the Settling Lender so failing or refusing, any liability with respect to such failure or refusal or otherwise increase the Commitment of such other Lender.

3. REPAYMENT OF THE REVOLVING CREDIT LOANS.

3.1. MATURITY. The Borrower promises to pay on the Revolving Credit Loan Maturity Date, and there shall become absolutely due and payable on the Revolving Credit Loan Maturity Date, all of the Revolving Credit Loans outstanding on such date, together with any and all accrued and unpaid interest thereon. Without limiting the foregoing, the Borrower promises to pay to the Administrative Agent for its own account, and there shall become absolutely due and payable, the outstanding principal amount of each Swing Line Loan made to the Borrower on the earlier of the Settlement Date with respect thereto and the Revolving Credit Loan Maturity Date.

3.2. MANDATORY REPAYMENTS OF REVOLVING CREDIT LOANS.

(a) If at any time the sum of the outstanding amount of the Revolving Credit Loans (including the Swing Line Loans), the Maximum

Drawing Amount and all Unpaid Reimbursement Obligations exceeds the Total Commitment at such time, then the Borrower shall immediately pay the amount of such excess to the Administrative Agent for the respective accounts of the Lenders for application: first, to the Swing Line Loans; second, to any Unpaid Reimbursement Obligations; third, to the Revolving Credit Loans; and fourth, to provide to the Administrative Agent cash collateral for Reimbursement Obligations as contemplated by Section 4.2(b) and (c).

(b) During the period from November 1st of each calendar year from the Closing Date until the Revolving Credit Loan Maturity Date through June 30th of each calendar year during such period, the Borrower shall pay to the Administrative Agent such amounts as are necessary to reduce the sum of the outstanding amount of the Revolving Credit Loans (including Swing Line Loans) to no more than $25,000,000 for a period of at least thirty (30) consecutive days during such period.

Each payment of any Unpaid Reimbursement Obligations or prepayment of Revolving Credit Loans (other than Swing Line Loans) shall be allocated among the Lenders, in proportion, as nearly as practicable, to each Reimbursement Obligation or (as the case may be) the respective unpaid principal amount of each Lender's Revolving Credit Note, with adjustments to the extent practicable to equalize any prior payments or repayments not exactly in proportion. Each payment or prepayment of Swing Line Loans shall be allocated to the Swing Line Lender.

3.3. OPTIONAL REPAYMENTS OF REVOLVING CREDIT LOANS. The Borrower shall have the right, at its election, to repay the outstanding amount of the Revolving Credit Loans and Fixed Rate Loans, as a whole or in part, at any time without penalty or premium, PROVIDED that any full or partial prepayment of the outstanding amount of any Eurodollar Rate Loans pursuant to this Section 3.3 may be made only on the last day of the Interest Period relating thereto unless breakage costs described in Section 5.10 in connection therewith are paid by the Borrower. The Borrower shall give the Administrative Agent, no later than 11:00 a.m., Boston time, on such day written notice of any proposed prepayment pursuant to this Section 3.3 of Prime Rate Loans, and no later than 12:00 noon, Boston time, three (3) Eurodollar Business Days notice of any proposed prepayment pursuant to this Section 3.3 of Fixed Rate Loans or Eurodollar Rate Loans, in each case specifying the proposed date of prepayment of Revolving Credit Loans and the principal amount to be prepaid. Each such partial prepayment of the Revolving Credit Loans shall be in a minimum aggregate amount of $1,000,000 or an integral multiple of $500,000 in excess thereof, shall be accompanied by the payment of accrued interest on the principal prepaid to the date of prepayment and shall be applied, in the absence of instruction by the Borrower, first to the principal of Fixed Rate Loans, second to the principal of Prime Rate Loans and third to the principal of Eurodollar Rate Loans. Each partial prepayment shall be allocated among the Lenders, in proportion, as nearly as practicable, to the respective unpaid principal amount of each Lender's Revolving Credit Note, with adjustments to the extent practicable to equalize any prior repayments not exactly in proportion.

4. LETTERS OF CREDIT.

4.1. LETTER OF CREDIT COMMITMENTS.

4.1.1. COMMITMENT TO ISSUE LETTERS OF CREDIT. Subject to the terms and conditions hereof and the execution and delivery by the Borrower of a letter of credit application on the Issuing Lender's customary form (a "LETTER OF CREDIT APPLICATION"), the Issuing Lender on behalf of the Lenders and in reliance upon the agreement of the Lenders set forth in Section 4.1.4 and upon the representations and warranties of the Borrower contained herein, agrees, in its individual capacity, to issue, extend, amend and renew for the account of the Borrower one or more standby or documentary letters of credit (individually, a "LETTER OF Credit"), in such form as may be requested from time to time by the Borrower and agreed to by the Issuing Lender; PROVIDED, however, that, after giving effect to such request, (a) with respect to all Letters of Credit, the sum of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed $75,000,000 at any one time, (b) with respect to standby Letters of Credit, the sum of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed $30,000,000 at any one time, and (c) the sum of (i) the Maximum Drawing Amount on all Letters of Credit, (ii) all Unpaid Reimbursement Obligations, and (iii) the amount of all Revolving Credit Loans (including Swing Line Loans) outstanding shall not exceed the Total Commitment at such time. As of the Closing Date, letter of credit number MS1257831 initially issued in the amount of $130,000 by Fleet for the account of the Borrower shall become a Letter of Credit under this Credit Agreement for all purposes.

4.1.2. LETTER OF CREDIT APPLICATIONS. Each Letter of Credit Application shall be completed to the satisfaction of the Issuing Lender. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Credit Agreement, then the provisions of this Credit Agreement shall, to the extent of any such inconsistency, govern.

4.1.3. TERMS OF LETTERS OF CREDIT. Each Letter of Credit issued, extended, amended or renewed hereunder shall, among other things, (a) provide for the payment of drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein, and (b) have an expiry date no later than the date which is ten (10) days (or, if the Letter of Credit is confirmed by a confirmer or otherwise provides for one or more nominated persons, thirty (30) days) prior to the Revolving Credit Loan Maturity Date. Each Letter of Credit so issued, extended, amended or renewed shall be subject to the Uniform Customs or, in the case of a standby Letter of Credit, either the Uniform Customs or the International Standby Practices.

4.1.4. REIMBURSEMENT OBLIGATIONS OF LENDERS. Each Lender severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Lender's Commitment Percentage, to reimburse the Issuing Lender on demand for the amount of each draft paid by the Issuing Lender under each Letter of Credit to the extent that such amount is not reimbursed by the Borrower pursuant to Section 4.2 (such agreement for a Lender being called herein the "LETTER OF CREDIT PARTICIPATION" of such Lender).

4.1.5. PARTICIPATIONS OF LENDERS. Each such payment made by a Lender shall be treated as the purchase by such Lender of a participating interest in the Borrower's Reimbursement Obligation under Section 4.2 in an amount equal to such payment. Each Lender shall share in accordance with its participating interest in any interest which accrues pursuant to Section 4.2.

4.2. REIMBURSEMENT OBLIGATION OF THE BORROWER. In order to induce the Issuing Lender to issue, extend, amend and renew each Letter of Credit and the Lenders to participate therein, the Borrower hereby agrees to reimburse or pay to the Issuing Lender, for the account of the Issuing Lender or (as the case may be) the Lenders, with respect to each Letter of Credit issued, extended, amended or renewed by the Issuing Lender hereunder,

(a) except as otherwise expressly provided in Section 4.2(b) and (c), on each date that any draft presented under such Letter of Credit is honored by the Issuing Lender, or the Issuing Lender otherwise makes a payment with respect thereto, (i) the amount paid by the Issuing Lender under or with respect to such Letter of Credit, and (ii) the amount of any taxes and customary fees and expenses whatsoever incurred by the Issuing Lender in connection with any payment made by the Issuing Lender under, or with respect to, such Letter of Credit,

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the Maximum Drawing Amount, an amount equal to such difference, which amount shall be held by the Administrative Agent for the benefit of the Lenders, the Issuing Lender and the Administrative Agent as cash collateral (to be held in an interest bearing account administered by the Administrative Agent) for all Reimbursement Obligations, and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Section 13, an amount equal to the then Maximum Drawing Amount on all Letters of Credit, which amount shall be held by the Administrative Agent for the benefit of the Lenders, the Issuing Lender and the Administrative Agent as cash collateral (to be held in an interest bearing

account administered by the Administrative Agent) for all Reimbursement Obligations.

Each such payment shall be made to the Issuing Lender at the Issuing Lender's office designated on Schedule 1 hereto in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrower under this Section 4.2 at any time from the date such amounts become due and payable (whether as stated in this Section 4.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Issuing Lender on demand at the rate specified in Section 5.11 for overdue principal on the Revolving Credit Loans.

4.3. LETTER OF CREDIT PAYMENTS. If any draft shall be presented or demand for payment made and, with respect to documentary Letters of Credit with respect to which there are discrepancies between the draft presented and the requirements of the Letter of Credit, the approval of the Borrower is required under applicable law to make payment and the Borrower has nonetheless approved payment thereof, the Issuing Lender shall notify the Borrower of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Borrower fails to reimburse the Issuing Lender as provided in Section 4.2 by the date that such draft is paid or other payment is made by the Issuing Lender, the Administrative Agent, on behalf of, and at the request of, the Issuing Lender, may at any time thereafter notify the Lenders of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Lender shall make available to the Administrative Agent, at the Administrative Agent's Office for distribution to the Issuing Lender, in immediately available funds, such Lender's Commitment Percentage of such Unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Issuing Lender for federal funds acquired by the Issuing Lender during each day included in such period, times (b) the amount equal to such Lender's Commitment Percentage of such Unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that elapse from and including the date the Issuing Lender paid the draft presented for honor or otherwise made payment to the date on which such Lender's Commitment Percentage of such Unpaid Reimbursement Obligation shall become immediately available to the Issuing Lender, and the denominator of which is 360. The responsibility of the Issuing Lender to the Borrower and the Lenders shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit and to perform standard operating functions related to the administration of Letters of Credit.

4.4. OBLIGATIONS ABSOLUTE. The Borrower's obligations under this Section 4 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender, any Lender or any

beneficiary of a Letter of Credit. The Borrower further agrees with the Issuing Lender, the Administrative Agent and the Lenders that the Issuing Lender, the Administrative Agent and the Lenders shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 4.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrower against the beneficiary of any Letter of Credit or any such transferee, PROVIDED that the Borrower shall not be responsible for, and the Borrower's Reimbursement Obligations shall not include, amounts or liabilities arising solely from the gross negligence or willful misconduct of the Issuing Lender in determining whether a request presented under any Letter of Credit complied with the terms of such Letter of Credit. The Issuing Lender, the Administrative Agent and the Lenders shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrower agrees that any action taken or omitted by the Issuing Lender, the Administrative Agent or any Lender under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrower and shall not result in any liability on the part of the Issuing Lender, the Administrative Agent or any Lender to the Borrower.

4.5. RELIANCE BY ISSUER. To the extent not inconsistent with Section 4.4, the Issuing Lender shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Issuing Lender. The Issuing Lender shall be fully justified in failing or refusing to take any action under this Credit Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Credit Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and all future holders of the Revolving Credit Notes or of a Letter of Credit Participation.

4.6. LETTER OF CREDIT FEE. The Borrower shall pay a fee (in each case, a "LETTER OF CREDIT FEE") to the Administrative Agent (a) quarterly in arrears on the first day of each fiscal quarter of the Borrower for the immediately preceding fiscal quarter of the Borrower, in respect of each standby Letter of Credit, an amount equal to the Applicable Margin per annum with respect to Standby Letter of Credit

Fees MULTIPLIED BY the result of (i) the average daily face amount of such standby Letter of Credit during such period, MULTIPLIED BY the number of days such standby Letter of Credit is outstanding and DIVIDED BY (ii) three hundred and sixty (360) (a "STANDBY LETTER OF CREDIT FEE"), and (b) quarterly in arrears on the first day of each fiscal quarter of the Borrower for the immediately preceding fiscal quarter of the Borrower, in respect of each documentary Letter of Credit, an amount equal to the Applicable Margin per annum with respect to documentary Letter of Credit Fees MULTIPLIED BY the result of (i) the average daily face amount of such documentary Letter of Credit during such period, MULTIPLIED BY the number of days such documentary Letter of Credit is outstanding, DIVIDED BY (B) three hundred and sixty (360) (a "DOCUMENTARY LETTER OF CREDIT FEE"), in each case which Letter of Credit Fee shall be for the accounts of the Lenders in accordance with their respective Commitment Percentages. In respect of each Letter of Credit, the Borrower shall also pay to the Issuing Lender for the Issuing Lender's own account, at such other time or times as such charges are customarily made by the Issuing Lender, the Issuing Lender's customary fronting, issuance, amendment, negotiation or document examination and other administrative fees as in effect from time to time.

5. CERTAIN GENERAL PROVISIONS.

5.1. CLOSING AND ARRANGEMENT FEES. The Borrower agrees to pay to the Administrative Agent for the accounts of the Lenders on the Closing Date a closing fee (the "Closing Fee") as set forth in the Fee Letter. The Borrower agrees to pay to the Administrative Agent for the account of the Arranger, on the Closing Date an arrangement fee (the "Arrangement Fee") as set forth in the Fee Letter.

5.2. ADMINISTRATIVE AGENT'S FEE. The Borrower shall pay to the Administrative Agent an Administrative Agent's fee as set forth in the Fee Letter.

5.3. FUNDS FOR PAYMENTS.

5.3.1. PAYMENTS TO ADMINISTRATIVE AGENT. All payments of principal, interest, Reimbursement Obligations, Fees and any other amounts due hereunder or under any of the other Loan Documents shall be made on the due date thereof to the Administrative Agent in Dollars, for the respective accounts of the Lenders and the Administrative Agent, at the Administrative Agent's Office or at such other place that the Administrative Agent may from time to time designate, in each case at or about 3:00 p.m. (Boston, Massachusetts, time or other local time at the place of payment) and in immediately available funds.

5.3.2. NO OFFSET, ETC. All payments by the Borrower hereunder and under any of the other Loan Documents shall be made without recoupment, setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrower is compelled by law to

make such deduction or withholding. If any such obligation is imposed upon the Borrower with respect to any amount payable by it hereunder or under any of the other Loan Documents, the Borrower will pay to the Administrative Agent, for the account of the Lenders or (as the case may be) the Administrative Agent, on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars as shall be necessary to enable the Lenders or the Administrative Agent to receive the same net amount which the Lenders or the Administrative Agent would have received on such due date had no such obligation been imposed upon the Borrower. The Borrower will deliver promptly to the Administrative Agent certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Borrower hereunder or under such other Loan Document.

5.4. COMPUTATIONS. All computations of interest on (a) the Loans (other than Eurodollar Rate Loans) and of Fees shall, unless otherwise expressly provided herein, be based on a 365/366-day year and (b) Eurodollar Rate Loans shall be based on a 360-day year and, in each case, paid for the actual number of days elapsed. Except as otherwise provided in the definition of the term "Interest Period" with respect to Eurodollar Rate Loans, whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest and Fees shall accrue during such extension. The outstanding amount of the Loans as reflected on the Revolving Credit Note Records from time to time shall be considered correct and binding on the Borrower unless within five (5) Business Days after receipt of any notice by the Administrative Agent or any of the Lenders of such outstanding amount, the Administrative Agent or such Lender shall notify the Borrower to the contrary.

5.5. INABILITY TO DETERMINE EURODOLLAR RATE. In the event, prior to the commencement of any Interest Period relating to any Eurodollar Rate Loan, the Administrative Agent shall determine or be notified by the Required Lenders that adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate that would otherwise determine the rate of interest to be applicable to any Eurodollar Rate Loan during any Interest Period, the Administrative Agent shall forthwith give notice of such determination (which shall be conclusive and binding on the Borrower and the Lenders) to the Borrower and the Lenders. In such event (a) any Loan Request or Conversion Request with respect to Eurodollar Rate Loans shall be automatically withdrawn and shall be deemed a request for Prime Rate Loans, (b) each Eurodollar Rate Loan will automatically, on the last day of the then current Interest Period relating thereto, become a Prime Rate Loan, and (c) the obligations of the Lenders to make Eurodollar Rate Loans shall be suspended until the Administrative Agent or the Required Lenders determine that the circumstances giving rise to such suspension no longer exist, whereupon the Administrative Agent or, as the case may be, the Administrative Agent upon the instruction of the Required Lenders, shall so notify the Borrower and the Lenders.

5.6. ILLEGALITY. Notwithstanding any other provisions herein, if any present or future law, regulation, treaty or directive or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Rate Loans, such Lender shall forthwith give notice of such circumstances to the Borrower and the other Lenders and thereupon (a) the commitment of such Lender to make Eurodollar Rate Loans or convert Prime Rate Loans to Eurodollar Rate Loans shall forthwith be suspended and (b) such Lender's Revolving Credit Loans then outstanding as Eurodollar Rate Loans, if any, shall be converted automatically to Prime Rate Loans on the last day of each Interest Period applicable to such Eurodollar Rate Loans or within such earlier period as may be required by law. The Borrower hereby agrees promptly to pay the Administrative Agent for the account of such Lender, upon demand by such Lender, any additional amounts necessary to compensate such Lender for any costs incurred by such Lender in making any conversion in accordance with this Section 5.6, including any interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its Eurodollar Rate Loans hereunder.

5.7. ADDITIONAL COSTS, ETC. If any present or future applicable law, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Lender or the Administrative Agent by any central bank or other fiscal, monetary or other authority (whether or not having the force of law), shall:

(a) subject any Lender or the Administrative Agent to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature with respect to this Credit Agreement, the other Loan Documents, any Letters of Credit, such Lender's Commitment or the Loans (other than taxes based upon or measured by the income or profits of such Lender or the Administrative Agent), or

(b) materially change the basis of taxation (except for changes in taxes on income or profits) of payments to any Lender of the principal of or the interest on any Loans or any other amounts payable to any Lender or the Administrative Agent under this Credit Agreement or any of the other Loan Documents, or

(c) impose or increase or render applicable (other than to the extent specifically provided for elsewhere in this Credit Agreement) any special deposit, reserve, assessment, liquidity, capital adequacy or other similar requirements (whether or not having the force of law) against assets held by, or deposits in or for the account of, or loans by, or letters of credit issued by, or commitments of an office of any Lender, or

(d) impose on any Lender or the Administrative Agent any other conditions or requirements with respect to this Credit Agreement, the other

Loan Documents, any Letters of Credit, the Loans, such Lender's Commitment, or any class of loans, letters of credit or commitments of which any of the Loans or such Lender's Commitment forms a part, and the result of any of the foregoing is

(i) to increase the cost to any Lender of making, funding, issuing, renewing, extending or maintaining any of the Loans or such Lender's Commitment or any Letter of Credit, or

(ii) to reduce the amount of principal, interest, Reimbursement Obligation or other amount payable to such Lender or the Administrative Agent hereunder on account of such Lender's Commitment, any Letter of Credit or any of the Loans, or

(iii) to require such Lender or the Administrative Agent to make any payment or to forego any interest or Reimbursement Obligation or other sum payable hereunder, the amount of which payment or foregone interest or Reimbursement Obligation or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Lender or the Administrative Agent from the Borrower hereunder,

then, and in each such case, the Borrower will, upon demand made by such Lender or (as the case may be) the Administrative Agent at any time and from time to time and as often as the occasion therefor may arise, pay to such Lender or the Administrative Agent such additional amounts as will be sufficient to compensate such Lender or the Administrative Agent for such additional cost, reduction, payment or foregone interest or Reimbursement Obligation or other sum.

5.8. CAPITAL ADEQUACY. If after the date hereof any Lender or the Administrative Agent determines that (a) the adoption of or change in any law, governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) regarding capital requirements for Lenders or Lender holding companies or any change in the interpretation or application thereof by a Governmental Authority with appropriate jurisdiction, or (b) compliance by such Lender or the Administrative Agent or any corporation controlling such Lender or the Administrative Agent with any law, governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) of any such entity regarding capital adequacy, has the effect of reducing the return on such Lender's or the Administrative Agent's commitment with respect to any Loans to a level below that which such Lender or the Administrative Agent could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or the Administrative Agent's then existing policies with respect to capital adequacy and assuming full utilization of such entity's capital) by any amount deemed by such Lender or (as the case may be) the Administrative Agent to be material, then such Lender or the Administrative Agent may notify the Borrower of such fact. To the extent that the amount of such reduction in the return on capital is not reflected in the Prime Rate, the Borrower agrees to pay such Lender or (as the case may be) the

Administrative Agent for the amount of such reduction in the return on capital as and when such reduction is determined upon presentation by such Lender or (as the case may be) the Administrative Agent of a certificate in accordance with Section 5.9 hereof. Each Lender shall allocate such cost increases among its customers in good faith and on an equitable basis.

5.9. CERTIFICATE. A certificate setting forth any additional amounts payable pursuant to Sections 5.7 or 5.8 and a brief explanation of such amounts which are due, submitted by any Lender or the Administrative Agent to the Borrower, shall be conclusive, absent manifest error, that such amounts are due and owing.

5.10. INDEMNITY. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from and against any loss, cost or expense actually incurred (excluding loss of anticipated profits) that such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment of the principal amount of or any interest on any Eurodollar Rate Loans or Fixed Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by such Lender to banks of funds obtained by it in order to maintain its Eurodollar Rate Loans or Fixed Rate Loans, (b) default by the Borrower in making a borrowing or conversion after the Borrower has given (or is deemed to have given) a Loan Request or a Conversion Request relating thereto in accordance with Section 2.6 or Section 2.7, or (c) the making of any payment of a Eurodollar Rate Loan or a Fixed Rate Loan or the making of any conversion of any such Loan which is not a Swing Line Loan or any such Fixed Rate Loan to a Prime Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by such Lender to lenders of funds obtained by it in order to maintain any such Loans.

5.11. INTEREST AFTER DEFAULT.

5.11.1. OVERDUE AMOUNTS. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder (including Unpaid Reimbursement Obligations) or under any of the other Loan Documents shall bear interest (or fees in the case of Unpaid Reimbursement Obligations) compounded monthly and payable on demand at a rate per annum equal to two percent (2.00%) above the rate of interest or Letter of Credit Fee (including the Applicable Margin) then applicable thereto (or, if no rate of interest is then applicable thereto, the Prime Rate) until such amount shall be paid in full (after as well as before judgment).

5.11.2. AMOUNTS NOT OVERDUE. During the continuance of a Default or an Event of Default, until such Default or Event of Default has been cured or remedied or such Default or Event of Default has been waived by the Lenders or the Required Lenders pursuant to Section 16.12, (a) the principal of the Revolving Credit Loans not overdue shall, bear interest at a rate per annum equal to the greater of (i) two percent (2.00%) above the rate of interest otherwise applicable to such Revolving Credit Loans pursuant to

Section 2.5 and (ii) the rate of interest applicable to overdue principal pursuant to Section 5.11.1, and (b) the Applicable Margin applicable to Letter of Credit Fees shall be equal to the greater of (i) two percent (2.00%) above the Letter of Credit Fee otherwise applicable to such Letter of Credit pursuant to Section 4.6, and (ii) the Letter of Credit Fee applicable to Unpaid Reimbursement Obligations pursuant to Section 5.11.1.

6. GUARANTIES.

6.1. GUARANTIES OF SUBSIDIARIES. The Obligations shall also be guaranteed pursuant to the terms of the Guaranties.

7. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Lenders and the Administrative Agent as follows:

7.1. CORPORATE AUTHORITY.

7.1.1. INCORPORATION; GOOD STANDING. Each of the Borrower and its Subsidiaries (a) is a corporation (or similar business entity) duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation except, solely with respect to Subsidiaries of the Borrower which are not Significant Subsidiaries, where a failure to be so organized, existing or formed would not have a Material Adverse Effect, (b) has all requisite corporate (or the equivalent entity) power to own its property and conduct its business as now conducted and as presently contemplated except, solely with respect to Subsidiaries of the Borrower which are not Significant Subsidiaries, where such a failure would not have a Material Adverse Effect, and (c) is in good standing as a foreign corporation (or similar business entity) and is duly authorized to do business in each jurisdiction where such qualification is necessary except, solely with respect to Subsidiaries of the Borrower which are not Significant Subsidiaries, where a failure to be so qualified would not have a Material Adverse Effect.

7.1.2. AUTHORIZATION. The execution, delivery and performance of this Credit Agreement and the other Loan Documents to which the Borrower or any of its Significant Subsidiaries is or is to become a party and the transactions contemplated hereby and thereby (a) are within the corporate (or the equivalent entity) authority of such Person, (b) have been duly authorized by all necessary corporate (or the equivalent entity) proceedings, (c) do not and will not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which the Borrower or any of its Significant Subsidiaries is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower or any of its Significant Subsidiaries and (d) do not conflict with any provision of the

Governing Documents of, or any agreement or other instrument binding upon, the Borrower or any of its Significant Subsidiaries.

7.1.3. ENFORCEABILITY. The execution and delivery of this Credit Agreement and the other Loan Documents to which the Borrower or any of its Significant Subsidiaries is or is to become a party will result in valid and legally binding obligations of such Person enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

7.2. GOVERNMENTAL APPROVALS. The execution, delivery and performance by the Borrower and any of its Significant Subsidiaries of this Credit Agreement and the other Loan Documents to which the Borrower or any of its Significant Subsidiaries is or is to become a party and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

7.3. TITLE TO PROPERTIES. Except as indicated on SCHEDULE 7.3 hereto, the Borrower and its Subsidiaries own all of the assets reflected in the consolidated and combined balance sheet of the Borrower and its Subsidiaries as at the Interim Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date and Real Estate leased by the Borrower or its Subsidiaries), subject to no Liens or other rights of others, except Permitted Liens.

7.4. FINANCIAL STATEMENTS AND PROJECTIONS.

7.4.1. FISCAL YEAR. The Borrower and each of its Subsidiaries has a fiscal or financial year which is the twelve months ending on or about June 30 of each calendar year.

7.4.2. FINANCIAL STATEMENTS. There has been furnished to each of the Lenders an audited consolidated and combined balance sheet of the Borrower and its Subsidiaries as at the Balance Sheet Date, an audited consolidated and combined statement of income of the Borrower and its Subsidiaries for the fiscal year then ended, and an audited consolidated and combined cash flow statement for the fiscal year then ended. In addition, there has been furnished to each of the Lenders a consolidated and combined balance sheet of the Borrower and its Subsidiaries prepared by management as at the Interim Balance Sheet Date, a consolidated and combined statement of income of the Borrower and its Subsidiaries prepared by management for the fiscal quarter ended December 30, 2000, and a consolidated and combined cash flow statement for the fiscal quarter ended December 30, 2000. All such balance sheets and statements of income have

been prepared in accordance with GAAP and fairly present the financial condition of the Borrower as at the close of business on the date thereof and the results of operations for the fiscal year then ended. There are no contingent liabilities of the Borrower or any of its Subsidiaries as of such date involving material amounts, known to the officers of the Borrower, which were not disclosed in such balance sheets and the notes related thereto.

7.4.3. PROJECTIONS. The projections of the income statements, balance sheets and cash flow statements of the Borrower and its Subsidiaries on a consolidated and combined basis for each of the next three (3) fiscal years ending on or about June 30, 2003, copies of which have been delivered to the Administrative Agent. To the best knowledge of the Borrower or any of its Subsidiaries at the time such projections were made, no facts exist that (individually or in the aggregate) would result in any material change in any of such projections. The projections are based upon estimates and assumptions that were reasonable at the time such estimates and assumptions were made, have been prepared on the basis of the assumptions stated therein and reflect the reasonable estimates of the Borrower and its Subsidiaries of the results of operations and other information projected therein.

7.5. NO MATERIAL ADVERSE CHANGES, ETC. Since the Interim Balance Sheet Date there has been no event or occurrence which has had a Material Adverse Effect. Since the Interim Balance Sheet Date, the Borrower has not made any Restricted Payment other than (a) those permitted under Sections 9.4 (a) and (b), and (b) intercompany Indebtedness or accounts receivable or payable to or from SLC to or from the Borrower which are required to be repaid on or prior to the Closing Date.

7.6. FRANCHISES, PATENTS, COPYRIGHTS, ETC. The Borrower and each of its Subsidiaries possesses all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted without known conflict with any rights of others, except any franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, where the lack of such would not result in a Material Adverse Effect.

7.7. LITIGATION. Except as set forth in SCHEDULE 7.7 hereto, there are no actions, suits, proceedings or investigations of any kind pending or, to the best knowledge of the Borrower and its Subsidiaries, threatened against the Borrower or any of its Subsidiaries before any Governmental Authority, that, (a) if adversely determined, might, either in any case or in the aggregate, (i) have a Material Adverse Effect or (ii) materially impair the right of the Borrower and its Subsidiaries, considered as a whole, to carry on business substantially as now conducted by them, or (b) which question the validity of this Credit Agreement or any of the other Loan Documents, or any action taken or to be taken pursuant hereto or thereto.

7.8. NO MATERIALLY ADVERSE CONTRACTS, ETC. Neither the Borrower nor any of its Subsidiaries (a) is in violation of any provision of, or subject to, any Governing Document, or any applicable judgment, decree, order, law, statute, license, rule or regulation in a manner that has or is expected in the future to have a Material Adverse Effect, or (b) is a party to any contract or agreement that has or is expected, in the judgment of the Borrower's officers, to have any Material Adverse Effect, or is in violation of any provision of any agreement or instrument to which it may be subject or by which it or any of its properties may be bound, in any of the foregoing cases in a manner that could have a Material Adverse Effect. Except (x) for the Loan Documents, and (y) as set forth as an exhibit to the Borrower's Registration Statement on Form S-1, Registration Number 333-39502, there are no other agreements to which the Borrower or any of its Subsidiaries is a party and which the Borrower would be required by applicable law to set forth as an exhibit to such Registration Statement.

7.9. TAX STATUS. To the extent required, the Borrower and its Subsidiaries (a) have made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which any of them is subject, (b) have paid all taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and by appropriate proceedings and (c) have, in the reasonable opinion of management, set aside on their books adequate reserves in accordance with GAAP for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and none of the officers of the Borrower know of any basis for any such claim.

7.10. NO EVENT OF DEFAULT. No Default or Event of Default has occurred and is continuing.

7.11. HOLDING COMPANY AND INVESTMENT COMPANY ACTS. Neither the Borrower nor any of its Subsidiaries is a "HOLDING COMPANY", or a "SUBSIDIARY COMPANY" of a "HOLDING COMPANY", or an "AFFILIATE" of a "HOLDING COMPANY", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it an "INVESTMENT COMPANY", or an "affiliated COMPANY" or a "PRINCIPAL UNDERWRITER" of an "INVESTMENT COMPANY", as such terms are defined in the Investment Company Act of 1940.

7.12. ABSENCE OF FINANCING STATEMENTS, ETC. Except with respect to Permitted Liens, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry or other public office, that purports to cover, affect or give notice of any present or possible future Lien on any assets or property of the Borrower or any of its Subsidiaries or any rights relating thereto.

7.13. CERTAIN TRANSACTIONS. To the best knowledge of the Borrower and its Subsidiaries, none of the officers, directors, or employees of the Borrower or any

of its Subsidiaries is presently a party to any transaction with the Borrower or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Borrower, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

7.14. EMPLOYEE BENEFIT PLANS.

7.14.1. IN GENERAL. Each Employee Benefit Plan and each Guaranteed Pension Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and all Applicable Pension Legislation and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions and the bonding of fiduciaries and other persons handling plan funds as required by Section 412 of ERISA, unless noncompliance could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

7.14.2. TERMINABILITY OF WELFARE PLANS. No Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of Section 3(1) or Section 3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws. The Borrower may terminate, to the extent sponsored by it, each such Plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of the Borrower without liability to any Person other than for claims arising prior to termination.

7.14.3. GUARANTEED PENSION PLANS. Except as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (a) each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of Section 302(f) of ERISA, or otherwise, has been timely made; and (b) no waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and neither the Borrower nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code. Based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of Section 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets

in excess of benefit liabilities, except as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

7.14.4. MULTIEMPLOYER PLANS. Except as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any ERISA Affiliate has incurred any liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. After due inquiry, the Borrower is not aware that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

7.15. USE OF PROCEEDS.

7.15.1. GENERAL. The proceeds of the Loans shall be used for working capital, stock repurchases permitted by Section 9.4 and general corporate purposes. The Borrower will obtain Letters of Credit solely for general corporate purposes.

7.15.2. REGULATIONS U AND X. No portion of any Loan is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

7.15.3. INELIGIBLE SECURITIES. No portion of the proceeds of any Loans is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of knowingly purchasing, or providing credit support for the purchase of, during the underwriting or placement period or within thirty (30) days thereafter, any Ineligible Securities underwritten or privately placed by a Financial Affiliate.

7.16. ENVIRONMENTAL COMPLIANCE. (a) None of the Borrower, its Subsidiaries or, to the best knowledge of the Borrower or any of its Subsidiaries, any operator of the Real Estate or any operations thereon is in violation, or has notice of an alleged violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under Environmental Laws, which violation would have a Material Adverse Effect;

(b) neither the Borrower nor any of its Subsidiaries has received written notice from any Governmental Authority, or, to the best of the Borrower's and any of its Subsidiaries' knowledge, any other third party, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA

with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any Hazardous Substances which any one of them has generated, transported or disposed of has been found at any site at which a Governmental Authority has conducted or has ordered that any Borrower or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise), the result of which could have a Material Adverse Effect, arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances;

(c) except as set forth on SCHEDULE 7.16 attached hereto, to the best of the Borrower's knowledge: (i) no underground tank or other underground storage receptacle for Hazardous Substances is located on any portion of the Real Estate in violation of applicable Environmental Laws; (ii) in the course of any activities conducted by the Borrower, its Subsidiaries or operators of its properties, no Hazardous Substances have been generated or are being used on the Real Estate except in accordance with applicable Environmental Laws; (iii) there have been no releases (i.e. any past or present releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping) or threatened releases of Hazardous Substances on, upon, into or from the properties of the Borrower or its Subsidiaries, which releases would have a Material Adverse Effect; and (iv) any Hazardous Substances that have been generated on any of the Real Estate have been transported offsite only by carriers having an identification number issued by the EPA (or the equivalent thereof in any foreign jurisdiction), treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities have been and are, to the best of the Borrower's knowledge, operating in compliance with such permits and applicable Environmental Laws; and

(d) neither the Borrower nor any of its Subsidiaries has received written notice that it is required to conduct an environmental clean-up under any Environmental Law by virtue of the transactions set forth herein and contemplated hereby.

7.17. SUBSIDIARIES, ETC. SCHEDULE 7.17 (as amended and in effect from time to time pursuant to Section 8.11) sets forth a complete and accurate list of all of the Subsidiaries of the Borrower. As of the Closing Date, none of the Subsidiaries of the Borrower is a Significant Subsidiary.

7.18. DISCLOSURE. None of this Credit Agreement or any of the other Loan Documents contains any untrue statement of a material fact or omits to state a material fact (known to the Borrower or any of its Subsidiaries in the case of any document or information not furnished by it or any of its Subsidiaries) necessary in order to make the statements herein or therein not misleading. There is no fact

known to the Borrower or any of its Subsidiaries which has a Material Adverse Effect, or which is reasonably likely in the future to have a Material Adverse Effect, exclusive of effects resulting from changes in general economic conditions, legal standards or regulatory conditions.

7.19. TRANSACTIONS WITH SLC. All transactions engaged in prior to the Closing Date by the Borrower or any of its Subsidiaries and SLC or, to the knowledge of the Borrower, any corporation, partnership, trust or other entity in which SLC has a substantial interest or is an officer, director, trustee or partner, including any contract, agreement or other arrangement, contain terms that overall are no more favorable to SLC or such other Person than would have been obtainable on an arm's-length basis in the ordinary course of business. Set forth on SCHEDULE 7.19 hereto are all material agreements (including any extensions, amendments or other updates to such agreements) between the Borrower or any of its Subsidiaries and SLC, existing as of the Closing Date, copies of which (together with any extensions, amendments or other updates to such agreements) have been provided to the Administrative Agent.

8. AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Lender has any obligation to make any Loans or the Issuing Lender has any obligation to issue, extend, amend or renew any Letters of Credit:

8.1. PUNCTUAL PAYMENT. Subject to the grace periods set forth in Section 13.1(b), the Borrower will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, the Letter of Credit Fees, the commitment fees, the Administrative Agent's fee and all other amounts provided for in this Credit Agreement and the other Loan Documents to which the Borrower or any of its Subsidiaries is a party, all in accordance with the terms of this Credit Agreement and such other Loan Documents.

8.2. RECORDS AND ACCOUNTS. The Borrower will (a) keep, and cause each of its Subsidiaries to keep, true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP, (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties and the properties of its Subsidiaries, contingencies, and other reserves, and (c) at all times engage an independent certified public accountant.

8.3. FINANCIAL STATEMENTS, CERTIFICATES AND INFORMATION. The Borrower will deliver to each of the Lenders:

(a) as soon as practicable, but in any event not later than ninety (90) days after the end of each fiscal year of the Borrower, the consolidated and combined balance sheet of the Borrower and its Subsidiaries as at the end of such year, and the related consolidated and combined statement of

income and consolidated and combined statement of cash flow for such year, each setting forth in comparative form the figures for the previous fiscal year and all such consolidated and combined statements to be in reasonable detail, prepared in accordance with GAAP, and audited by an independent certified public accountant;

(b) as soon as practicable, but in any event not later than forty-five (45) days after the end of each of the fiscal quarters of the Borrower, copies of the unaudited consolidated and combined balance sheet of the Borrower and its Subsidiaries as at the end of such quarter, and the related consolidated and combined statement of income and consolidated and combined statement of cash flow for the portion of the Borrower's fiscal year then elapsed, all in reasonable detail and prepared in accordance with GAAP, together with a certification by the chief financial officer or treasurer of the Borrower that the information contained in such financial statements fairly presents the financial position of the Borrower and its Subsidiaries on the date thereof (subject to year-end adjustments);

(c) simultaneously with the delivery of the financial statements referred to in subsections (a) and (b) above, a statement certified by the chief financial officer or treasurer of the Borrower in substantially the form of EXHIBIT C hereto (a "Compliance Certificate") and setting forth in reasonable detail computations evidencing compliance with the covenants contained in Section 10;

(d) as soon as practicable after the filing or mailing thereof, copies of all financial statements, disclosure statements, reports and proxies filed with the Securities and Exchange Commission or sent to the stockholders of the Borrower;

(e) as soon as practicable, but in any event not later than thirty (30) days after the filing of the 10K of the Borrower, annual income statements, balance sheets and cash flow statements for the immediately succeeding fiscal year of the Borrower and its Subsidiaries delivered to the Administrative Agent;

(f) as soon as practicable notice of the Borrower's and SLC's intent to cause the Shareholder Distribution to occur; and

(g) from time to time such other additional information regarding the financial position of the Borrower and its Subsidiaries as the Administrative Agent may reasonably request.

8.4. NOTICES.

8.4.1. DEFAULTS. The Borrower will promptly notify the Administrative Agent and each of the Lenders in writing of the occurrence of any Default or Event of Default, together with a reasonably detailed

description thereof, and the actions the Borrower proposes to take with respect thereto. If any Person shall give any notice to the Borrower or any of its Affiliates or, to the best knowledge of the Borrower, take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Credit Agreement or any other note, evidence of indebtedness, indenture or other obligation to which or with respect to which the Borrower or any of its Subsidiaries is a party or obligor, whether as principal, guarantor, surety or otherwise, the Borrower shall forthwith give written notice thereof to the Administrative Agent and each of the Lenders, describing the notice or action and the nature of the claimed default.

8.4.2. ENVIRONMENTAL EVENTS. The Borrower will promptly give notice to the Administrative Agent (a) of any violation of any Environmental Law that the Borrower or any of its Subsidiaries reports in writing (or for which any written report supplemental to any oral report is made) to any Governmental Authority and (b) upon receipt of notice thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency or any Governmental Authority of potential environmental liability, that could have a Material Adverse Effect.

8.4.3. NOTICE OF LITIGATION AND JUDGMENTS. The Borrower will, and will cause each of its Subsidiaries to, give notice to the Administrative Agent and each of the Lenders in writing promptly of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings affecting the Borrower or any of its Subsidiaries or to which the Borrower or any of its Subsidiaries is or becomes a party involving an uninsured claim against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect on the Borrower or any of its Subsidiaries and stating the nature and status of such litigation or proceedings. The Borrower will, and will cause each of its Subsidiaries to, give notice to the Administrative Agent and each of the Lenders, in writing, in form and detail reasonably satisfactory to the Administrative Agent, within ten (10) days of any judgment not covered by insurance, final or otherwise, against the Borrower or any of its Subsidiaries in an amount in excess of $5,000,000.

8.4.4. ERISA EVENTS. The Borrower will (a) promptly upon receipt or dispatch, furnish to the Administrative Agent any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under Sections 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under Sections 4041A, 4202, 4219, 4242, or 4245 of ERISA and (b) upon the request of the Administrative Agent, promptly furnish to the Administrative Agent a copy of all actuarial statements required to be submitted under all Applicable Pension Legislation.

8.4.5. NOTICE OF CHANGE OF FISCAL YEAR END. The Borrower will, and will cause each of its Subsidiaries to, give notice to the Administrative

Agent in writing thirty (30) days prior to any change of the date of the end of its fiscal or financial year from that set forth in Section 7.4.1.

8.5. LEGAL EXISTENCE; MAINTENANCE OF PROPERTIES. The Borrower will do or cause to be done all things reasonably necessary to preserve and keep in full force and effect its legal existence, rights and franchises and that of its Subsidiaries. It (i) will cause all of its properties and those of its Subsidiaries used or useful in the conduct of its business or the business of its Subsidiaries to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment, (ii) will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and (iii) will, and will cause each of its Subsidiaries to, continue to engage primarily in the businesses now conducted by them and in related businesses; PROVIDED that nothing in this Section 8.5 shall prevent the Borrower from discontinuing the operation and maintenance of any of its properties or any of those of its Subsidiaries if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its or their business and that do not in the aggregate have a Material Adverse Effect.

8.6. INSURANCE. The Borrower will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with the general practices of businesses engaged in similar activities in similar geographic areas and in amounts, containing such terms, in such forms and for such periods as may be reasonable and prudent.

8.7. TAXES. The Borrower will, and will cause each of its Subsidiaries to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its Real Estate, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies that if unpaid might by law become a Lien or charge upon any of its property; PROVIDED that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower or such Subsidiary shall have set aside on its books adequate reserves with respect thereto; and PROVIDED further that the Borrower and each Subsidiary of the Borrower will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any Lien that may have attached as security therefor.

8.8. INSPECTION OF PROPERTIES AND BOOKS, ETC.

8.8.1. GENERAL. The Borrower will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of the Administrative Agent and any Lender (prior to

the occurrence or continuation of a Default or an Event of Default, at the Administrative Agent's or such Lender's expense, as applicable, unless otherwise agreed to by the Administrative Agent or such Lender, as applicable, and the Borrower, and following the occurrence or continuation of a Default or an Event of Default, at the Borrower's expense) to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times, upon reasonable notice and as often as may reasonably be desired.

8.8.2. COMMUNICATIONS WITH ACCOUNTANTS. If a Default or Event of Default shall have occurred or be continuing, the Borrower authorizes the Administrative Agent and, if accompanied by the Administrative Agent, the Lenders to communicate directly with the Borrower's independent certified public accountants and authorizes such accountants to disclose to the Administrative Agent and the Lenders any and all financial statements and other supporting financial documents and schedules including copies of any management letter with respect to the business, financial condition and other affairs of the Borrower or any of its Subsidiaries.

8.9. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with (a) the applicable laws and regulations wherever its business is conducted, including all Environmental Laws, (b) the provisions of its Governing Documents, (c) all agreements and instruments by which it or any of its properties may be bound and (d) all applicable decrees, orders, and judgments.

8.10. USE OF PROCEEDS. The Borrower will use the proceeds of the Loans and obtain Letters of Credit solely for the purposes set forth in Section 7.15.1.

8.11. SUBSIDIARIES.

8.11.1. ADDITIONAL SUBSIDIARIES. If, after the Closing Date, the Borrower or any of its Subsidiaries creates or acquires, either directly or indirectly, any Subsidiary, (a) it will promptly notify the Administrative Agent of such creation or acquisition, as the case may be, and provide the Administrative Agent (for itself and the Lenders) with an updated SCHEDULE 7.17, (b) one hundred percent (100%) of the capital stock or other equity interests of such Subsidiary shall be owned by the Borrower or one or its Subsidiaries, and (c) contemporaneously with the formation of such Subsidiary, the Borrower shall, or shall cause such Subsidiary to, take all other action required by this Section 8.11.

8.11.2. NEW GUARANTORS. The Borrower will cause each Significant Subsidiary (including any Subsidiary which, on or after the Closing Date, becomes a Significant Subsidiary) created, acquired (including any Significant Subsidiary acquired pursuant to Section 9.5.1 hereof) or otherwise existing, on or after the Closing Date to promptly become a Guarantor and

shall cause such Significant Subsidiary to execute and deliver to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, a Guaranty in the form of EXHIBIT E hereto and to comply with all conditions precedent set forth therein.

8.12. TRANSACTIONS WITH SLC. Following the Closing Date, all transactions between the Borrower or any of its Subsidiaries and SLC (other than those transactions described in the agreements listed on SCHEDULE 7.19 hereto, as such agreements are in effect on the Closing Date), or, to the knowledge of the Borrower, any corporation, partnership, trust or other entity in which SLC has a substantial interest or is an officer, director, trustee or partner, including any contract, agreement or other arrangement, shall be on terms no more favorable to SLC or such other Person than would have been obtainable on an arm's-length basis in the ordinary course of business.

8.13. FURTHER ASSURANCES. The Borrower will, and will cause each of its Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Credit Agreement and the other Loan Documents.

9. CERTAIN NEGATIVE COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Lender has any obligation to make any Loans or the Issuing Lender has any obligations to issue, extend, amend or renew any Letters of Credit:

9.1. RESTRICTIONS ON INDEBTEDNESS. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(a) Indebtedness to the Lenders, the Issuing Lender and the Administrative Agent arising under any of the Loan Documents;

(b) endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(c) Indebtedness existing on the date hereof and listed and described on SCHEDULE 9.1 hereto;

(d) Indebtedness incurred in connection with guarantees and/or comfort letters issued by the Borrower in respect of obligations of its Subsidiaries or Specified Joint Ventures or Minority Owned Joint Ventures, PROVIDED that the aggregate principal amount of such Indebtedness of the Borrower shall not exceed the aggregate amount of $25,000,000 at any one time;

(e) Indebtedness in respect of derivative contracts described in clause (h) of the definition of the term "Indebtedness" consisting of foreign exchange contracts entered into in the ordinary course of business and for non-speculative purposes;

(f) Indebtedness in respect of Capitalized Leases and Synthetic Leases, PROVIDED that the aggregate principal amount of such Indebtedness of the Borrower shall not exceed the aggregate amount of $10,000,000 at any one time;

(g) Indebtedness in respect of letters of credit in the ordinary course of business (other than Letters of Credit);

(h) Indebtedness in respect of Investments permitted pursuant to Section 9.3(g) hereof;

(i) Indebtedness of the type described in clause (g) of the definition of "Indebtedness" in an aggregate amount not to exceed $10,000,000 at any time; and

(j) other Indebtedness of the Borrower and its Subsidiaries, PROVIDED that the aggregate principal amount of such Indebtedness of the Borrower and its Subsidiaries shall not exceed the aggregate amount of $15,000,000 at any one time.

9.2. RESTRICTIONS ON LIENS.

9.2.1. PERMITTED LIENS. The Borrower will not, and will not permit any of its Subsidiaries to, (a) create or incur or suffer to be created or incurred or to exist any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (b) transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (c) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; (d) suffer to exist for a period of more than thirty (30) days after the same shall have been incurred any Indebtedness or claim or demand against it that if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or (e) sell, assign, pledge or otherwise transfer any "RECEIVABLES" as defined in clause (g) of the definition of the term "INDEBTEDNESS," with or without recourse; PROVIDED that the Borrower or any of its Subsidiaries may create or incur or suffer to be created or incurred or to exist:

(i) Liens in favor of the Borrower on all or part of the assets of Subsidiaries of the Borrower securing Indebtedness owing by Subsidiaries of the Borrower to the Borrower;

(ii) Liens to secure taxes, assessments and other government charges in respect of obligations not overdue or Liens on properties to secure claims for labor, material or supplies in respect of obligations not overdue;

(iii) deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(iv) Liens on properties in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Borrower or such Subsidiary shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(v) Liens of carriers, warehousemen, mechanics and materialmen, and other like Liens on properties, in respect of obligations not overdue or which the Borrower is diligently contesting in good faith;

(vi) encumbrances on Real Estate consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens and other minor Liens, PROVIDED that none of such Liens (A) interferes materially with the use of the property affected in the ordinary conduct of the business of the Borrower and its Subsidiaries, and (B) individually or in the aggregate have a Material Adverse Effect;

(vii) Liens existing on the date hereof and listed on SCHEDULE 9.2 hereto;

(viii) Liens to secure the performance of bids, tenders, contracts (other than contracts for the payment of Indebtedness), leases, statutory obligations, surety, customs, appeal, performance and payment bonds and other obligations of like nature, in each such case arising in the ordinary course of business;

(ix) Liens with respect to Indebtedness permitted under Sections 9.1(f) and (i) hereof;

(x) Liens with respect to deposit arrangements described in the agreements listed on SCHEDULE 7.19 hereto (as such agreements are in effect on the Closing Date); and

(xi) other Liens not otherwise permitted hereunder, PROVIDED that such Liens do not secure more than Indebtedness in an aggregate amount outstanding or committed in excess of $5,000,000, which Indebtedness is also permitted under Section 9.1 hereof.

9.2.2. RESTRICTIONS ON NEGATIVE PLEDGES AND UPSTREAM LIMITATIONS. The Borrower will not, nor will it permit any of its Subsidiaries to (a) enter into or permit to exist any arrangement or agreement (other than the Credit Agreement and the other Loan Documents) which directly or indirectly prohibits the Borrower or any of its Subsidiaries from creating, assuming or incurring any Lien upon its properties, revenues or assets or those of any of its Subsidiaries whether now owned or hereafter acquired, or (b) enter into any agreement, contract or arrangement (other than the Credit Agreement and the other Loan Documents) restricting the ability of any Subsidiary of the Borrower to pay or make dividends or distributions in cash or kind to the Borrower, to make loans, advances or other payments of whatsoever nature to the Borrower, or to make transfers or distributions of all or any part of its assets to the Borrower, in each case other than customary anti-assignment provisions contained in leases and licensing agreements entered into by the Borrower or such Subsidiary in the ordinary course of its business and other than the SLC Negative Pledge.

9.3. RESTRICTIONS ON INVESTMENTS. The Borrower will not, and will not permit any of its Subsidiaries to, make or permit to exist or to remain outstanding any Investment except Investments in:

(a) marketable direct or guaranteed obligations of the United States of America that mature within one (1) year from the date of purchase by the Borrower;

(b) demand deposits, certificates of deposit, bank acceptances and time deposits of United States banks having total assets in excess of $1,000,000,000;

(c) securities commonly known as "COMMERCIAL PAPER" issued by a corporation organized and existing under the laws of the United States of America or any state thereof that at the time of purchase have been rated and the ratings for which are not less than "P 1" if rated by Moody's, and not less than "A 1" if rated by S&P;

(d) repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in Sections 9.3(a) and (b);

(e) mutual funds which invest solely in the items described in Sections 9.3(a) - (d);

(f) Investments existing on the date hereof and listed on SCHEDULE 9.3 hereto;

(g) (i) Investments consisting of the Guaranties, (ii) Investments by the Borrower in any Guarantor hereunder or by any Guarantor in the Borrower or any other Guarantor, (iii) Investments in Subsidiaries which are

not Guarantors PROVIDED that the aggregate of such Investments of the Borrower in Subsidiaries which are not Guarantors shall not exceed the aggregate amount of $15,000,000, and (iv) Investments in Specified Joint Ventures and Minority Owned Joint Ventures not to exceed $20,000,000;

(h) Investments consisting of promissory notes received as proceeds of asset dispositions permitted by Section 9.5.2;

(i) Investments consisting of loans and advances to employees for moving, entertainment, travel and other similar expenses in the ordinary course of business not to exceed $1,000,000 in the aggregate at any time outstanding;

(j) Investments in Permitted Acquisitions (other than Specified Joint Ventures and Minority Owned Joint Ventures) permitted by Section 9.5.1(a) hereof; and

(k) other Investments of the Borrower and its Subsidiaries not to exceed the aggregate amount of $5,000,000.

9.4. RESTRICTED PAYMENTS. The Borrower will not make any Restricted Payments; PROVIDED, HOWEVER, that so long as no Default or Event of Default has occurred and is continuing or would exist as a result thereof, the Borrower shall be permitted to (a) make repurchases of its Capital Stock in the open market or from employees or former employees of the Borrower or any of its Subsidiaries pursuant to stock option plans and employee benefit plans of the Borrower and its Subsidiaries, so long as the aggregate amount of the consideration paid by the Borrower for all such repurchases does not exceed the sum of $35,000,000 PLUS, on a cumulative basis, forty percent (40%) of positive Consolidated Net Income for each fiscal quarter subsequent to December 30, 2000, and (b) make payments required by the agreements set forth on SCHEDULE 7.19 hereto (as such agreements are in effect on the Closing Date).

9.5. MERGER, CONSOLIDATION AND DISPOSITION OF ASSETS.

9.5.1. MERGERS AND ACQUISITIONS. The Borrower will not, and will not permit any of its Subsidiaries to, become a party to any merger, amalgamation or consolidation, or agree to or effect any asset acquisition or stock acquisition (other than the acquisition of assets in the ordinary course of business consistent with past practices) except (a) the merger or consolidation of one or more of the Subsidiaries of the Borrower with and into the Borrower; (b) the merger or consolidation of two or more Subsidiaries of the Borrower; and (c) any asset or stock or other equity interest acquisition by the Borrower or any of its Subsidiaries of Persons in the same or similar line of business as the Borrower (a "Permitted Acquisition") where (1) the Borrower has notified the Administrative Agent of such Permitted Acquisition; (2) the business to be acquired would not subject the Administrative Agent or the Lenders to any additional regulatory or third

party approvals in connection with the exercise of its rights and remedies under this Credit Agreement or any other Loan Document; (3) no contingent liabilities will be incurred or assumed in connection with such Permitted Acquisition which could reasonably be expected to have a Material Adverse Effect, and any Indebtedness incurred or assumed in connection with such Permitted Acquisition shall have been permitted to be incurred or assumed pursuant to Section 9.1 hereof; (4) the Borrower has provided the Administrative Agent with such other information as was reasonably requested by the Administrative Agent; (5) after the consummation of the Permitted Acquisition (other than a Permitted Acquisition which constitutes a Specified Joint Venture or a Minority Owned Joint Venture), to the extent such acquisition was a stock acquisition, the Person so acquired is merged with and into the Borrower or its Subsidiary, with the Borrower or such Subsidiary, as the case may be, being the survivor of such merger; (6) the aggregate amount of the purchase price for all Permitted Acquisitions (or series of related acquisitions), Specified Joint Ventures and Minority Owned Joint Ventures shall not exceed $25,000,000 in any fiscal year and shall not exceed $40,000,000 over the life of this Credit Agreement, with the amount of the purchase price for all Specified Joint Ventures and Minority Owned Joint Ventures in any fiscal year or over the life of this Credit Agreement not to exceed $20,000,000; (7) the board of directors and the shareholders (if required by applicable law), or the equivalent, of each of the Borrower and the Person to be acquired has approved such merger, consolidation or acquisition and such Permitted Acquisition is otherwise considered "friendly"; (8) if the Permitted Acquisition is of a Significant Subsidiary, the Borrower complies with the requirements of Section 8.11 hereof with respect to the Significant Subsidiary so acquired; and (9) the Borrower has delivered to the Administrative Agent and the Lenders a certificate of the chief financial officer or treasurer of the Borrower (A) to the effect that the Borrower and its Subsidiaries, on a consolidated and consolidating basis, will be solvent upon the consummation of the Permitted Acquisition; (B) certifying and attaching a pro forma Compliance Certificate evidencing compliance with Section 10 hereof immediately prior to and immediately after giving effect to such Permitted Acquisition, and fairly presenting the financial condition of the Borrower and its Subsidiaries as of the date thereof and after giving effect to such Permitted Acquisition; and (C) to the effect that no Default or Event of Default then exists or would result after giving effect to the Permitted Acquisition.

9.5.2. DISPOSITION OF ASSETS. The Borrower will not, and will not permit any of its Subsidiaries to, become a party to or agree to or effect any disposition of assets, other than (a) the sale of inventory, the licensing of intellectual property and the disposition of obsolete assets, in each case in the ordinary course of business consistent with past practices; (b) the disposition of individual stores in the ordinary course of business consistent with past practices; and (c) dispositions with respect to Indebtedness permitted under Section 9.1(i) hereof.

9.6. SALE AND LEASEBACK. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement, directly or indirectly, whereby the Borrower or any Subsidiary of the Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property that the Borrower or any Subsidiary of the Borrower intends to use for substantially the same purpose as the property being sold or transferred.

9.7. COMPLIANCE WITH ENVIRONMENTAL LAWS. The Borrower will not, and will not permit any of its Subsidiaries to, in any manner that would violate any Environmental Law or bring such Real Estate in violation of any Environmental Law, (a) use any of the Real Estate or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances, (b) cause or permit to be located on any of the Real Estate any underground tank or other underground storage receptacle for Hazardous Substances, (c) generate any Hazardous Substances on any of the Real Estate, (d) conduct any activity at any Real Estate or use any Real Estate in any manner so as to cause a release or threatened release of Hazardous Substances on, upon or into the Real Estate or (e) otherwise violate any Environmental Law or bring such Real Estate in violation of any Environmental Law, in each case which would have a Material Adverse Effect or a material adverse effect on the environment.

9.8. EMPLOYEE BENEFIT PLANS. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, neither the Borrower nor any ERISA Affiliate will:

(a) engage in any "PROHIBITED TRANSACTION" within the meaning of Section 406 of ERISA or Section 4975 of the Code which could result in a material liability for the Borrower or any of its Subsidiaries; or

(b) permit any Guaranteed Pension Plan to incur an "ACCUMULATED FUNDING DEFICIENCY", as such term is defined in Section 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of the Borrower or any of its Subsidiaries pursuant to Section 302(f) or Section 4068 of ERISA; or

(d) amend any Guaranteed Pension Plan in circumstances requiring the posting of security pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code;

(e) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of Section 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities; or

(f) permit or take any action which would contravene any Applicable Pension Legislation.

9.9. BUSINESS ACTIVITIES. The Borrower will not, and will not permit any of its Subsidiaries to, engage directly or indirectly (whether through Subsidiaries or otherwise) in any type of business other than the businesses conducted by them on the Closing Date and in related businesses.

9.10. TRANSACTIONS WITH AFFILIATES. The Borrower will not, and will not permit any of its Subsidiaries to, engage in any transaction with any Affiliate (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such Affiliate or, to the knowledge of the Borrower, any corporation, partnership, trust or other entity in which any such Affiliate has a substantial interest or is an officer, director, trustee or partner, on terms more favorable to such Person than would have been obtainable on an arm's-length basis in the ordinary course of business.

10. FINANCIAL COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Lender has any obligation to make any Loans or the Issuing Lender has any obligation to issue, extend, amend or renew any Letters of Credit:

10.1. FIXED CHARGE RATIO. The Borrower will not, during any Reference Period ending during any period described in the table set forth below, permit the Fixed Charge Ratio for such Reference Period to be less than the ratio set forth opposite such period in such table:

Period	Ratio
Closing Date through March 30, 2002	1.75:1
Thereafter	2.00:1

10.2. LEVERAGE RATIO. The Borrower will not permit the Leverage Ratio at the end of any Reference Period to be greater than 1.50 to 1 at the end of such period.

10.3. CONSOLIDATED TANGIBLE NET WORTH. As of the end of any fiscal quarter of the Borrower, the Borrower will not permit Consolidated Tangible Net Worth to be less than the sum of $90,000,000 PLUS, on a cumulative basis, 50% of positive Consolidated Net Income for each fiscal quarter subsequent to December 30, 2000.

11. CLOSING CONDITIONS.

The obligations of the Lenders to make the initial Revolving Credit Loans and of the Issuing Lender to issue any initial Letters of Credit shall be subject to the satisfaction of the following conditions precedent on or prior to February 27, 2001:

11.1. LOAN DOCUMENTS. Each of the Loan Documents shall have been duly executed and delivered by the respective parties thereto, shall be in full force and effect and shall be in form and substance satisfactory to each of the Lenders. The Administrative Agent shall have received fully executed copies of each such document in sufficient quantities to deliver one (1) fully executed original of each such document to each Lender.

11.2. CERTIFIED COPIES OF GOVERNING DOCUMENTS. The Administrative Agent shall have received from the Borrower and each of the Guarantors, in sufficient quantities to deliver one (1) to each Lender, copies, certified by a duly authorized officer of such Person to be true and complete on the Closing Date, of each of its Governing Documents as in effect on such date of certification.

11.3. CORPORATE OR OTHER ACTION. All corporate (or other) action necessary for the valid execution, delivery and performance by the Borrower and each of the Guarantors of this Credit Agreement and the other Loan Documents to which it is or is to become a party shall have been duly and effectively taken, and evidence thereof satisfactory to the Lenders shall have been provided to the Administrative Agent in sufficient quantities to deliver one (1) copy of such evidence to each Lender.

11.4. INCUMBENCY CERTIFICATE. The Administrative Agent shall have received from the Borrower and each of the Guarantors, in sufficient quantities to deliver one (1) original of such incumbency certificate to each Lender, an incumbency certificate, dated as of the Closing Date, signed by a duly authorized officer of the Borrower or such Guarantor, and giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign, in the name and on behalf of each of the Borrower or such Guarantor, each of the Loan Documents to which the Borrower or such Guarantor is or is to become a party; (b) in the case of the Borrower, to make Loan Requests and Conversion Requests and to apply for Letters of Credit; and (c) to give notices and to take other action on its behalf under the Loan Documents.

11.5. CERTIFICATES OF LOCATION AND UCC SEARCH RESULTS. The Administrative Agent shall have received from each of the Borrower and the Guarantors a completed and fully executed certificate of location and the results of UCC searches (and the equivalent thereof in all applicable foreign jurisdictions), indicating no Liens other than Permitted Liens and otherwise in form and substance satisfactory to the Administrative Agent.

11.6. CERTIFICATES OF INSURANCE. The Administrative Agent shall have received a certificate of insurance from an independent insurance broker dated on or before the Closing Date and/or such other evidence of insurance as is satisfactory to

the Administrative Agent, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Loan Documents.

11.7. OPINION OF COUNSEL. The Administrative Agent shall have received a favorable legal opinion addressed to the Lenders and the Administrative Agent, dated as of the Closing Date and in sufficient quantities to deliver one (1) original of each such opinion to each Lender, in form and substance satisfactory to the Administrative Agent, from:

(a) Latham & Watkins, counsel to the Borrower and the Guarantors; and

(b) Ballard Spahr Andrews & Ingersoll, LLP, Maryland counsel to the Borrower.

11.8. PAYMENT OF FEES. The Borrower shall have paid to the Lenders or the Administrative Agent, as appropriate, the Fees pursuant to Sections 4.6, 5.1 and 5.2.

11.9. TERMINATION OF SLC REVOLVING CREDIT FACILITY; PAYOFF LETTER. The Administrative Agent shall have received a payoff letter from SLC, indicating the amount of the loan obligations of the Borrower to SLC to be discharged on the Closing Date, indicating that a portion of the proceeds of the initial Loan, in an amount equal to the aggregate loan obligations of the Borrower to SLC, are to be paid to SLC, and an acknowledgment by SLC that upon receipt of such funds, all loan obligations from the Borrower to SLC will have been repaid, all commitments to lend will have been terminated and it will forthwith execute and deliver to the Administrative Agent for filing all termination statements and take such other actions as may be necessary to discharge all mortgages, deeds of trust and security interests granted by the Borrower or any of its Subsidiaries in favor of SLC. The Administrative Agent shall have received evidence satisfactory to the Administrative Agent that all amounts owed by SLC to the Borrower (excluding amounts owed after the Closing Date under the Master Separation Agreement and the agreements listed on SCHEDULE 7.19 hereto as such agreements are in effect on the Closing Date), whether in the form of intercompany Indebtedness, intercompany receivables or otherwise, have been paid in full.

11.10. CLOSING CERTIFICATE. The Borrower shall have delivered to the Administrative Agent a certificate, dated as of the Closing Date, stating that, as of such date (a) the representations and warranties set forth herein or in any other Loan Document are true and correct, and (b) no Default or Event of Default has occurred and is continuing.

11.11. PRO FORMA COMPLIANCE CERTIFICATE. The Borrower shall have delivered to the Administrative Agent and each of the Lenders a statement certified by the chief financial officer or treasurer of the Borrower in substantially the form of EXHIBIT C hereto (a "Compliance Certificate") and setting forth in reasonable detail

computations evidencing PRO FORMA compliance as of the Interim Balance Sheet Date with the covenants contained in Section 10.

12. CONDITIONS TO ALL BORROWINGS.

The obligations of the Lenders to make any Loan and of the Issuing Lender to issue, extend, amend or renew any Letter of Credit, in each case whether on or after the Closing Date, shall also be subject to the satisfaction of the following conditions precedent:

12.1. REPRESENTATIONS TRUE; NO EVENT OF DEFAULT. Each of the representations and warranties of any of the Borrower and its Subsidiaries contained in this Credit Agreement, the other Loan Documents or in any document or instrument delivered pursuant to or in connection with this Credit Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of such Loan or the issuance, extension, amendment or renewal of such Letter of Credit, with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date) and no Default or Event of Default shall have occurred and be continuing.

12.2. NO LEGAL IMPEDIMENT. No change shall have occurred in any law or regulations thereunder or interpretations thereof that in the reasonable opinion of any Lender would make it illegal for such Lender to make such Loan or to participate in the issuance, extension, amendment or renewal of such Letter of Credit or in the reasonable opinion of the Administrative Agent would make it illegal for the Issuing Lender to issue, extend, amend or renew such Letter of Credit.

12.3. PROCEEDINGS AND DOCUMENTS. All proceedings in connection with the transactions contemplated by this Credit Agreement, the other Loan Documents and all other documents incident thereto shall be satisfactory in substance and in form to the Lenders and to the Administrative Agent and the Administrative Agent's Special Counsel, and the Lenders, the Administrative Agent and such counsel shall have received all information and such counterpart originals or certified or other copies of such documents as the Administrative Agent may reasonably request.

13. EVENTS OF DEFAULT; ACCELERATION; ETC.

13.1. EVENTS OF DEFAULT AND ACCELERATION. If any of the following events ("EVENTS OF DEFAULT" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice or lapse of time, "DEFAULTS") shall occur:

(a) the Borrower shall fail to pay any principal of the Loans or any Reimbursement Obligation when the same shall become due and payable (including, without limitation, under and pursuant to Section 3.2(a) and (b)),

whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) the Borrower or any of its Subsidiaries shall fail to pay any interest on the Loans, any Fees, or other sums due hereunder or under any of the other Loan Documents, within three (3) Business Days after the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(c) the Borrower shall fail to comply with any of its covenants contained in Sections 8.1, the first sentence of 8.4.1, the first sentence of 8.5, 9.1 - 9.6 or 10;

(d) the Borrower or any of its Subsidiaries shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified elsewhere in this Section 13.1) for thirty (30) days after written notice of such failure has been given to the Borrower by the Administrative Agent;

(e) any representation or warranty of the Borrower or any of its Subsidiaries (whether in this Credit Agreement or any of the other Loan Documents or in any other document or instrument delivered pursuant to or in connection with this Credit Agreement) shall prove to have been false in any material respect upon the date when made or deemed to have been made or repeated;

(f) the Borrower or any of its Subsidiaries shall fail to pay at maturity, or within any applicable period of grace, any obligation for borrowed money or credit received or in respect of any Capitalized Leases, in an aggregate principal amount in excess of $5,000,000, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money or credit received or in respect of any Capitalized Leases, in an aggregate principal amount in excess of $5,000,000, for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or any such holder or holders shall rescind or shall have a right to rescind the purchase of any such obligations;

(g) the Borrower or any of its Subsidiaries shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Borrower or any of its Subsidiaries or of any substantial part of the assets of the Borrower or any of its Subsidiaries or shall commence any case or other proceeding relating to the Borrower or any of its Subsidiaries under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of

any jurisdiction, now or hereafter in effect, or shall take any action to authorize or in furtherance of any of the foregoing, or if any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Borrower or any of its Subsidiaries and the Borrower or any of its Subsidiaries shall indicate its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed within sixty (60) days following the filing thereof;

(h) a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Borrower or any of its Subsidiaries bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of the Borrower or any Subsidiary of the Borrower in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(i) there shall remain in force, undischarged, unsatisfied and unstayed, for more than sixty days, whether or not consecutive, any final judgment against the Borrower or any of its Subsidiaries that, with other outstanding final judgments, undischarged, against the Borrower or any of its Subsidiaries exceeds in the aggregate $5,000,000;

(j) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded, in each case otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Lenders, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrower or any of its Subsidiaries party thereto or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(k) the Borrower or any ERISA Affiliate incurs any liability to the PBGC or a Guaranteed Pension Plan pursuant to Title IV of ERISA in an aggregate amount exceeding $5,000,000, or the Borrower or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding $5,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan: (i) an ERISA Reportable Event, or a failure to make a required installment or other payment (within the meaning of Section 302(f)(1) of ERISA), PROVIDED that the Administrative Agent determines in its reasonable discretion that such event (A) could be expected to result in liability of the Borrower or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding $5,000,000 and (B) could constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC, for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan or for the imposition of

a lien in favor of such Guaranteed Pension Plan; or (ii) the appointment by a United States District Court of a trustee to administer such Guaranteed Pension Plan; or (iii) the institution by the PBGC of proceedings to terminate such Guaranteed Pension Plan;

(l) the Borrower or any of its Subsidiaries is obligated to repurchase $5,000,000 or more of receivables of the type described in clause (g) of the definition of "Indebtedness" hereof, whether sold under a purchase facility or otherwise, or a termination event occurs in connection with any such sale or with respect to any such facility; or

(m) a Change of Control shall occur;

then, and in any such event, so long as the same may be continuing, the Administrative Agent may, and upon the request of the Required Lenders shall, by notice in writing to the Borrower declare all amounts owing with respect to this Credit Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; PROVIDED that in the event of any Event of Default specified in Sections 13.1(g) or 13.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Administrative Agent or any Lender.

13.2. TERMINATION OF COMMITMENTS. If any one or more of the Events of Default specified in Section 13.1(g) or Section 13.1(h) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Lenders shall be relieved of all further obligations to make Loans to the Borrower and the Issuing Lender shall be relieved of all further obligations to issue, extend, amend or renew Letters of Credit. If any other Event of Default shall have occurred and be continuing, the Administrative Agent may and, upon the request of the Required Lenders, shall, by notice to the Borrower, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Lenders shall be relieved of all further obligations to make Loans and the Issuing Lender shall be relieved of all further obligations to issue, extend, amend or renew Letters of Credit. No termination of the credit hereunder shall relieve the Borrower or any of its Subsidiaries of any of the Obligations.

13.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Lenders shall have accelerated the maturity of the Loans pursuant to Section 13.1, each Lender, if owed any amount with respect to the Loans or the Reimbursement Obligations, may, with the consent of the Administrative Agent and the Required Lenders but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Credit Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Lender are evidenced,

including as permitted by applicable law the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Lender. No remedy herein conferred upon any Lender or the Administrative Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

14. THE AGENT.

14.1. AUTHORIZATION.

(a) The Administrative Agent is authorized to take such action on behalf of each of the Lenders and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Administrative Agent, together with such powers as are reasonably incident thereto, PROVIDED that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Administrative Agent.

(b) The relationship between the Administrative Agent and each of the Lenders is that of an independent contractor. The use of the term "ADMINISTRATIVE AGENT" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Administrative Agent and each of the Lenders. Nothing contained in this Credit Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Administrative Agent and any of the Lenders.

(c) As an independent contractor empowered by the Lenders to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Administrative Agent is nevertheless a "REPRESENTATIVE" of the Lenders, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Lenders and the Administrative Agent with respect to all cash collateral for Letters of Credit described in Sections 4.2(b) and (c) hereof and guaranties contemplated by the Loan Documents.

14.2. EMPLOYEES AND ADMINISTRATIVE AGENTS. The Administrative Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Credit Agreement and the other Loan Documents. Prior to the existence of a Default or an Event of Default, the Administrative Agent may utilize the services of such Persons as the Administrative Agent in consultation with the Borrower may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrower.

Following the occurrence and during the continuation of a Default or an Event of Default, the Administrative Agent may utilize the services of such Persons as the Administrative Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrower.

14.3. NO LIABILITY. Neither the Administrative Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Administrative Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

14.4. NO REPRESENTATIONS.

14.4.1. GENERAL. The Administrative Agent shall not be responsible for the execution or validity or enforceability of this Credit Agreement, the Notes, the Letters of Credit, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, cash collateral for Letters of Credit described in Sections 4.2(b) and (c) hereof for the Notes, or for the value of any such cash collateral for Letters of Credit or for the validity, enforceability or collectability of any such amounts owing with respect to the Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Borrower or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, cash collateral for Letters of Credit described in Sections 4.2(b) and (c) hereof for the Notes or to inspect any of the properties, books or records of the Borrower or any of its Subsidiaries. The Administrative Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Borrower or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. The Administrative Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Lenders, with respect to the credit worthiness or financial conditions of the Borrower or any of its Subsidiaries. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Credit Agreement.

14.4.2. CLOSING DOCUMENTATION, ETC. For purposes of determining compliance with the conditions set forth in Section 11, each Lender that has executed this Credit Agreement shall be deemed to have consented to,

approved or accepted, or to be satisfied with, each document and matter either sent, or made available, by the Administrative Agent or the Arranger to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be to be consent to or approved by or acceptable or satisfactory to such Lender, unless an officer of the Administrative Agent or the Arranger active upon the Borrower's account shall have received notice from such Lender prior to the Closing Date specifying such Lender's objection thereto and such objection shall not have been withdrawn by notice to the Administrative Agent or the Arranger to such effect on or prior to the Closing Date.

14.5. PAYMENTS.

14.5.1. PAYMENTS TO ADMINISTRATIVE AGENT. A payment by the Borrower to the Administrative Agent hereunder or any of the other Loan Documents for the account of any Lender shall constitute a payment to such Lender. The Administrative Agent agrees promptly to distribute to each Lender such Lender's pro rata share of payments received by the Administrative Agent for the account of the Lenders except as otherwise expressly provided herein or in any of the other Loan Documents.

14.5.2. DISTRIBUTION BY ADMINISTRATIVE AGENT. If in the opinion of the Administrative Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Administrative Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

14.5.3. DELINQUENT LENDERS. Notwithstanding anything to the contrary contained in this Credit Agreement or any of the other Loan Documents, any Lender that fails (a) to make available to the Administrative Agent its pro rata share of any Loan or to purchase any Letter of Credit Participation or (b) to comply with the provisions of Section 16.1 with respect to making dispositions and arrangements with the other Lenders, where such Lender's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Lenders, in each case as, when and to the full extent required by the provisions of this Credit Agreement, shall be deemed delinquent (a "Delinquent Lender") and shall be deemed a Delinquent Lender until such time as such delinquency is satisfied. A Delinquent Lender shall be deemed to have assigned any and all payments due to it from the Borrower, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Lenders for

application to, and reduction of, their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. The Delinquent Lender hereby authorizes the Administrative Agent to distribute such payments to the nondelinquent Lenders in proportion to their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. A Delinquent Lender shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans and Unpaid Reimbursement Obligations of the nondelinquent Lenders, the Lenders' respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

14.6. HOLDERS OF NOTES. The Administrative Agent may deem and treat the payee of any Note or the purchaser of any Letter of Credit Participation as the absolute owner or purchaser thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

14.7. INDEMNITY. The Lenders ratably agree hereby to indemnify and hold harmless the Administrative Agent and its affiliates from and against any and all claims, actions and suits (whether groundless or otherwise), losses, damages, costs, expenses (including any expenses for which the Administrative Agent or such affiliate has not been reimbursed by the Borrower as required by Section 16.2), and liabilities of every nature and character arising out of or related to this Credit Agreement, the Notes, or any of the other Loan Documents or the transactions contemplated or evidenced hereby or thereby, or the Administrative Agent's actions taken hereunder or thereunder, except to the extent that any of the same shall be directly caused by the Administrative Agent's willful misconduct or gross negligence.

14.8. ADMINISTRATIVE AGENT AS LENDER. In its individual capacity, Fleet shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it, and as the holder of any of the Notes and as the purchaser of any Letter of Credit Participations, as it would have were it not also the Administrative Agent.

14.9. RESIGNATION. The Administrative Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. Unless a Default or Event of Default shall have occurred and be continuing, such successor Administrative Agent shall be reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a financial institution having a rating of not less than A or its equivalent by S&P. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor

Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation, the provisions of this Credit Agreement and the other Loan Documents shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

14.10. NOTIFICATION OF DEFAULTS AND EVENTS OF DEFAULT. Each Lender hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Administrative Agent thereof. The Administrative Agent hereby agrees that upon receipt of any notice under this Section 14.10 it shall promptly notify the other Lenders of the existence of such Default or Event of Default.

15. ASSIGNMENT AND PARTICIPATION.

15.1. CONDITIONS TO ASSIGNMENT BY LENDERS. Except as provided herein, each Lender may assign to one or more Eligible Assignees, all or a portion of its interests, rights and obligations under this Credit Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit); PROVIDED that (a) each of the Administrative Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Borrower shall have given its prior written consent to such assignment, which consent, in the case of the Borrower, will not be unreasonably withheld; except that the consent of the Borrower or the Administrative Agent shall not be required in connection with any assignment by a Lender to (i) an existing Lender or (ii) a Lender Affiliate of such Lender, (b) each assignment (or, in the case of assignments by a Lender to its Lender Affiliates, the aggregate holdings of such Lender and its Lender Affiliates after giving effect to such assignments), shall be in an amount which, if less than all of such assigning Lender's rights and obligations under this Credit Agreement, is a whole multiple of $5,000,000 or a lesser amount agreed to by the Administrative Agent, the Borrower and such assigning Lender, and (c) the parties to such assignment shall execute and deliver to the Administrative Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, substantially in the form of EXHIBIT D hereto (an "ASSIGNMENT AND ACCEPTANCE"), together with any Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (y) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder, and (z) the assigning Lender shall, to the extent provided in such assignment and upon payment to the Administrative Agent of the registration fee referred to in Section 15.3, be released from its obligations under this Credit Agreement.

15.2. CERTAIN REPRESENTATIONS AND WARRANTIES; LIMITATIONS; COVENANTS. By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto that the representations and warranties and agreements set forth in Section 3 of the Assignment and Acceptance are true and correct as of the date such Assignment and Acceptance is executed.

15.3. REGISTER. The Administrative Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Commitment Percentage of, and principal amount of the Revolving Credit Loans owing to and Letter of Credit Participations purchased by, the Lenders from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Borrower and the Lenders at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Lender agrees to pay to the Administrative Agent a registration fee in the sum of $3,500.

15.4. NEW NOTES. Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Note subject to such assignment, the Administrative Agent shall record the information contained therein in the Register. Promptly upon the request of the assignee or the assignor thereunder, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent, in exchange for each surrendered Note, a new Note to the order of such assignee in an amount equal to the amount assumed by such assignee pursuant to such Assignment and Acceptance and, if the assigning Lender has retained some portion of its obligations hereunder, a new Note to the order of the assigning Lender in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Note(s), shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Note(s), shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned Notes. The surrendered Note(s) shall be cancelled and returned to the Borrower.

15.5. PARTICIPATIONS. Each Lender may sell participations to one or more Lenders or other entities in all or a portion of such Lender's rights and obligations under this Credit Agreement and the other Loan Documents; PROVIDED that (a) each such participation shall be in an amount of not less than $2,500,000, (b) any such sale or participation shall not affect the rights and duties of the selling Lender hereunder to the Borrower and (c) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Lender as it relates to such participant, reduce the amount of any Commitment Fee

or Letter of Credit Fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest.

15.6. ASSIGNEE OR PARTICIPANT AFFILIATED WITH THE BORROWER. If any assignee Lender is an Affiliate of the Borrower, then any such assignee Lender shall have no right to vote as a Lender hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Administrative Agent pursuant to Section 13.1 or Section 13.2, and the determination of the Required Lenders shall for all purposes of this Credit Agreement and the other Loan Documents be made without regard to such assignee Lender's interest in any of the Loans or Reimbursement Obligations. If any Lender sells a participating interest in any of the Loans or Reimbursement Obligations to a participant, and such participant is the Borrower or an Affiliate of the Borrower, then such transferor Lender shall promptly notify the Administrative Agent of the sale of such participation. A transferor Lender shall have no right to vote as a Lender hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to any of the Loan Documents or for purposes of making requests to the Administrative Agent pursuant to Section 13.1 or Section 13.2 to the extent that such participation is beneficially owned by the Borrower or any Affiliate of the Borrower, and the determination of the Required Lenders shall for all purposes of this Credit Agreement and the other Loan Documents be made without regard to the interest of such transferor Lender in the Loans or Reimbursement Obligations to the extent of such participation.

15.7. MISCELLANEOUS ASSIGNMENT PROVISIONS. Any assigning Lender shall retain its rights to be indemnified pursuant to Section 16.3 with respect to any claims or actions arising prior to the date of such assignment. If any assignee Lender is not incorporated under the laws of the United States of America or any state thereof, it shall, prior to the date on which any interest or fees are payable hereunder or under any of the other Loan Documents for its account, deliver to the Borrower and the Administrative Agent certification satisfactory in form and substance to the Administrative Agent as to its exemption from deduction or withholding of any United States federal income taxes. If any Reference Lender transfers all of its interest, rights and obligations under this Credit Agreement, the Administrative Agent shall, in consultation with the Borrower and with the consent of the Borrower and the Required Lenders, appoint another Lender to act as a Reference Lender hereunder. Anything contained in this Section 15 to the contrary notwithstanding, any Lender may at any time pledge or assign a security interest in all or any portion of its interest and rights under this Credit Agreement (including all or any portion of its Notes) to secure obligations of such Lender, including any pledge or assignment to secure obligations to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. Any foreclosure or similar action by any Person in respect of such pledge or assignment shall be subject to the other provisions of this Section 15. No such pledge or the enforcement thereof shall release the pledgor Lender from its obligations hereunder or under any of the other Loan Documents, provide any voting

rights hereunder to the pledgee thereof, or affect any rights or obligations of the Borrower or Administrative Agent hereunder.

15.8. ASSIGNMENT BY BORROWER. The Borrower shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Lenders.

16. PROVISIONS OF GENERAL APPLICATION.

16.1. SETOFF. Regardless of the adequacy of any cash collateral for Letters of Credit described in Sections 4.2(b) and (c) hereof, following the occurrence and during the continuation of an Event of Default, any deposits or other sums credited by or due from any of the Lenders to the Borrower in the possession of such Lender may be applied to or set off against the payment of Obligations of the Borrower to such Lender. Each of the Lenders agree with each other Lender that (a) if an amount to be set off is to be applied to Indebtedness of the Borrower to such Lender, other than Indebtedness evidenced by the Notes held by such Lender or constituting Reimbursement Obligations owed to such Lender, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Lender or constituting Reimbursement Obligations owed to such Lender, and (b) if such Lender shall receive from the Borrower, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Lender by proceedings against the Borrower at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Lender any amount in excess of its ratable portion of the payments received by all of the Lenders with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Lenders, such Lender will make such disposition and arrangements with the other Lenders with respect to such excess, either by way of distribution, PRO TANTO assignment of claims, subrogation or otherwise as shall result in each Lender receiving in respect of the Notes held by it or Reimbursement Obligations owed it, its proportionate payment as contemplated by this Credit Agreement; PROVIDED that if all or any part of such excess payment is thereafter recovered from such Lender, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

16.2. EXPENSES. The Borrower agrees to pay (a) any taxes (including any interest and penalties in respect thereto) payable by the Administrative Agent, any Issuing Lender, the Swing Line Lender or any of the Lenders (other than taxes based upon or measured by the income or profits of the Administrative Agent, any Issuing Lender, the Swing Line Lender or any Lender) on or with respect to the transactions contemplated by this Credit Agreement (the Borrower hereby agreeing to indemnify the Administrative Agent, each Issuing Lender, the Swing Line Lender and each Lender with respect thereto), (b) the reasonable fees, expenses and disbursements of the Administrative Agent's Special Counsel or any local counsel to the Administrative Agent incurred in connection with the preparation, syndication

or administration of the Loan Documents and other instruments mentioned herein, each closing hereunder, any amendments, modifications, approvals, consents or waivers hereto or hereunder, or the cancellation of any Loan Document upon payment in full in cash of all of the Obligations or pursuant to any terms of such Loan Document for providing for such cancellation, (c) the reasonable fees, expenses and disbursements of the Administrative Agent or any of its Affiliates incurred by the Administrative Agent or such Affiliate in connection with the preparation, syndication, administration or interpretation of the Loan Documents and other instruments mentioned herein and subject to the limitations contained in the Fee Letter, (d) all reasonable out-of-pocket expenses (including without limitation reasonable attorneys' fees and costs, which attorneys may be employees of any Lender, any Issuing Lender, the Swing Line Lender or the Administrative Agent, and reasonable consulting, accounting, appraisal, investment bankruptcy and similar professional fees and charges) incurred by any Lender, any Issuing Lender, the Swing Line Lender or the Administrative Agent in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against the Borrower or any of its Subsidiaries or the administration thereof after the occurrence of a Default or Event of Default and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Lender's, any Issuing Lender's, the Swing Line Lender's or the Administrative Agent's relationship with the Borrower or any of its Subsidiaries, except, in each case, to the extent resulting solely from the bad faith, willful misconduct or gross negligence of such party. The covenants contained in this Section 16.2 shall survive payment or satisfaction in full of all Obligations.

16.3. INDEMNIFICATION. The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Arranger, their affiliates, the Issuing Lender(s), the Swing Line Lender and the Lenders from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Credit Agreement or any of the other Loan Documents or the transactions contemplated hereby including, without limitation, (a) any actual or proposed use by the Borrower or any of its Subsidiaries of the proceeds of any of the Loans or Letters of Credit, (b) the Borrower or any of its Subsidiaries entering into or performing this Credit Agreement or any of the other Loan Documents or (c) with respect to the Borrower and its Subsidiaries and their respective properties and assets, the violation of any Environmental Law or laws related to Hazardous Substances or any action, suit, proceeding or investigation in relation thereto, in each case including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding, except to the extent resulting from the bad faith, willful misconduct or gross negligence of such indemnified party. In litigation, or the preparation therefor, the Lenders, the Issuing Lender(s), the Swing Line Lender and the Administrative Agent and its affiliates shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Borrower agrees to pay promptly the reasonable fees and expenses of such counsel. If, and to the extent that the obligations of the Borrower under this Section 16.3 are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment in

satisfaction of such obligations which is permissible under applicable law. The covenants contained in this Section 16.3 shall survive payment or satisfaction in full of all other Obligations.

16.4. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

16.4.1. CONFIDENTIALITY. Each of the Lenders, the Issuing Lender(s), the Swing Line Lender and the Administrative Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrower or any of its Subsidiaries pursuant to this Credit Agreement that is identified by such Person as being confidential at the time the same is delivered to the Lenders, the Issuing Lender(s), the Swing Line Lender or the Administrative Agent, PROVIDED that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this Section 16, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Lenders, any Issuing Lender, the Swing Line Lender or the Administrative Agent, (d) to bank examiners or any other regulatory authority having jurisdiction over any Lender, any Issuing Lender, the Swing Line Lender or the Administrative Agent, or to auditors or accountants, (e) to the Administrative Agent, any Issuing Lender, the Swing Line Lender, any Lender or any Financial Affiliate, (f) in connection with any litigation to which any one or more of the Lenders, any Issuing Lender, the Swing Line Lender, the Administrative Agent or any Financial Affiliate is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Lender Affiliate or a Subsidiary of the Administrative Agent, or (h) with the consent of the Borrower.

16.4.2. PRIOR NOTIFICATION. Unless specifically prohibited by applicable law or court order, each of the Lenders, the Issuing Lender(s), the Swing Line Lender, the Financial Affiliate(s) and the Administrative Agent shall notify the Borrower of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or pursuant to legal process; PROVIDED, however, that in the event such disclosure is required pursuant to such order of a court or the order, request or demand of any administrative or regulatory agency or authority, such Lender, such Issuing Lender, the Swing Line Lender, such Financial Affiliate and the Administrative Agent will provide the Borrower with notice prior to its disclosure of the same in order to allow (to the extent practicable) sufficient time for the Borrower to respond to or defend such order, request or demand.

16.4.3. OTHER. In no event shall any Lender, any Issuing Lender, the Swing Line Lender or the Administrative Agent be obligated or required to return any materials furnished to it or any Financial Affiliate by the Borrower or any of its Subsidiaries. The obligations of each Lender under this Section 16 shall supersede and replace the obligations of such Lender under any confidentiality letter in respect of this financing signed and delivered by such Lender to the Borrower prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans or Reimbursement Obligations from any Lender.

16.5. SURVIVAL OF COVENANTS, ETC. All covenants, agreements, representations and warranties made herein, in the Notes, in any of the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrower or any of its Subsidiaries pursuant hereto shall be deemed to have been relied upon by the Lenders, the Issuing Lender(s), the Swing Line Lender and the Administrative Agent, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Lenders of any of the Loans and the issuance, extension, amendment or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any Letter of Credit or any amount due under this Credit Agreement or the Notes or any of the other Loan Documents remains outstanding or any Lender has any obligation to make any Loans or the Issuing Lender has any obligation to issue, extend, amend or renew any Letter of Credit, and for such further time as may be otherwise expressly specified in this Credit Agreement.

16.6. NOTICES. Except as otherwise expressly provided in this Credit Agreement, all notices and other communications made or required to be given pursuant to this Credit Agreement or the Notes or any Letter of Credit Applications shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, addressed as follows:

(a) if to the Borrower, at 516 West 34th Street, New York, New York 10001, Attention: Nancy Walsh, Treasurer, with a copy to the General Counsel of the Borrower, or at such other address for notice as the Borrower shall last have furnished in writing to the Person giving the notice;

(b) if to the Administrative Agent, at 100 Federal Street, Boston, Massachusetts 02110, USA, Attention: Susan L. Pardus-Galland, Director, or such other address for notice as the Administrative Agent shall last have furnished in writing to the Person giving the notice; and

(c) if to any Lender, at such Lender's address set forth on SCHEDULE 1 hereto, or such other address for notice as such Lender shall have last furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, overnight courier or facsimile to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer or the sending of such facsimile and (ii) if sent by registered or certified first-class mail, postage prepaid, on the third Business Day following the mailing thereof. Any notice or other communication to be made hereunder or under the Notes or any Letter of Credit Applications, even if otherwise required to be in writing under other provisions of this Credit Agreement, the Notes or any Letter of Credit Applications, may alternatively be made in an electronic record transmitted electronically under such authentication and other procedures as the parties hereto may from time to time agree in writing (but not an electronic record), and such electronic transmission shall be effective at the time set forth in such procedures. Unless otherwise expressly provided in such procedures, such an electronic record shall be equivalent to a writing under the other provisions of this Credit Agreement, the Notes or any Letter of Credit Applications, and such authentication, if made in compliance with the procedures so agreed by the parties hereto in writing (but not an electronic record), shall be equivalent to a signature under the other provisions of this Credit Agreement, the Notes or any Letter of Credit Applications.

16.7. GOVERNING LAW. THIS CREDIT AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED IN SECTION 16.6. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

16.8. HEADINGS. The captions in this Credit Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

16.9. COUNTERPARTS. This Credit Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Credit Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Delivery by facsimile by any of the parties hereto of an executed counterpart hereof or of any amendment or

waiver hereto shall be as effective as an original executed counterpart hereof or of such amendment or waiver and shall be considered a representation that an original executed counterpart hereof or such amendment or waiver, as the case may be, will be delivered.

16.10. ENTIRE AGREEMENT, ETC. The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Credit Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in Section 16.12.

16.11. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT, THE ISSUING LENDER, THE SWING LINE LENDER AND THE LENDERS HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS CREDIT AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE ADMINISTRATIVE AGENT, ANY ISSUING LENDER, THE SWING LINE LENDER OR ANY LENDER RELATING TO THE ADMINISTRATION OF THE LOANS OR ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. Except as prohibited by law, the Borrower hereby waives any right it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Borrower acknowledges and agrees that the Administrative Agent, the Issuing Lender(s), the Swing Line Lender and the Lenders have been induced to enter into this Credit Agreement and the other Loan Documents to which it is a party by, among other things, the waivers and certifications contained herein and that no representative, agent or attorney of any such party has represented to the Borrower that such party would not, in the event of litigation, seek to enforce the foregoing waivers.

16.12. CONSENTS, AMENDMENTS, WAIVERS, ETC. Any consent or approval required or permitted by this Credit Agreement to be given by the Lenders may be given, and any term of this Credit Agreement, the other Loan Documents or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Borrower or any of its Subsidiaries of any terms of this Credit Agreement, the other Loan Documents or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Borrower and the written consent of the Required

Lenders. Notwithstanding the foregoing, no amendment, modification or waiver shall:

(a) without the written consent of the Borrower and each Lender directly affected thereby:

(i) reduce or forgive the principal amount of any Loans or Reimbursement Obligations, or reduce the rate of interest on the Notes or the amount of the Commitment Fee or Letter of Credit Fees, including, for purposes of calculation of the Applicable Margin, as a result of a change in the definition of Fixed Charge Ratio or any of the components thereof or the method of calculation thereto (it being understood that any change to the definition of Fixed Charge Ratio or any of the components thereof or the method of calculation thereto for purposes of calculating the covenants in Section 10 hereof shall only require the written consent of the Borrower and the Required Lenders), but excluding interest accruing pursuant to Section 5.11.2 following the effective date of any waiver by the Required Lenders of the Default or Event of Default relating thereto;

(ii) increase the amount of such Lender's Commitment or extend the expiration date of such Lender's Commitment; and

(iii) postpone or extend the Revolving Credit Loan Maturity Date or any other regularly scheduled dates for payments of principal of, or interest on, the Loans or Reimbursement Obligations or any Fees or other amounts payable to such Lender (it being understood that (A) a waiver of the application of the default rate of interest pursuant to Section 5.11.2, (B) any vote to rescind any acceleration made pursuant to Section 13.1 of amounts owing with respect to the Loans and other Obligations and (C) any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations shall require only the approval of the Required Lenders);

(b) without the written consent of all of the Lenders, amend or waive this Section 16.12 or the definition of Required Lenders;

(c) without the written consent of the Administrative Agent, amend or waive Section 14, the amount or time of payment of the Administrative Agent's Fee payable for the Administrative Agent's account or any other provision applicable to the Administrative Agent; and

(d) without the written consent of the Swing Line Lender, amend or waive Section 2.6.2, the amount or time of payment of the Swing Line Loans or any other provision applicable to the Swing Line Lender; and

(e) without the written consent of the Issuing Lender, amend or waive any Letter of Credit Fees payable for the Issuing Lender's account or any other provision applicable to the Issuing Lender.

No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Administrative Agent, any Issuing Lender, the Swing Line Lender or any Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

16.13. SEVERABILITY. The provisions of this Credit Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Credit Agreement in any jurisdiction.

IN WITNESS WHEREOF, the undersigned have duly executed this Credit Agreement as a sealed instrument as of the date first set forth above.

COACH, INC.

By: _____
Name:
Title:

FLEET NATIONAL BANK, individually and as Administrative Agent

By: _____
Name: Susan L. Pardus-Galland
Title: Director

THE CHASE MANHATTAN BANK

By: _____
Name:
Title:

NATIONAL CITY BANK

By: _____
Name:
Title:

HSBC BANK USA

By: _____
Name:
Title:

THE BANK OF NEW YORK

By: _____
Name:
Title:

FIRSTAR BANK, N.A.

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY

By: _____
Name:
Title:

EXHIBIT A

FORM OF REVOLVING CREDIT NOTE

$[_____] _____, __ ____

FOR VALUE RECEIVED, the undersigned COACH, INC., a Maryland corporation (the "Borrower"), hereby promises to pay to the order of [INSERT LENDER], a [INSERT ENTITY] (the "Lender"), at the Administrative Agent's Office (as defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of [INSERT AMOUNT] DOLLARS ($_____) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Lender to the Borrower pursuant to the Revolving Credit Agreement dated as of February 27, 2001 (as amended and in effect from time to time, the "Credit Agreement"), by and among the Borrower, Fleet National Bank, a national banking association ("Fleet"), the other lending institutions listed on Schedule 1 thereto and Fleet, as administrative agent (the "Administrative Agent") for itself and such other lending institutions, and in the principal amounts outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(b) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Lender and any holder hereof is entitled to the benefits of the Credit Agreement and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Lender to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Lender with respect to any Revolving Credit Loans shall be PRIMA FACIE evidence (absent manifest error) of the principal amount thereof owing and unpaid to the Lender, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Lender or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Lender or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of cash collateral for Letters of Credit described in Sections 4.2(b) and (c) of the Credit Agreement and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED IN SECTION 16.6 OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

COACH, INC.

By: _____
Name:
Title:

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

EXHIBIT B

FORM OF
LOAN REQUEST

COACH, INC.
516 WEST 34TH STREET
NEW YORK, NY 10001

Dated: as of _____ ___, _____

Fleet National Bank, as Administrative Agent
100 Federal Street
Boston, MA 02110

Attention: Susan L. Pardus-Galland, Director

RE: REVOLVING CREDIT LOAN REQUEST UNDER
REVOLVING CREDIT AGREEMENT, DATED AS OF FEBRUARY 27, 2001

Ladies and Gentlemen:

Reference is hereby made to that certain Revolving Credit Agreement, dated as of February 27, 2001 (as amended and in effect from time to time, the "Credit Agreement"), by and among COACH, INC. (the "Borrower"), FLEET NATIONAL BANK and the other lending institutions listed on SCHEDULE 1 thereto (collectively, the "Lenders"), and FLEET NATIONAL BANK as administrative agent, for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms which are used herein and not otherwise defined shall have the same meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 2.6.1 of the Credit Agreement, we hereby request a Revolving Credit Loan as follows:

Principal Amount	$_____
Proposed Drawdown Date	_____
Loan Type	_____
Interest Period (if a Eurodollar Rate Loan)	_____

We understand that this request is irrevocable and binding on us and obligates us to accept the requested Revolving Credit Loan on such date.

We hereby certify (a) that we will use the proceeds of the requested Revolving Credit Loan in accordance with the provisions of the Credit Agreement, (b) that each of

the representations and warranties contained in the Credit Agreement or any of the other Loan Documents delivered pursuant to or in connection with the Credit Agreement was true as of the date as of which they were made and each of the representations and warranties contained in the Credit Agreement are true at and as of the date hereof, with the same effect as if made at and as of the date hereof except, in each case, (i) to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents, (ii) to the extent of changes that singly or in the aggregate have not or are not reasonably expected to have a Material Adverse Effect, and (iii) to the extent that such representations and warranties relate expressly to an earlier date, and (c) that no Default or Event of Default has occurred and is continuing.

Very truly yours,

COACH, INC.

By:_____
Name:
Title:

EXHIBIT C

FORM OF
COMPLIANCE CERTIFICATE

_____, 200_

Fleet National Bank, as Administrative Agent
100 Federal Street
Boston, MA 02110
Attention: Susan L. Pardus-Galland, Director

Ladies and Gentlemen:

Reference is hereby made to that certain Revolving Credit Agreement, dated as of February 27, 2001 (as amended and in effect from time to time, the "Credit Agreement"), by and among COACH, INC. (the "Borrower"), FLEET NATIONAL BANK and the other lending institutions listed on SCHEDULE 1 thereto (collectively, the "Lenders"), and FLEET NATIONAL BANK as administrative agent, for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms which are used herein and not otherwise defined shall have the same meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 8.4(c) of the Credit Agreement, the undersigned [Chief Financial Officer/Treasurer] of the Borrower hereby certifies to you as follows: (a) the information furnished in the calculations attached hereto was true and correct as of the last day of the fiscal quarter ended _____, 200__; (b) as of the date of this certificate, there exists no Default or Event of Default or condition which would, with either or both the giving of notice or the lapse of time, result in a Default or an Event of Default; and (c) the financial statements delivered herewith were prepared in accordance with generally accepted accounting principles.

IN WITNESS WHEREOF, the undersigned officer has duly executed this Compliance Certificate as of the date first written above.

COACH, INC.

By:_____
Name:
Title:

COMPLIANCE CERTIFICATE

COACH, INC.

As of_____

1. SECTION 10.1 - FIXED CHARGE RATIO

(a) Consolidated EBITDAR for the Reference Period ending as of such date equals:

(i) Consolidated EBIT equal to:

(A)	Consolidated Net Income	$_____
(B)	PLUS consolidated income taxes	$_____
(C)	PLUS Consolidated Total Interest Expense	$_____
(D)	Consolidated EBIT (sum of (A), (B) and (C))	$_____

(ii) Consolidated EBITDA equal to:

(A)	Consolidated EBIT (from line 1(a)(i)(D))	$_____
(B)	PLUS consolidated depreciation	$_____
(C)	PLUS consolidated amortization	$_____
(D)	Consolidated EBITDA (sum of (A), (B) and (C))	$_____

(iii) Consolidated EBITDAR equal to:

(A)	Consolidated EBITDA (from line 1(a)(ii)(D))	$_____
(B)	PLUS Rental Expense	$_____
(C)	Consolidated EBITDAR (sum of (A) and (B))	$_____

(b) Capital Expenditures $_____

(c) Consolidated EBITDAR MINUS Capital Expenditures equals ((a)(iii)(C) MINUS (b)) $_____

(d) Consolidated Total Interest Expense PLUS Rental Expense (sum of line 1(a)(i)(C) and line 1(a)(iii)(B)) $_____

(e) ratio of line 1(c) to line 1(d) equals _____:_____

(f) ratio set forth on line (e) not to be less than the ratio set forth opposite the applicable period in the table below:

PERIOD	RATIO
Closing Date through March 30, 2002	1.75:1
Thereafter	2.00:1

COMPLIANCE _____ YES/NO

2. SECTION 10.2 - LEVERAGE RATIO

(a) Consolidated Total Funded Debt as of the date first written above $_____

(b) Consolidated EBITDA (from line 1(a)(ii)(D)) $_____

(c) Ratio of (a) to (b) not to be greater than 1.50: 1.00.

COMPLIANCE _____ YES/NO

3. SECTION 10.3 - CONSOLIDATED TANGIBLE NET WORTH

(a) sum of all amounts included under shareholders' equity on the consolidated balance sheet of Borrower and its Subsidiaries $_____

(b) total book value of all intangible assets PLUS any write-ups in book value of assets of the Borrower or its Subsidiaries resulting from any revaluations subsequent to December 30, 2000 $_____

(c) Consolidated Tangible Net Worth equals 3(a) MINUS 3(b) $_____

(d) cumulative amount of positive quarterly Consolidated Net Income of the Borrower and its Subsidiaries for each fiscal quarter subsequent to December 30, 2000 $_____

MULTIPLIED BY 50% equals $_____

PLUS $90,000,000 equals $_____

(e) line 3(c) MINUS line 3(d) (must be greater than zero): $_____

COMPLIANCE _____ YES/NO

EXHIBIT D

ASSIGNMENT AND ACCEPTANCE

Dated as of _____ __, _____

Reference is made to the Revolving Credit Agreement, dated as of February 27, 2001 (as from time to time amended and in effect, the "Credit Agreement"), by and among COACH, INC., a Maryland corporation (the "Borrower"), FLEET NATIONAL BANK, a national banking association ("Fleet"), the other lending institutions which become parties thereunder (each a "Lender," and collectively, the "Lenders"), and Fleet, as administrative agent (in such capacity, the "Administrative Agent") for itself and the Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

[_____](the "Assignor") and [_____](the "Assignee") hereby agree as follows:

1. ASSIGNMENT. Subject to the terms and conditions of this Assignment and Acceptance, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes without recourse to the Assignor, a $_____ interest in and to the rights, benefits, indemnities and obligations of the Assignor under the Credit Agreement equal to ____% in respect of the Total Commitment immediately prior to the Effective Date (as hereinafter defined).

2. ASSIGNOR'S REPRESENTATIONS. The Assignor (i) represents and warrants that (A) it is legally authorized to enter into this Assignment and Acceptance, (B) as of the date hereof, its Commitment is $_____, its Commitment Percentage is _____%, the aggregate outstanding principal balance of its Revolving Credit Loans equals $_____, the aggregate amount of its Letter of Credit Participations equals $_____ (in each case after giving effect to the assignment contemplated hereby but without giving effect to any contemplated assignments which have not yet become effective), and (C) immediately after giving effect to all assignments which have not yet become effective, the Assignor's Commitment Percentage will be sufficient to give effect to this Assignment and Acceptance, (ii) makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the

Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder free and clear of any claim or encumbrance; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Borrower or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of its obligations under the Credit Agreement or any of the other Loan Documents or any other instrument or document delivered or executed pursuant thereto.

3. ASSIGNEE'S REPRESENTATIONS. The Assignee (i) represents and warrants that (A) it is duly and legally authorized to enter into this Assignment and Acceptance, (B) the execution, delivery and performance of this Assignment and Acceptance do not conflict with any provision of law or of the charter or by-laws of the Assignee, or of any agreement binding on the Assignee, (C) all acts, conditions and things required to be done and performed and to have occurred prior to the execution, delivery and performance of this Assignment and Acceptance, and to render the same the legal, valid and binding obligation of the Assignee, enforceable against it in accordance with its terms, have been done and performed and have occurred in due and strict compliance with all applicable laws; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 7.4 and 8.4 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) represents and warrants that it is an Eligible Assignee; (v) appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (vii) acknowledges that it has made arrangements with the Assignor satisfactory to the Assignee with respect to its PRO RATA share of Letter of Credit Fees in respect of outstanding Letters of Credit; and (viii) acknowledges that it has

complied with the provisions of the second sentence of Section 15 of the Credit Agreement to the extent applicable.

4. EFFECTIVE DATE. The effective date for this Assignment and Acceptance shall be _____ __, _____ (the "Effective Date"). Following the execution of this Assignment and Acceptance, each party hereto shall deliver its duly executed counterpart hereof to the Administrative Agent for acceptance by the Administrative Agent and recording in the Register by the Administrative Agent. SCHEDULE 1 to the Credit Agreement shall thereupon be replaced as of the Effective Date by the SCHEDULE 1 annexed hereto.

5. RIGHTS UNDER CREDIT AGREEMENT. Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder, and (ii) the Assignor shall, with respect to that portion of its interest under the Credit Agreement assigned hereunder, relinquish its rights and be released from its obligations under the Credit Agreement; PROVIDED, HOWEVER, that the Assignor shall retain its rights to be indemnified pursuant to Section 16.3 of the Credit Agreement with respect to any claims or actions arising prior to the Effective Date.

6. PAYMENTS. Upon such acceptance of this Assignment and Acceptance by the Administrative Agent and such recording, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the rights and interests assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make any appropriate adjustments in payments for periods prior to the Effective Date by the Administrative Agent or with respect to the making of this assignment directly between themselves.

7. GOVERNING LAW. THIS ASSIGNMENT AND ACCEPTANCE IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

8. COUNTERPARTS. This Assignment and Acceptance may be executed in any number of counterparts which shall together constitute but one and the same agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, intending to be legally bound, each of the undersigned has caused this Assignment and Acceptance to be executed on its behalf by its officer thereunto duly authorized, as of the date first above written.

[ASSIGNOR]

By:_____
Name:
Title:

[ASSIGNEE]

By:_____
Name:
Title:

CONSENTED TO:

FLEET NATIONAL BANK,
as Administrative Agent

By:_____
Name:
Title:

COACH, INC.

By:_____
Name:
Title:

EXHIBIT E

FORM OF GUARANTY

GUARANTY, dated as of _____ __, _____, by [_____], a[AN] [_____](the "Guarantor") in favor of (i) FLEET NATIONAL BANK, a national banking association, as administrative agent (hereinafter, in such capacity, the "Administrative Agent") for itself and the other lending institutions (hereinafter, collectively, and including, without limitation, the Swing Line Lender and any Issuing Lender, the "Lenders") which are or may become parties to a Revolving Credit Agreement dated as of February 27, 2001 (as amended and in effect from time to time, the "Credit Agreement"), among COACH, INC., a Maryland corporation (the "Borrower"), the Lenders and the Administrative Agent and (ii) each of the Lenders.

WHEREAS, the Borrower and the Guarantor are members of a group of related corporations, the success of any one of which is dependent in part on the success of the other member[s] of such group;

WHEREAS, the Guarantor expects to receive substantial direct and indirect benefits from the extensions of credit to the Borrower by the Lenders pursuant to the Credit Agreement (which benefits are hereby acknowledged);

WHEREAS, it is a condition precedent to the Lenders' making any loans or otherwise extending credit to the Borrower under the Credit Agreement that the Guarantor execute and deliver to the Administrative Agent, for the benefit of the Lenders and the Administrative Agent, a guaranty substantially in the form hereof; and

WHEREAS, the Guarantor wishes to guaranty the Borrower's obligations to the Lenders and the Administrative Agent under or in respect of the Credit Agreement as provided herein;

NOW, THEREFORE, the Guarantor hereby agrees with the Lenders and the Administrative Agent as follows:

1. DEFINITIONS. The term "Obligations" and all other capitalized terms used herein without definition shall have the respective meanings provided therefor in the Credit Agreement.

2. GUARANTY OF PAYMENT AND PERFORMANCE. The Guarantor hereby guarantees to the Lenders and the Administrative Agent the full and punctual payment when due (whether at stated maturity, by required pre-

payment, by acceleration or otherwise), as well as the performance, of all of the Obligations including all such which would become due but for the operation of the automatic stay pursuant to Section 362(a) of the Federal Bankruptcy Code and the operation of Sections 502(b) and 506(b) of the Federal Bankruptcy Code. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that the Administrative Agent or any Lender first attempt to collect any of the Obligations from the Borrower or resort to any cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement or other means of obtaining payment. Should the Borrower default in the payment or performance of any of the Obligations, the obligations of the Guarantor hereunder with respect to such Obligations in default shall, upon demand by the Administrative Agent, become immediately due and payable to the Administrative Agent, for the benefit of the Lenders and the Administrative Agent, without demand or notice of any nature, all of which are expressly waived by the Guarantor. Payments by the Guarantor hereunder may be required by the Administrative Agent on any number of occasions. All payments by the Guarantor hereunder shall be made to the Administrative Agent, in the manner and at the place of payment specified therefor in the Credit Agreement, for the account of the Lenders and the Administrative Agent.

3. GUARANTOR'S AGREEMENT TO PAY ENFORCEMENT COSTS, ETC. The Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Administrative Agent, on demand, all costs and expenses (including court costs and legal expenses) incurred or expended by the Administrative Agent or any Lender in connection with the Obligations, this Guaranty and the enforcement thereof, together with interest on amounts recoverable under this Section 3 from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in the Credit Agreement, PROVIDED that if such interest exceeds the maximum amount permitted to be paid under applicable law, then such interest shall be reduced to such maximum permitted amount.

4. WAIVERS BY GUARANTOR; LENDER'S FREEDOM TO ACT. The Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto. The Guarantor waives promptness, diligences, presentment, demand, protest, notice of acceptance, notice of any Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation,

stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Borrower or any other entity or other person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, the Guarantor agrees to the provisions of any instrument evidencing, securing (with respect to cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement) or otherwise executed in connection with any Obligation and agrees that the obligations of the Guarantor hereunder shall not be released or discharged (except as otherwise expressly provided herein), in whole or in part, or otherwise affected by (i) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any right or remedy against the Borrower or any other entity or other person primarily or secondarily liable with respect to any of the Obligations; (ii) any extensions, compromise, refinancing, consolidation or renewals of any Obligation; (iii) any change in the time, place or manner of payment of any of the Obligations or any rescissions, waivers, compromise, refinancing, consolidation or other amendments or modifications of any of the terms or provisions of the Credit Agreement, the Note, the other Loan Documents or any other agreement evidencing, securing (with respect to cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement) or otherwise executed in connection with any of the Obligations, (iv) the addition, substitution or release of any entity or other person primarily or secondarily liable for any Obligation; (v) the adequacy of any rights which the Administrative Agent or any Lender may have against any cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement or other means of obtaining repayment of any of the Obligations; (vi) the impairment of any cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement, including without limitation the failure to preserve any rights which the Administrative Agent or any Lender might have in such cash collateral or the substitution, exchange, surrender, release, loss or destruction of any such cash collateral; or (vii) any other act or omission which might in any manner or to any extent vary the risk of the Guarantor or otherwise operate as a release or discharge of the Guarantor, all of which may be done without notice to the Guarantor. To the fullest extent permitted by law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law which would otherwise prevent the Administrative Agent or any Lender from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against the Guarantor before or after the Administrative Agent's or such Lender's commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or

otherwise, or (B) any other law which in any other way would otherwise require any election of remedies by the Administrative Agent or any Lender.

5. UNENFORCEABILITY OF OBLIGATIONS AGAINST BORROWER. If for any reason the Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from the Borrower by reason of the Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this Guaranty shall nevertheless be binding on the Guarantor to the same extent as if the Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, or for any other reason, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement, the Note, the other Loan Documents or any other agreement evidencing, securing (with respect to cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement) or otherwise executed in connection with any Obligation shall be immediately due and payable by the Guarantor.

6. SUBROGATION; SUBORDINATION.

6.1. WAIVER OF RIGHTS AGAINST BORROWER. Until the final payment and performance in full of all of the Obligations, (a) the Guarantor shall not exercise and hereby waives any rights against the Borrower arising as a result of payment by the Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Administrative Agent or any Lender in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; (b) the Guarantor will not claim any setoff, recoupment or counterclaim against the Borrower in respect of any liability of the Guarantor to the Borrower; and (c) the Guarantor waives any benefit of and any right to participate in any cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement which may be held by the Administrative Agent or any Lender.

6.2. SUBORDINATION. The payment of any amounts due with respect to any indebtedness of the Borrower for money borrowed or credit received now or hereafter owed to the Guarantor is hereby subordinated to the prior payment in full of all of the Obligations. The Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, the Guarantor will

not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrower to the Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still outstanding, such amounts shall be collected, enforced and received by the Guarantor as trustee for the Lenders and the Administrative Agent and be paid over to the Administrative Agent, for the benefit of the Lenders and the Administrative Agent, on account of the Obligations without affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

6.3. PROVISIONS SUPPLEMENTAL. The provisions of this Section 6 shall be supplemental to and not in derogation of any rights and remedies of the Lenders and the Administrative Agent under any separate subordination agreement which the Administrative Agent may at any time and from time to time enter into with the Guarantor for the benefit of the Lenders and the Administrative Agent.

7. CONDITIONS PRECEDENT. Concurrently with the execution and delivery of this Guaranty, the Guarantor shall deliver to the Administrative Agent all such evidence of corporate or other entity authorization of this Guaranty, certified copies of organizational documents, incumbency certificates, good standing certificates, legal opinions with respect to this Guaranty (including local counsel opinions where applicable) and other documentation as the Administrative Agent may reasonably request in connection with the authorization, execution, delivery and performance of this Guaranty, in form and substance satisfactory to the Administrative Agent. The Guarantor agrees to deliver to the Administrative Agent fully executed copies of this Guaranty in sufficient quantities to deliver one (1) fully executed original of each such document to each Lender and the Administrative Agent.

8. SETOFF. Regardless of the adequacy of any cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement or other means of obtaining payment of any of the Obligations, each of the Administrative Agent and the Lenders is hereby authorized at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor) and to the fullest extent permitted by law, to set off and apply such deposits and other sums against the obligations of the Guarantor under this Guaranty, whether or not the Administrative Agent or such Lender shall have made any demand under this Guaranty and although such obligations may be contingent or unmatured.

9. FURTHER ASSURANCES. The Guarantor agrees that it will from time to time, at the request of the Administrative Agent, do all such things and execute all such documents as the Administrative Agent may consider necessary or desirable to give full effect to this Guaranty and to preserve the rights and powers of the Lenders and the Administrative Agent hereunder. The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Borrower on a continuing basis all information desired by the Guarantor concerning the financial condition of the Borrower and that the Guarantor will look to the Borrower and not to the Administrative Agent or any Lender in order for the Guarantor to keep adequately informed of changes in the Borrower's financial condition.

10. TERMINATION; REINSTATEMENT. This Guaranty shall remain in full force and effect until the Administrative Agent is given written notice of the Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Obligations. No such notice shall be effective unless received and acknowledged by an officer of the Administrative Agent at the address of the Administrative Agent for notices set forth in Section 16.6 of the Credit Agreement. No such notice shall affect any rights of the Administrative Agent or any Lender hereunder, including without limitation the rights set forth in Sections 4 and 6, with respect to any Obligations incurred or accrued prior to the receipt of such notice or any Obligations incurred or accrued pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to any Obligation is rescinded or must otherwise be returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy or reorganization of the Borrower, or otherwise, all as though such payment had not been made or value received.

11. SUCCESSORS AND ASSIGNS. This Guaranty shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of the Administrative Agent and the Lenders and their respective successors, transferees and assigns. Without limiting the generality of the foregoing sentence, each Lender may assign or otherwise transfer the Credit Agreement, the Note, the other Loan Documents or any other agreement or note held by it evidencing, securing (with respect to cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement) or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer

or participation, with all the rights in respect thereof granted to such Lender herein, all in accordance with Section 15 of the Credit Agreement. The Guarantor may not assign any of its obligations hereunder.

12. AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Administrative Agent with the written consent of the Required Lenders. No failure on the part of the Administrative Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

13. NOTICES. All notices and other communications called for hereunder shall be made in writing and, unless otherwise specifically provided herein, shall be deemed to have been duly made or given when delivered by hand or mailed first class, postage prepaid, or, in the case of telegraphic or telexed notice, when transmitted, answer back received, addressed as follows: if to the Guarantor, at the address set forth beneath its signature hereto, and if to the Administrative Agent, at the address for notices to the Administrative Agent set forth in Section 16.6 of the Credit Agreement, or at such address as either party may designate in writing to the other.

14. GOVERNING LAW; CONSENT TO JURISDICTION. THIS GUARANTY IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Guarantor agrees that any suit for the enforcement of this Guaranty may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the nonexclusive jurisdiction of such court and to service of process in any such suit being made upon the Guarantor by mail at the address specified by reference in Section 13. The Guarantor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

15. WAIVER OF JURY TRIAL. THE GUARANTOR HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS GUARANTY, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY OF SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Guarantor hereby waives

any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Guarantor acknowledges and agrees that the Administrative Agent and the Lenders, in entering into the Credit Agreement and the other Loan Documents to which the Administrative Agent or any Lender is a party, the Administrative Agent and the Lenders are relying upon, among other things, the waivers and certifications contained in this Section 15 and that no representative, agent or attorney of any such party has represented to the Guarantor that such party would not, in the event of litigation, seek to enforce the foregoing waivers.

16. MISCELLANEOUS. This Guaranty constitutes the entire agreement of the Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of any of the Obligations or cash collateral for Reimbursement Obligations as contemplated by Sections 4.2(b) and (c) of the Credit Agreement. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

[NAME OF GUARANTOR]

By: _____
Name:
Title:

Address:

_____

_____

_____

Telex: _____

Schedule 1

Domestic and Eurodollar Lending Office	Commitment	Commitment Percentage
Fleet National Bank 100 Federal Street Boston, MA 02110 Attn: Susan L. Pardus-Galland	$25,000,000	25%
HSBC Bank USA 452 5th Avenue, 4th Floor New York, NY 10018 Attn: Jill Kern, Diane D'Erasmo	$17,500,000	17.5%
The Bank of New York One Wall Street, 8th Floor New York, NY 10286 Attn: Johna Fidanza, Howard Bascom	$11,500,000	11.5%
The Chase Manhattan Bank 1411 Broadway, 5th Floor New York, NY 10018 Attn: Craig Transue, Thomas Bell	$11,500,000	11.5%
The Northern Trust Company 50 South La Salle Street Chicago, IL 60675 Attn: Roger McDougal	$11,500,000	11.5%
Firstar Bank, N.A. One Mercantile Center 7th & Washington, Tram 12-3 St. Louis, MO 63101 Attn: Thomas L. Bayer	$11,500,000	11.5%
National City Bank One South Broad Street Philadelphia, PA 19107 Attn: Tara Handforth, Tom McDonnell	$11,500,000	11.5%
TOTAL	$100,000,000	100%

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 7.3: TITLE TO PROPERTIES

February 27, 2001

None

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 7.7: LITIGATION
February 27, 2001

None

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 7.16: ENVIRONMENTAL COMPLIANCE

February 27, 2001

None

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 7.17: SUBSIDIARIES

February 27, 2001

WHOLLY-OWNED SUBSIDIARIES OF COACH, INC.

Coach Leatherwear International, Inc., a Delaware corporation
Coach Stores Puerto Rico, Inc., a Delaware corporation
Coach Europe Services, Srl, an Italian company
Coach United kingdom, Ltd., an United Kingdom limited

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 7.19 MATERIAL AGREEMENTS WITH SLC

February 27, 2001

1. Master Separation Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

2. General Assignment and Assumption Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

3. Employee Matters Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

4. Tax Sharing Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, Coach, Inc., a Maryland corporation, certain affiliates and subsidiaries of Sara Lee party thereto, and certain affiliates and subsidiaries of Coach, Inc., party thereto.

5. Master Transitional Services Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

6. Real Estate Matters Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

7. Indemnification and Insurance Matters Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

8. Lease Indemnification and Reimbursement Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation, and the irrevocable standby letter of credit for the benefit of Sara Lee Corporation issued pursuant to the terms thereof.

9. Letter Agreement dated July 2, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 9.1: INDEBTEDNESS

February 27, 2001

1. An irrevocable standby letter of credit for the benefit of Sara Lee Corporation pursuant to that certain Lease Indemnification and Reimbursement Agreement dated August 24, 2000, between Sara Lee Corporation, a Maryland corporation, and Coach, Inc., a Maryland corporation.

2. Indebtedness in respect of that certain Development Agreement between the City of Jacksonville and Coach, Inc. (as successor by merger to Coach Distribution Company), dated as of October 10, 1994, in an aggregate principal amount outstanding as of the Closing Date of not greater than $3,800,000.

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 9.2: EXISTING LIENS

February 27, 2001

Miscellaneous liens for copy machines, computers, office equipment and other miscellaneous equipment

Coach, Inc.
$100M Senior Unsecured Revolving Credit Facility
SCHEDULE 9.3: EXISTING INVESTMENTS

February 27, 2001

None

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANT

As independent public accountants, we hereby consent to the use of our report dated July 26, 2000, (except with respect to the matters discussed in Note 3 and Note 17, as to which the date is October 4, 2000 and to Note 13 and Note 18, as to which the date is January 26, 2001) included in the Coach, Inc. Registration Statement on Form S-4 and to all references to our Firm, included in this registration statement.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
March 26, 2001

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANT

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated July 28, 2000, (except with respect to the matter discussed in the subsequent event note as to which the date is August 16, 2000) included in Sara Lee Corporation's Form 10-K for the year ended July 1, 2000, and to all references to our Firm included in this registration statement.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
March 26, 2001