AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 28, 2000

REGISTRATION NO. 333-39502

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COACH, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

COPIES TO:

CHARLES W. MULANEY, JR., ESQ.	KEITH S. CROW, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS)	KIRKLAND & ELLIS
333 WEST WACKER DRIVE	200 EAST RANDOLPH DRIVE
CHICAGO, IL 60606	CHICAGO, IL 60601
(312) 407-0700	(312) 861-2000

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

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

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

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

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

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

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

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SUBJECT TO COMPLETION. DATED AUGUST 28, 2000.

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

7,380,000 Shares

[LOGO]

Common Stock

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

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

SEE "RISK FACTORS" ON PAGE 6 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

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

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

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

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

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

PRUDENTIAL SECURITIES

Prospectus dated , 2000.

DESCRIPTION OF ARTWORK

Inside front cover

Headline: COACH EST. NEW YORK CITY 1941

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

Bi-fold first page in Prospectus

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

PROSPECTUS SUMMARY

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

OUR BUSINESS

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

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

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

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

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

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

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

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

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

OUR COMPETITIVE ADVANTAGES

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

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;
- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;
- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;
- a well-developed multi-channel presence, allowing us to serve our customers wherever they choose to shop; and
- recognition as a desirable resource for both personal and business gift-giving occasions.

However, to remain competitive in our industry, we must also accurately anticipate consumer trends and tastes. For more information regarding the risks associated with our business, see "Risk Factors" beginning on page 6.

OUR STRATEGIES

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

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

- introducing seasonal variations of successful styles in fashionable colors and fabrics;
- updating our core collections; and
- launching new collections, product additions, line extensions and product categories.

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

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

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

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

- streamlining product introduction;

- implementing a new product development process and timeline;

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

- expanding our East Asian independent manufacturing capabilities.

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

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

OUR RELATIONSHIP WITH SARA LEE

We were founded in 1941, and have been owned by Sara Lee Corporation since 1985. After the completion of this offering, Sara Lee will own approximately 82.6% of the outstanding shares of our common stock, or approximately 80.5% if the underwriters fully exercise their option to purchase additional shares. Sara Lee currently is planning to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock in a tax-free split-off within 18 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other method. Sara Lee is not obligated to complete any distribution and we cannot assure you as to whether, when or how it will occur.

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

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

THE OFFERING

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

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

The number of shares of our common stock to be outstanding immediately after this offering does not take into account approximately 5,385,605 shares of our common stock reserved for issuance under our stock plans. At the time of the offering, we intend to grant options to purchase up to approximately 3,503,517 shares of our common stock at the offering price to some of our officers and employees. In addition to the common stock reserved for issuance under our stock plans, we intend to offer to approximately 60 employees options to purchase up to an aggregate of 1,589,441 shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock.

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

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

SUMMARY FINANCIAL DATA

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

	FISCAL YEAR ENDED				
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				
CONSOLIDATED AND COMBINED STATEMENT OF INCOME DATA: (1)					
Net sales	$512,645	$540,366	$522,220	$507,781	$548,918
Gross profit	300,668	313,280	286,708	281,591	328,833
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816
Unusual items	--	--	--	7,108	--
Operating income	62,047	44,269	25,013	19,475	56,017
Net income	42,860	32,037	20,663	16,715	38,603
UNAUDITED PRO FORMA STATEMENT OF INCOME DATA (2):					
Unaudited pro forma as adjusted net income					$ 35,066
Unaudited pro forma as adjusted basic net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share					42,406
Unaudited pro forma as adjusted diluted net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted diluted income per share					42,440

	FISCAL YEAR ENDED					PRO FORMA
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JULY 1, 2000 (2)
	(UNAUDITED)	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				(UNAUDITED)
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:						
Working capital	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 54,110
Total assets	237,234	252,929	257,710	282,088	296,653	232,870
Inventory	92,814	102,209	132,400	101,395	102,097	102,097
Receivable from Sara Lee (3)	--	--	--	54,150	63,783	--
Payable to Sara Lee	6,541	8,300	11,088	--	--	--
Long term debt	3,845	3,845	3,845	3,810	3,775	94,775
Stockholders' net investment (3)	131,961	165,361	186,859	203,162	212,808	58,046

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

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

RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approximately 65% of our fiscal year 2000 non-licensed product needs, measured as a percentage of total units produced, were supplied by over 20 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 24% of our product needs for fiscal year 2000. Our international manufacturers are subject to many risks, including foreign governmental regulations, political unrest, disruptions or delays in shipments, changes in local economic conditions and trade issues. These factors, among others, could influence the ability of our independent manufacturers to make or export our products cost-effectively or at all or to procure some of the materials used in our products. The violation of labor or other laws by any of our independent manufacturers, or the divergence of an independent manufacturer's labor practices from those generally accepted as ethical by us or others in the U.S., could damage our reputation and force us to locate alternative manufacturing sources. Currency exchange rate fluctuations could also make raw materials more expensive for our independent manufacturers, and they could pass these increased costs along to us, resulting in higher costs and decreased margins for our products. If any of these factors were to render a particular country undesirable or impractical as a source of supply, there could be an adverse effect on our business.

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

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

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

RISKS RELATED TO OUR RELATIONSHIP WITH SARA LEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Sara Lee or its affiliates or subsidiaries;

- Sara Lee's business;

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

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

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

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

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

- quarterly variations in our operating results;

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

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

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

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

- general market conditions; and

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

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

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

Our charter and bylaws and Maryland law contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions have little significance while we are controlled by Sara Lee, but could have considerable significance in the future. Our charter permits our board of directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our board of directors may classify or reclassify any unissued shares of common stock or preferred stock and

may set the preferences, rights and other terms of the classified or reclassified shares. Although our board of directors has no intention to do so at the present time, it could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

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

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

OUR SEPARATION FROM SARA LEE

OVERVIEW

On May 30, 2000, Sara Lee announced a plan to narrow its focus on a smaller number of global branded consumer packaged goods businesses by, among other things, initiating plans to dispose of some of its non-core businesses. The plan includes the initial public offering of up to 19.5% of our common stock, to be followed by a distribution of our common stock by Sara Lee. We will complete the separation of our business from Sara Lee, including the transfer of related assets and liabilities, before the completion of this offering. Until the completion of this offering, we will be a wholly-owned subsidiary of Sara Lee.

BENEFITS OF THE SEPARATION

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

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

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

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

SEPARATION AND TRANSITIONAL ARRANGEMENTS

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

DISTRIBUTION BY SARA LEE OF OUR COMMON STOCK

After completion of this offering, Sara Lee will own approximately 82.6% of the outstanding shares of our common stock, or approximately 80.5% if the underwriters fully exercise their option to purchase additional shares from us. Sara Lee currently is planning to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock, in a tax-free split-off within 18 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other method. Sara Lee is not obligated to complete any distribution, and we cannot assure you as to whether, when or how it will occur. Sara Lee, in its sole and absolute discretion, will determine the date of any distribution and its timing, terms and conditions. Sara Lee's decision whether to proceed with any distribution is subject to various considerations, including the taxable or tax-free nature of the distribution, future market conditions and other circumstances that may cause Sara Lee's board of directors to conclude that a distribution would not be in the interests of Sara Lee's stockholders. We have agreed to take all actions reasonably requested by Sara Lee to facilitate the distribution.

USE OF PROCEEDS

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

DIVIDEND POLICY

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

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

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

CAPITALIZATION

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

- on an actual basis;

- on a pro forma basis to reflect the transactions related to our separation from Sara Lee; and

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

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

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

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

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

DILUTION

Our net tangible book value at July 1, 2000 was approximately $198 million. Pro forma net tangible book value per share is determined by dividing our pro forma tangible net worth, which is total tangible assets less total liabilities, by the number of shares of common stock outstanding immediately before this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at July 1, 2000 would have been approximately $(56.2) million, or $(1.61) per share. This represents an immediate increase in pro forma net tangible book value of $2.62 per share to our existing stockholder and an immediate dilution in pro forma net tangible book value of $13.99 per share to new investors purchasing shares of common stock in this offering.

The following table illustrates the per share dilution:

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

The discussion and table above assume no exercise of options outstanding under our stock plans and no issuance of shares reserved for future issuance under our stock plans. Approximately 5.4 million shares of our common stock are reserved for issuance under our stock plans. At the time of this offering, we intend to grant options to purchase up to approximately 3.5 million shares of our common stock at the offering price to some of our directors, officers and employees. In addition to the common stock reserved for issuance under our stock plans, we intend to offer to approximately 60 employees up to an aggregate of 1.6 million shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock. To the extent that any options to purchase our common stock are granted and exercised, there will be further dilution to new investors.

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

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

Nominal cash was paid by Sara Lee in consideration for our common stock. Accordingly, the cash consideration related to the existing stockholder is reported as zero in the table above.

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

- the number of shares of common stock held by our existing stockholder will decrease to approximately 80.5% of the total number of shares of common stock outstanding; and

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated and combined statements of income for the year ended July 1, 2000 and the unaudited pro forma consolidated and combined balance sheet as of July 1, 2000 set forth below illustrate capital structure adjustments related to our separation from Sara Lee and our receipt of the net proceeds from this offering and our use of these proceeds to repay a portion of the indebtedness owed to a subsidiary of Sara Lee. The pro forma adjustments are based on available information and upon assumptions Coach believes are reasonable. The pro forma consolidated and combined statements of operations do not purport to represent what Coach's results of operations would actually have been or to project Coach's results of operations for any future period.

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME

	FISCAL YEAR ENDED JULY 1, 2000			
	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	OPERATING STRUCTURE ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Net sales	$ 548,918	$ --	$ --	$ 548,918
Cost of sales	220,085			220,085
Gross profit	328,833	--	--	328,833
Selling, general, and administrative expenses	272,816		232 (4)(5)	273,048
Operating income	56,017	--	(232)	55,785
Interest income	33	1,806 (1)		1,839
Interest expense	(420)	(6,671)(2)		(7,091)
Income before income taxes	55,630	(4,865)	(232)	50,533
Income taxes	17,027	(1,489)(3)	(71) (3)	15,467
Net income	$ 38,603	$(3,376)	$(161)	$ 35,066
Unaudited pro forma as adjusted net income per share				$ 0.83
Shares used in computing unaudited pro forma as adjusted net income per share				42,406,333

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF INCOME FOOTNOTES

(1) Reflects interest income earned on cash deposits with Sara Lee at an assumed annual rate of 6.42%.

(2) Reflects:

- the assumption, prior to the offering, of $190 million of indebtedness to a subsidiary of Sara Lee and the resulting reduction in equity;

- our sale of 7,380,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share and after deducting an assumed underwriting discount and estimated offering expenses payable by Coach;

- our use of the net offering proceeds of $99 million to repay a portion of the $190 million of indebtedness and interest expense on the unpaid balance of the indebtedness of $91 million at an assumed annual rate of 6.92%, resulting in a $6.3 million expense in fiscal year 2000;

- $0.3 million of interest expense incurred in fiscal year 2000 as a result of borrowings under our revolving credit facility at an assumed annual rate of 6.92%; and

- $0.07 million of expense as a result of a commitment fee of 0.1% on unborrowed amounts under our revolving credit facility.

(3) Reflects the impact of income taxes at an effective tax rate of 30.6%.

(4) Reflects a net $0.165 million expense resulting from the difference in estimated costs for the services to be provided by Sara Lee under the Master Transitional Services Agreement, at a cost of $1.0 million per year, from the costs historically allocated to us for these services.

(5) Reflects a $0.067 million expense related to the conversion of Sara Lee stock options into Coach stock options. All eligible options are assumed to convert using an assumed Sara Lee stock price, the closing price of Sara Lee stock on August 23, 2000, of $19.06 and an initial public offering price of $15.00.

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

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET

	AS OF JULY 1, 2000			
	ACTUAL	CAPITAL STRUCTURE ADJUSTMENTS	OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS)			
ASSETS				
Total current assets	$133,688			$133,688
Receivable from Sara Lee	63,783	$ (63,783)(1)		--
Trademark and other assets	10,590			10,590
Property, net	65,184			65,184
Deferred income taxes	18,189			18,189
Goodwill, net	5,219			5,219
Total assets	$296,653	$ (63,783)	$	$232,870
LIABILITIES AND STOCKHOLDERS' EQUITY				
Total current liabilities	$ 79,599		$ (21)(4)	$ 79,578
Long-term debt	3,735	$ 190,000(2)	(99,000)(5)	94,735
Other Liabilities	511			511
Preferred stock (authorized 25,000,000 shares; $.01 par value) None issued	--			--
Common stock (authorized 100,000,000 shares; $.01 par value) issued--1,000 shares on an actual basis, 42,406,333 on a pro forma as adjusted basis	--	350(3)	74(5)	424
Capital surplus	--	(41,030)(2)(3)	98,947(4)(5)	57,917
Sara Lee Corporation equity	213,103	(213,103)(1)(2)(3)		--
Accumulated other comprehensive loss	(295)			(295)
Total equity	212,808	(253,783)	99,021	58,046
				--
Total liabilities and common stockholders' equity	$296,653	$ (63,783)	$	$232,870

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET FOOTNOTES

(1) Reflects the capitalization of the receivable from Sara Lee in the amount of $63.8 million into Sara Lee Corporation equity.

(2) Reflects the assumption, prior to the offering, of $190 million of indebtedness to a subsidiary of Sara Lee and the resulting reduction in equity.

(3) Reflects a 35,026.333 to 1.0 common stock split that will result in 35,026,333 shares of Coach common stock outstanding after the split.

(4) Reflects a $0.021 million tax benefit related to the conversion of Sara Lee employee stock options into Coach employee stock options. All eligible options are assumed to convert based on an assumed Sara Lee stock price of $19.06, the closing price of Sara Lee stock on August 23, 2000, and initial public offering price of $15.00.

(5) Reflects use of the estimated net offering proceeds to repay a portion of the $190 million of indebtedness, resulting in an unpaid balance of approximately $91 million.

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

SELECTED FINANCIAL DATA

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

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

	FISCAL YEAR ENDED				
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)				
STATEMENT OF OPERATIONS DATA: (1)					
Net sales	$512,645	$540,366	$522,220	$507,781	$548,918
Cost of sales	211,977	227,086	235,512	226,190	220,085
Gross profit	300,668	313,280	286,708	281,591	328,833
Selling, general and administrative expenses	238,621	269,011	261,695	255,008	272,816
Unusual items	--	--	--	7,108	--
Operating income	62,047	44,269	25,013	19,475	56,017
Net interest expense	247	492	236	414	387
Minority interest	--	95	(66)	--	--
Income before income taxes	61,800	43,682	24,843	19,061	55,630
Income taxes	18,940	11,645	4,180	2,346	17,027
Net income	$ 42,860	$ 32,037	$ 20,663	$ 16,715	$ 38,603
UNAUDITED PRO FORMA STATEMENT OF OPERATINS DATA: (2)					
Unaudited pro forma as adjusted net income					$ 35,066
Unaudited pro forma as adjusted basic net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share					42,406
Unaudited pro forma as adjusted diluted net income per share					$ 0.83
Shares used in computing unaudited pro forma as adjusted diluted net income per share					42,440

	FISCAL YEAR ENDED					PRO FORMA
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000	JULY 1, 2000 (2)
	(UNAUDITED)	(UNAUDITED)	(DOLLARS IN THOUSANDS)			(UNAUDITED)
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:						
Working capital.....	$ 38,614	$ 65,709	$ 95,554	$ 51,685	$ 54,089	$ 54,110
Total assets.....	237,234	252,929	257,710	282,088	296,653	232,870
Inventory.....	92,814	102,209	132,400	101,395	102,097	102,097
Receivable from Sara Lee (3).....	--	--	--	54,150	63,783	--
Payable to Sara Lee..	6,541	8,300	11,088	--	--	--
Long term debt.....	3,845	3,845	3,845	3,810	3,775	94,775
Stockholders' net investment (3).....	131,961	165,361	186,859	203,162	212,808	58,046

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

(3) Coach and Sara Lee expect that, prior to the offering, the receivable from Sara Lee will be capitalized into stockholders' net investment. No cash will be paid or collected by either party.

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

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

OVERVIEW

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

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

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

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

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

Selling, general and administrative, or SG&A, expenses consist of all expenses directly related to selling our products, such as store rent payments, store employee compensation, product distribution expenses, marketing and promotion costs, mail order costs, new product design and

other administrative expenses. SG&A expenses are affected by the number of stores we operate in any fiscal period and the relative proportions of retail and wholesale sales. SG&A expenses increase as we operate more stores, although an increase in the number of stores generally enables us to spread the fixed portion of our SG&A expenses over a larger sales base.

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

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

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

SALES

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

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

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

(2) 53 week fiscal year.

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

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

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

RESULTS OF OPERATIONS

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

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

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

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

(2) 53 week fiscal year.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

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

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

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

- the timing of new store openings;

- net sales and profits contributed by new stores;

- shifts in the timing of holidays;

- changes in our merchandise mix; and

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

QUARTERLY OPERATING RESULTS

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

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

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

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

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

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

FISCAL YEAR 2000 COMPARED TO FISCAL YEAR 1999

NET SALES

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

DIRECT TO CONSUMER. Net sales increased 4.6% to $352.0 million in fiscal 2000 from $336.5 million during fiscal 1999. This sales growth was primarily attributable to comparable store sales growth of 7.8% 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 12.3% and 3.5%, respectively. We renovated 23 retail stores during fiscal 2000, which generated incremental sales growth after their renovation. This growth was partially offset by a $7.3 million reduction of warehouse sales events and employee sales, the closing of three retail stores and one factory store and the temporary closure of some stores for renovations.

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

GROSS PROFIT

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased 7.0% to $272.8 million in fiscal 2000 from $255.0 million in fiscal 1999. As a percentage of net sales, SG&A expenses were 49.7%, compared to 50.2% in fiscal 1999. SG&A expenses in fiscal 2000 increased in dollars but decreased as a percentage of net sales. These changes primarily resulted from increases in performance-based compensation of $11.3 million, operating costs associated with eight retail store and two factory store openings and store expansions of $2.5 million, design expenses of $3.2 million and advertising expenses of $2.3 million.

OPERATING INCOME

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

INCOME TAXES

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

NET INCOME

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

FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 1998

NET SALES

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

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

WHOLESALE. Sales decreased 9.2% to $171.3 million in fiscal 1999 from $188.7 million in fiscal 1998. These results were primarily due to increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products. Discontinuation of the Mark Cross product line reduced wholesale shipments by $1.8 million. Fiscal 1999 wholesale results include $1.8 million of sales in week 53. Licensing revenue increased 167% to $0.8 million in fiscal 1999 from $0.3 million in fiscal 1998. This increase reflects the full year impact of the Coach watch licensing arrangement.

GROSS PROFIT

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.6% to $255.0 million in fiscal 1999 from $261.7 million in fiscal 1998. As a percentage of net sales, SG&A expenses increased to 50.2% in fiscal 1999 as compared to 50.1% in fiscal 1998. The decrease in SG&A expenses was primarily the result of a fiscal 1998 $7.0 million one-time charge associated with the shutdown costs for Mark Cross stores and the men's apparel line along with the conversion of our footwear business. Bad debt expense decreased $2.5 million versus fiscal 1998. This was due to enhanced product fulfillment, which has significantly reduced wholesale account chargebacks, and process improvements in our retail stores that have minimized losses from returned checks. These reductions were partially offset by new store operating costs for four retail and two factory stores of $2.7 million and one-time store closure costs of $4.2 million.

Additionally, information technology expenses in fiscal 1999 were $4.3 million less than fiscal 1998. The reduction in expenses was due to lower development and training costs following the 1997 implementation of our enterprise resource planning software system, which supports our accounting, procurement, inventory control and sales functions.

REORGANIZATION COSTS

In fiscal 1999, we reorganized and consolidated our manufacturing and distribution operations, which resulted in reorganization costs of $7.1 million. This reorganization included the closure of the Carlstadt, New Jersey warehouse and distribution center; the closure of the Italian manufacturing operation; and the reorganization of the Florida manufacturing facility. The reorganization plan included the elimination of 737 employee positions. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all distribution functions at the Jacksonville, Florida distribution center.

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

These actions were undertaken to reduce product cost and distribution expense. Savings from these actions were realized in fiscal years 1999 and 2000 and are expected to favorably impact future operating results.

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

OPERATING INCOME

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

INCOME TAXES

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

NET INCOME

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

FISCAL YEAR 1998 COMPARED TO FISCAL YEAR 1997

NET SALES

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

DIRECT TO CONSUMER. Net sales increased 0.8% to $333.5 million in fiscal 1998 from $331.0 million in fiscal 1997. Sales increased $8.6 million due to the opening of eight new retail stores and nine new factory stores in fiscal 1998, while closing five retail stores and one factory store. However, this increase was offset by a 5.0% decline in comparable store sales for retail stores open for one full year while comparable store sales for factory stores open for one full year were flat. Overall, comparable store sales decreased 2.5%. The sales increases were offset by a decrease of $9.0 million due to discontinuing the Mark Cross product line and a decrease of $3.9 million due to fewer employee sales.

WHOLESALE. Net sales decreased 9.9% to $188.7 million in fiscal 1998 from $209.4 million in fiscal 1997. This decrease was attributable to a decline in shipments to international distributors as a result of the economic downturn in Asia and declining U.S. wholesale shipments because of our product assortment. Product returns from wholesale accounts in fiscal 1998 decreased by $4.3 million as compared to fiscal 1997. Royalties of $0.3 million were generated by the Coach watch licensing arrangement.

GROSS PROFIT

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.7% to $261.7 million in fiscal 1998 from $269.0 million in fiscal 1997. As a percentage of net sales, SG&A expenses increased to 50.1% in fiscal 1998 from 49.8% fiscal 1997. In fiscal 1998, SG&A expenses benefited from $6.0 million in reductions associated with development and training costs following the implementation of the comprehensive planning

software system in 1997. Additional decreases in SG&A expenses were achieved by the elimination of Mark Cross store expenses and the reduction of staff dedicated to the Mark Cross, men's apparel and footwear product lines. These permanent reductions of $7.8 million in annual costs were offset by one time costs of $7.0 million. These costs included unabsorbed store operating costs of $2.6 million, severance of $2.2 milion and losses on the disposition of fixed assets of $2.2 million, which were recognized in SG&A expense when management committed to a plan to close these stores in 1998. The store closures were completed in 1998. Fiscal 1998 also benefitted by a reduction in amortization of intangibles of $1.4 million versus fiscal 1997. These savings were partially offset by increased operating costs in fiscal 1998 related to the opening of eight retail stores and nine factory stores of $2.3 million.

OPERATING INCOME

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

INCOME TAXES

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

NET INCOME

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

LIQUIDITY AND CAPITAL RESOURCES

Historically, Sara Lee has managed cash on a centralized basis for Coach and its other businesses. Cash receipts associated with our business have been transferred directly to Sara Lee on a daily basis and Sara Lee has provided funds to cover our disbursements. In accordance with the separation agreement, Sara Lee will transfer to us the assets and liabilities which relate to our business on the separation date, including an intercompany note payable to a Sara Lee subsidiary. The net proceeds of this offering will be used to repay a portion of this note.

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

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

Our future capital requirements will depend on the timing and rate of expansion of our businesses, new store openings, renovations and international expansion opportunities. On July 2, 2000, we entered into a revolving credit facility with Sara Lee under which we may borrow up to $75 million. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds more than 50% of our outstanding capital stock. We anticipate that at or prior to such time we will enter into a revolving credit facility with a banking institution. We also will assume $190 million of indebtedness which will be partially repaid with the net proceeds of the offering. Both the revolving credit facility and long term debt will contain covenants requiring us to 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 and lease obligations in excess of amounts approved by Sara Lee. We are required to repay these borrowings from cash flows from operations as reduced by capital expenditures.

We intend to open 50 new retail stores over the next three years. We plan to open 15 of these stores in fiscal year 2001, 15 in 2002, and 20 in 2003. We also expect to complete our store renovation program over that time period. We intend to finance these investments from internally generated cash flow or by drawing down from our revolving credit facility. Historically, new store opening costs are expensed as incurred and have not been significant to our results.

We experience significant seasonal variations in our working capital requirements. During the first fiscal quarter we build inventory for the holiday selling season, open new retail stores and increase trade receivables. In the second fiscal quarter our working capital requirements are reduced substantially as we generate consumer sales and collect wholesale accounts receivable. In the first quarter of fiscal 2001, we anticipate purchasing $70 million of inventory which will be funded by operating cash flow and by borrowings under our revolving credit facility. We expect to repay those borrowings under the revolving credit facility in the second fiscal quarter. We believe that our operating cash flow together with our revolving credit facility will provide sufficient capital to fund our operations for the next 12 months.

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

SEPARATION AGREEMENTS WITH SARA LEE

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

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

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

The Lease Indemnification and Reimbursement Agreement relates to the transfer of leases to us from Sara Lee. Currently, Sara Lee is a guarantor or a party to virtually all of our store leases. We have agreed to make efforts to remove Sara Lee from all of our existing leases and, with a few exceptions, Sara Lee will not guarantee or be a party to any new or renewed leases that we enter into after our separation from Sara Lee. We have agreed to obtain a letter of credit for the benefit of Sara Lee in an amount approximately equal to the annual minimum rental payments under leases transferred to us by Sara Lee but for which Sara Lee retains contingent liability. We are required to obtain this letter of credit as of the date Sara Lee no longer is allowed to consolidate our results of operations and financial position, and to maintain the letter of credit until the annual minimum rental

payments under the relevant leases are less than $2.0 million. We currently expect the initial letter of credit to have a maximum amount of approximately $23 million and that we will be required to maintain the letter of credit for at least 10 years. Since the amount of the letter of credit will not be known until Sara Lee no longer is allowed to consolidate our results of operations and financial position, and the terms of the letter of credit will not be negotiated until that time, an estimate of the fees we will incur for this letter of credit cannot currently be made and are not reflected in the pro forma financial information contained in this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

FOREIGN EXCHANGE

Approximately 65% of our fiscal year 2000 non-licensed product needs are purchased from independent manufacturers in countries such as China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. Additionally, sales are made through international channels to third-party distributors. Substantially all purchases and sales involving international parties are denominated in U.S. dollars and therefore are not hedged using any derivative instruments. We have not used foreign exchange instruments in the past nor do we expect to use them in the future.

INTEREST RATE

Historically, Sara Lee has made all of our cash management and short term investment decisions. We have fixed rate long-term debt related to the Jacksonville distribution center and use the sensitivity analysis technique to evaluate the change in fair value of this debt instrument. At the end of 2000, the effect of a 10% change in market interest rates was approximately $0.2 million. We do not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

COMMODITY

We buy tanned leather from various suppliers based upon fixed price purchase contracts that extend for periods up to six months. These purchases are not hedged with any derivative instrument. Due to the purchase contracts that are in place, we do not expect that a sudden short-term change in leather prices will have a significant effect on our operating results or cash flows. However, we use the sensitivity analysis technique to evaluate the change in fair value of the leather purchases based upon longer-term price trends. At the end of 2000, a 10% change in the underlying price of tanned leather would have had a $7.1 million effect on cost of sales.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

REORGANIZATION COSTS

In the first quarter of fiscal 2001, management of Sara Lee and Coach committed to and announced a plan to close the Medley, Florida manufacturing facility by December 2000. This reorganization plan involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. We will record a reorganization cost of approximately $6.3 million in the first quarter of fiscal year 2001. The reorganization cost includes worker separation costs, lease termination costs, and the write down of long-lived assets to net realizable value.

OVERVIEW

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

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

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

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

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

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

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

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

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

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

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;
- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;
- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;
- a well-developed multi-channel presence allowing us to serve our customers wherever they choose to shop; and
- recognition as a desirable resource for both personal and business gift-giving occasions.

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

GROWTH STRATEGIES

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

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

- seasonal variations of successful styles in new colors, leathers and fabrics that reflect current fashion trends;
- new collections, product additions and line extensions that add to our existing product portfolio, such as the recently-launched Coach Hamptons collection of handbags and accessories, which introduce new shapes, fabrics and detailing to our existing handbag and accessories portfolio;
- new categories of product offerings, such as electronic accessories and products for the home and for pets;
- continual updates to our core collections, such as a classic briefcase in a new, lightweight travel twill; and

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

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

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

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

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

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

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

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

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

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

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

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

- implementing a new product development process and timeline;

- improving time to market capabilities and efficiencies;

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

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

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

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

- shortening product lead times to improve inventory management; and

- continuing implementation of a comprehensive supply chain management strategy.

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

CAPITALIZE ON GROWING INTEREST IN E-COMMERCE. Through August 1, 2000, our on-line store, COACH.COM, has generated $4.7 million in net sales since its launch in October 1999. Our 20 years of Coach catalog experience gives us expertise in order fulfillment and remote retailing that, we believe, leads to superior customer service and, consequently, high repeat traffic. Our website meets growing consumer demand for the flexibility and convenience of shopping over the Internet by offering a selective array of our products.

OUR PRODUCTS

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

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

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

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

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

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

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

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

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

OUTERWEAR, GLOVES AND SCARVES. Primarily a cold weather category, the assortment is approximately 60% women's and contains a fashion assortment in all three categories. In total, this category represents approximately 2% of our net sales. Our line of outerwear generally sells at a range of retail prices from $250 to $890.

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

FOOTWEAR. Jimlar Corporation became our footwear licensee in 1998 after a three year relationship whereby we previously purchased Coach shoes manufactured by Jimlar Corporation for sale. Our footwear is developed and manufactured in Italy and is distributed through 66 locations in the U.S. Jimlar plans to expand distribution to over 250 locations by June 2001. 92% of the business is in women's footwear. The collections coordinate with our handbags and employ fine materials including calf and suede. Patent, pearlized, hair calf and exotic leathers are also used for quality, styling and comfort. Footwear, including boots, generally retails between $130 to $350 a pair.

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

EYEWEAR. Our newest licensed product line, Coach Eyewear, was launched in April 2000. Our licensing partner in this venture is Signature Eyewear, Inc. Sunglasses from the Coach Eyewear collection are available in Coach retail stores and in selected U.S. wholesale locations. Eyeglasses and sunglasses will also be available through approximately 860 selected prescription eyewear locations throughout the U.S. Eyewear generally sells for $120 to $210 at retail.

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

DESIGN AND MERCHANDISING

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

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

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

MARKETING

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

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

In the U.S., we currently spend approximately $12 million annually for national, regional and local advertising, primarily print and outdoor advertising, in support of our major selling seasons. In Japan, we currently spend approximately $1.5 million annually for advertising, primarily outdoor advertising at strategic locations, print advertising and advertorials all of which is funded by our distributors. Coach catalogs and COACH.COM also serve as effective brand communications vehicles, driving store traffic as well as direct to consumer sales. Our co-branding partners including Toyota, Lexus, Palm and Motorola, have together spent over $24 million in advertising relating to our brand over the past four years, and through their programs have strengthened the Coach brand cachet. Our licensees spend an additional $4 million annually as part of an integrated campaign, which we control both in concept design and execution. In conjunction with promoting a consistent global image, we use our extensive customer database and consumer knowledge to target specific products and communications to specific consumers to stimulate sales across all distribution channels efficiently.

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

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

CHANNELS OF DISTRIBUTION

DIRECT TO CONSUMER

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

RETAIL STORES. Our retail stores establish, reinforce and capitalize on the image of the Coach brand. We own and operate 106 retail stores in the U.S. that are located in upscale regional shopping centers and metropolitan areas. We operate six flagship stores, which offer the broadest assortment of our products, in high-visibility locations such as New York and San Francisco. Our average store size is approximately 1,900 square feet. The following table shows the number of our retail stores and their total square footage:

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

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

E-COMMERCE. We launched our e-commerce website, COACH.COM, in early October 1999 in anticipation of the holiday season. Although this business is relatively new, approximately 2.0 million consumers have already visited the site, generating $4.7 million in net sales through August 1, 2000. We believe we are positioned to support strong near-term growth, with a simple, clean user interface and, based upon our direct mail expertise, excellent order fulfillment capabilities. Like our catalogs and brochures, our on-line store provides a showcase environment where consumers can browse through a selected offering of our latest styles and colors.

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

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

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

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

INDIRECT CHANNELS

We began as a wholesaler to department and specialty retail stores. This distribution channel remains very important to our overall consumer reach. We have grown our wholesale business by working closely with our customers, both domestic and international, to ensure a clear and consistent product presentation. As part of our business transformation, selected shop-within-shop locations in major department stores are being renovated to achieve the same modern look and feel of our Coach retail stores. By the end of 2000, we expect to have renovated 28 U.S. department store locations. We completed the renovation of approximately 50 international locations as of August 2000.

U.S. WHOLESALE. Our products are currently sold in the U.S. at more than 1,400 wholesale locations. This channel represents approximately 15% of our total sales. Recognizing the continued importance of U.S. department and specialty stores as a distribution channel for premier

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

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

	AT END OF FISCAL YEAR		
	1998	1999	2000
International Retail Stores	17	16	16
International Department Store Locations	129	132	132
Other International Locations	20	20	25

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

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

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

Products made under license are sold through all of the channels listed above and, with our approval, our licensees have the right to distribute Coach brand products selectively through several other channels: shoes in department store shoe salons, furniture through Baker's own showrooms, watches in jewelry stores and eyewear through selected prescription eyewear providers. Our licensing partners pay us royalties on their sales of Coach branded products. Our

licensing agreements generally give us the right to terminate the license if specified sales targets are not achieved. These new venues provide additional, yet controlled, exposure of our brand.

MANUFACTURING

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

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

About 65% of our fiscal year 2000 non-licensed product needs were supplied by independent manufacturers, measured as a percentage of total units produced. We buy independently manufactured products from a variety of countries, including China, Costa Rica, Mexico, India, Italy, Spain, Hungary and Turkey. We operate a European Sourcing and Product Development organization based in Florence, Italy which works closely with our New York-based design team. Our broad-based multi-country manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities. We carefully balance our commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. No one vendor provides more than 20% of our total requirements. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously-approved facilities are conducted on a random basis. We believe that all of our manufacturing partners are in compliance with our integrity standards.

We currently operate two manufacturing facilities in leased premises. In fiscal year 2000, our 66,000 square foot facility in Lares, Puerto Rico produced about 25% of our needs. As part of our strategy to shift production to independent manufacturers in lower-cost markets, we have announced our plan to cease operations at our other facility, located in Medley, Florida, by the end of calendar year 2000. In fiscal year 2000, this 107,000 square foot facility contributed approximately 10% of production.

DISTRIBUTION

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

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

MANAGEMENT INFORMATION SYSTEMS

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

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

COMPETITION

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

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

TRADEMARKS AND PATENTS

We own all of the material trademark rights used in connection with the production, marketing and distribution of all of our products, both in the U.S. and in the other countries in which our products are principally sold. We own and maintain worldwide registrations for trademarks in all relevant classes of products in each of the countries in which our products are sold. Our major trademarks include COACH, COACH AND LOZENGE design and COACH AND TAG design and we have

applications pending for a proprietary "C" SIGNATURE FABRIC design. In addition, several of our products are covered by design patents or patent applications. We aggressively police our trademarks and trade dress, and pursue infringers both domestically and internationally. We also pursue counterfeiters domestically and internationally through leads generated internally, as well as through our network of investigators, the Coach hotline and business partners around the world.

EMPLOYEES

As of August 1, 2000, we had approximately 3,500 employees, approximately 425 of which were covered by collective bargaining agreements. Of the total, approximately 1,520 are engaged in retail selling and administration positions and approximately 1,500 are engaged in manufacturing, sourcing or distribution functions. The remaining employees are engaged in other aspects of our business. We believe that our relations with our employees are good, and we have never encountered a strike or significant work stoppage.

GOVERNMENT REGULATION

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

LEGAL PROCEEDINGS

We are involved in various routine legal proceedings incident to the ordinary course of our business. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our business or financial condition.

PROPERTIES

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

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

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

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

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding each of our executive officers and directors as of August 1, 2000:

NAME	AGE	POSITION(S)
Lew Frankfort	54	Chairman, Chief Executive Officer and Director
Keith Monda	54	Executive Vice President, Chief Operating Officer and Director
David DeMattei	43	President, Retail Division
Reed Krakoff	36	President, Executive Creative Director
Richard Randall	62	Senior Vice President and Chief Financial Officer
Carole Sadler	40	Senior Vice President, General Counsel and Secretary
Felice Schulaner	39	Senior Vice President, Human Resources
Gary Grom	53	Director
Richard Oberdorf	48	Director

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

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

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

including Chief Financial Officer. Mr. DeMattei holds a Bachelor of Science degree in Business Administration from the University of San Francisco.

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

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

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

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

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

RICHARD OBERDORF has served as Vice President of Business Growth and Development for Sara Lee since September 1997. He has served as a member of our board of directors since June 1,

2000, the date of our incorporation. From September 1994 to September 1997, Mr. Oberdorf served as Chief Financial Officer of Sara Lee Personal Products. From July 1987 to September 1994, Mr. Oberdorf held various positions at Sara Lee and its divisions, including Chief Financial Officer of Playtex and Sara Lee Personal Products Pacific Rim. Prior to joining Sara Lee, Mr. Oberdorf was Senior Tax Manager with Price Waterhouse. Mr. Oberdorf holds an Accounting degree from Georgetown University.

BOARD STRUCTURE AND COMPENSATION

In addition to the four directors who currently comprise our board of directors, we intend to name three additional outside directors who will be appointed to our board prior to the completion of this offering. We anticipate that all three of these additional outside directors will comprise our audit committee and our compensation and employee benefits committee.

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

AUDIT COMMITTEE

Prior to the completion of this offering, we intend to establish an audit committee, which will be comprised entirely of outside directors. Our audit committee will review our auditing, accounting, financial reporting and internal control functions and will make recommendations to the board of directors for the selection of independent accountants. In addition, the committee will review our accounting principles and financial reporting, our compliance with foreign trade regulations as well as the independence of, and the non-audit services provided by, our independent accountants. In discharging its duties, the audit committee will:

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

COMPENSATION AND EMPLOYEE BENEFITS COMMITTEE

Prior to the completion of this offering, we intend to establish a compensation and employee benefits committee, which will be comprised entirely of outside directors. Our compensation and employee benefits committee will determine, approve and report to the board of directors on all elements of compensation for our elected officers, including targeted total cash compensation and long-term equity based incentives.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

DIRECTOR COMPENSATION

Directors who are Coach or Sara Lee employees receive no fees for their services as directors. Our non-employee directors will receive an annual retainer of $30,000 and an annual grant of

5,000 options to purchase shares of our common stock. The exercise price of these options will equal the fair market value of our common stock on the date of grant. Non-employee directors can elect to receive common stock, options to purchase common stock, or a combination of common stock and options, in lieu of all or any portion of the $30,000 annual retainer. In addition, non-employee directors may elect to defer part or all of their annual cash retainer under our Directors' Deferred Compensation Plan described below. Deferred amounts are invested in a stock equivalent account. Chairpersons of our board committees will receive an additional $5,000 annually. At the time of the offering, we intend to grant an option to purchase 5,000 shares of our common stock, at the offering price, to each of our non-employee directors.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

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

The following table sets forth the number of shares of Sara Lee common stock beneficially owned on August 1, 2000 by each director, each of the executive officers named in the Summary Compensation Table below and all of our directors and executive officers as a group. Except as otherwise noted, the individual director or executive officer or their family members has sole voting and investment power with respect to such stock. The total number of shares of Sara Lee common stock outstanding as of August 1, 2000 was 872,404,151.

	SHARES OF SARA LEE BENEFICIALLY OWNED	
NAME OF BENEFICIAL OWNER	NUMBER	PERCENTAGE
Lew Frankfort(1)	557,364	*
Keith Monda(2)	46,940	*
David DeMattei(3)	42,417	*
Reed Krakoff(4)	54,747	*
Carole Sadler(5)	15,067	*
Gary Grom(6)	640,197	*
Richard Oberdorf(7)	212,506	*
All directors and officers as a group (9 people)	1,569,238	*

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* Less than 1%.

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

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

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

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

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

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

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

EXECUTIVE COMPENSATION

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

SUMMARY COMPENSATION TABLE

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

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(1) Reflects the market value of restricted stock units on the date of grant. Market value was calculated based on $22.875 per share, 10,000 performance based restricted stock units granted to Lew Frankfort, and the following number of service-based restricted stock units: Keith Monda, 4,900; David DeMattei, 4,900; and Reed Krakoff, 4,200. 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. The restrictions lapse three years from the grant date if, and only to the extent that, certain performance goals or service requirements are met. To the extent the performance goals or service requirements are not attained, the restricted stock units, the escrowed dividends and interest will be forfeited.

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

for Carole Sadler. Includes Sara Lee's contributions under its employee stock ownership plan and supplemental retirement benefit plan of the following amounts on behalf of the following executive officers contained in the table above for fiscal year 1999: $28,072 for Lew Frankfort; $18,200 for Reed Krakoff; and $5,415 for Carole Sadler.

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

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

SARA LEE OPTION GRANTS IN LAST FISCAL YEAR

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

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* Less than 1.0%. The total options granted by Sara Lee to its employees in fiscal 2000 was 35,958,092.

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

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

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

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

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

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

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

SEVERANCE POLICY

Sara Lee has a severance policy for all corporate officers which covers fiscal year 2000. Upon the earlier of the consummation of this offering or the date that we adopt our own severance policy, Coach employees will no longer be covered by Sara Lee's severance policy. Sara Lee's policy provides, and the Coach policy will provide, that if an officer's employment is terminated without cause, the officer will receive from 12 to 24 months of salary as severance payments. The amount of actual severance payments depends on the officer's position, length of service and age. Under this policy, officers also receive a partial payment under the incentive plans with respect to the fiscal year in which the termination occurs. The terminated officer's participation in Sara Lee's insurance plans, except for disability insurance (which ends on the date of termination of employment), will continue for the same number of months for which he or she is receiving severance payments. Severance payments terminate if the terminated officer becomes employed by a competitor of Sara Lee.

RETIREMENT PLANS

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

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

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

STOCK OWNERSHIP GUIDELINES FOR EXECUTIVE OFFICERS

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

To facilitate our executives' achievement of our stock ownership guidelines, we intend to offer to approximately 60 employees who hold Sara Lee options at the time of this offering, options to purchase up to an aggregate of 1.6 million shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase shares of Sara Lee common stock. The number and exercise prices of these Coach options will be determined in a manner meant to reflect the difference between the fair market values of Sara Lee common stock and Coach common stock on the date of the consummation of this offering. The Coach options will maintain substantially the same vesting and exercise provisions as the Sara Lee options surrendered and cancelled. However, the Coach options will not be exercisable until the earlier of one year after this offering or the date on which Sara Lee ceases to own at least 80% of our capital stock; provided that in no event will these options be exercisable within six months of this offering. Sara Lee restricted stock units previously granted to these executive employees also may be converted into Coach restricted stock units, which will retain the same service-based vesting requirements.

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

We intend to assume any remaining Sara Lee options held by our employees on the date of any distribution of our common stock by Sara Lee and convert them into equivalent Coach options.

As of July 1, 2000, our employees held options to purchase 1,809,481 shares of Sara Lee common stock, including options held by the selected executive employees who are entitled to surrender their Sara Lee options and receive Coach options when this offering is completed.

Under several Sara Lee long-term performance or restricted stock plans, some of our key employees were granted restricted stock unit awards. As of August 1, 2000, our employees held 79,808 unvested Sara Lee performance-based restricted stock units and 29,500 unvested Sara Lee service-based restricted stock units. At the time of the offering, we intend to offer to approximately 6 employees who hold Sara Lee service-based restricted stock units at the time of this offering the opportunity to surrender their Sara Lee service-based restricted stock units and receive Coach service-based restricted stock units that have the same vesting requirements. Sara Lee performance-based restricted stock units will not be eligible for conversion at the time of this offering. If Sara Lee effects a distribution of its Coach shares prior to expiration of the vesting cycle applicable to the outstanding Sara Lee restricted stock units, all of the unvested Sara Lee restricted stock units automatically will convert at the time of the distribution into Coach restricted stock units.

2000 STOCK INCENTIVE PLAN

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

NUMBER OF SHARES OF COMMON STOCK AVAILABLE UNDER THE 2000 PLAN. A total of 5,300,792 shares of our common stock have been reserved for issuance pursuant to the 2000 Plan. No options to acquire shares of common stock or other awards have been issued as of August 1, 2000; however, in connection with this offering, we intend to grant to our employees options to purchase approximately 3,503,517 shares of our common stock at the initial offering price. None of these options will be exercisable for one year after this offering. The number of shares of common stock available under the 2000 Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends). Any awards under the 2000 Plan that are made as a result of conversion by our employees of outstanding awards administered under the 2000 Plan, or in connection with our acquisition, will not reduce the number of shares available for issuance under the 2000 Plan.

ADMINISTRATION OF THE 2000 PLAN. The compensation and employee benefits committee of our board of directors will administer the 2000 Plan. Until Sara Lee effects distribution of the Coach common stock it owns, we have agreed to adopt procedures satisfactory to Sara Lee to ensure that the issuance of shares of our common stock under the 2000 Plan will not cause Sara Lee's ownership of our outstanding capital stock to fall below 80%, which is necessary both to allow us to continue to file consolidated United States federal income tax returns with Sara Lee until such a transaction is completed, and to preserve the tax-free status of such a transaction. Under these procedures, we will be required to repurchase shares of our common stock on the open market as options are exercised. In the case of any award under the 2000 Plan intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, our compensation and employee benefits committee will consist solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. Our committee has the power to determine the terms of the awards granted, including the exercise price, the number of shares subject to each option, the exercisability of the options and the form of consideration payable upon exercise.

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

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

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

- death or disability, vesting accelerates and the option will remain exercisable until the earlier of its expiration date or 5 years;

- retirement, vesting continues and the option will remain exercisable until its expiration date;

- involuntary termination under which severance benefits are payable, a vested option will remain exercisable until the earlier of its expiration date or 90 days after the last day of the period for which severance benefits are payable; or

- cause, the option will terminate in its entirety on the date of termination. In all other cases, a vested option will generally remain exercisable for 90 days; however, an option may never be exercised later than the expiration of its term. Coach employees who have employment agreements with Coach or who routinely have access to proprietary and confidential information of Coach may be required to sign option agreements that obligate such employees to repay all financial gains they realize from exercising all or a portion of an option within the six-month period preceding certain conduct that is contrary or harmful to our interests, such as accepting employment with one of our competitors.

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

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

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

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

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

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

EXECUTIVE DEFERRED COMPENSATION PLAN

In June 2000, our board of directors adopted the Executive Deferred Compensation Plan, referred to as the Deferred Compensation Plan. The Deferred Compensation Plan has been approved by our sole stockholder, Sara Lee. The Deferred Compensation Plan is not a tax-qualified retirement plan. The Deferred Compensation Plan is a plan that permits all officers and key employees at or above the director level to elect to defer all or a portion of their annual bonus or annual base salary. A participant may also elect to transfer his or her deferrals under the Sara Lee Executive Deferred Compensation Plan to the Deferred Compensation Plan. All amounts deferred under the Deferred Compensation Plan are represented by deferred stock units, which represent the right to receive shares of our common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant. No participant may elect a date for payment of deferred amounts that is sooner than one year after the date this offering is completed.

PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

Our board of directors has adopted the Performance-Based Annual Incentive Plan, referred to as the Annual Plan, and the Annual Plan has been approved by our sole stockholder, Sara Lee. The Annual Plan is intended to provide our senior management with annual incentive compensation that is tied to the achievement of pre-established and objective performance goals, such as target operating profit, return on investment and cash flow. The compensation and employee benefits committee of our board administers the Annual Plan. In the case of awards intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the committee will consist solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. Under the Annual Plan, each participant is eligible to receive a predetermined annual award established by the compensation and employee benefits committee, which award may not exceed $1.0 million, if the performance goal has been satisfied.

2000 NON-EMPLOYEE DIRECTOR STOCK PLAN

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

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

NUMBER OF SHARES AVAILABLE UNDER THE DIRECTOR PLAN. As of the date this offering is consummated, an aggregate of 84,813 shares of common stock will be reserved for options and share awards under the Director Plan. In any fiscal year, the aggregate number of shares that will be available for awards under the Director Plan will be two-tenths of one percent (.2%) of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year. The number of shares of common stock available under the Director Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends).

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

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

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

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

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

ADJUSTMENTS IN CONNECTION WITH A CHANGE IN CONTROL. In contemplation of or in the event of a change in control, the administrator may provide for appropriate adjustments, including acceleration of vesting and settlements of or substitutions for awards either at the time an award is granted or at a subsequent date. In the event of a change in control and in the discretion of the administator, all outstanding options may become immediately vested and exercisable and all shares and dividend equivalents not yet transferred to the non-employee director may be immediately transferred to the non-employee director. The Director Plan expressly states that a distribution by Sara Lee of its Coach shares to the Sara Lee stockholders, in proportion to their ownership of Sara Lee stock or in connection with an exchange offer for Sara Lee stock, will not constitute a change of control.

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

DIRECTORS' DEFERRED COMPENSATION PLAN

Our board of directors has adopted and our sole stockholder has approved the Directors' Deferred Compensation Plan. This plan is not a tax-qualified retirement plan. The Directors' Deferred Compensation Plan is a plan that permits non-employee directors to elect to defer all or a portion of their annual directors fees that are otherwise payable in cash. Amounts deferred under the Directors' Deferred Compensation Plan are invested in a stock account. All investments in the stock account are invested in common stock equivalents, which represent the right to receive the company's common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant. No participant may elect a date for payment of deferred amounts that is sooner than one year after the date this offering is completed.

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

MASTER SEPARATION AGREEMENT

The master separation agreement contains the key provisions relating to our separation from Sara Lee, this offering and Sara Lee's plans to complete its divestiture of Coach within 18 months of this offering through a distribution of all or a significant portion of its shares of our common stock.

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

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

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

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

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

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

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

- the separation agreement must not have been terminated.

THE DISTRIBUTION. Sara Lee currently is planning to offer its stockholders the opportunity to exchange Sara Lee common stock for our common stock in a tax-free split-off within 18 months after this offering. Alternatively, Sara Lee may effect a distribution of our stock through some other distribution method. Sara Lee is not obligated to complete any distribution under the separation agreement, however. Sara Lee, in its sole and absolute discretion, will determine the date of any distribution and the timing, terms and conditions of the distribution. We agree to take all actions reasonably requested by Sara Lee to facilitate the distribution.

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

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

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

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

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

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

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

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

- not change our fiscal year;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

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

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

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

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

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

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

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

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

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

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

EMPLOYEE MATTERS AGREEMENT

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

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

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

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

TAX SHARING AGREEMENT

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

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

liability for periods during which we joined in filing consolidated, combined or unitary tax returns are for Sara Lee's account. We are responsible for any taxes with respect to tax returns that include only us and our subsidiaries.

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

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

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

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

MASTER TRANSITIONAL SERVICES AGREEMENT

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

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

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

REAL ESTATE MATTERS AGREEMENT

The real estate matters agreement addresses matters relating to leased properties used in our business that Sara Lee leases on our behalf. Under the agreement, Sara Lee will assign to us all leases for store sites and other facilities used by us. The real estate matters agreement also requires both parties to use commercially reasonable efforts to obtain any landlord consents required for the proposed transfers of leased properties and provides that we will pay all reasonable costs and expenses in obtaining the landlord consents.

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

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

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

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

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

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

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

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

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

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

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

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

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

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

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

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

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

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

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

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

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

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

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

- Sara Lee and its affiliates and subsidiaries;

- Sara Lee's business;

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

- the terms of any distribution.

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

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

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

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

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

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

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

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

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

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

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

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

INTERCOMPANY NOTE

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

- compliance with laws;

- restrictions on secured debt;

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

- restrictions on liens, lease obligations, mergers and consolidations, payment of dividends, transactions with affiliates and sale/leaseback transactions.

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

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

REVOLVING CREDIT FACILITY

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

PRINCIPAL STOCKHOLDER

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

DESCRIPTION OF CAPITAL STOCK

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

GENERAL

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

COMMON STOCK

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

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

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

POWER TO RECLASSIFY SHARES OF OUR STOCK

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

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

POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK AND PREFERRED STOCK

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

TRANSFER AGENT AND REGISTRAR

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

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

BOARD OF DIRECTORS

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

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

REMOVAL OF DIRECTORS

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

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

CONTROL SHARE ACQUISITIONS

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

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

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

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

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

- a majority or more of all voting power.

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

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

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

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

AMENDMENT TO THE CHARTER

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

DISSOLUTION OF THE COMPANY

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

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

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

- pursuant to our notice of the meeting;

- by the board of directors;

- by Sara Lee during the period it holds a majority of our outstanding common stock; or

- by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws.

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

- pursuant to our notice of the meeting;

- by the board of directors;

- by Sara Lee during the period it holds a majority of our outstanding common stock; or

- provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

LIMITATION OF LIABILITY AND INDEMNIFICATION

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

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

- the act or omission was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

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

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

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

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

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

CORPORATE OPPORTUNITIES

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

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

SHARES ELIGIBLE FOR FUTURE SALE

RULE 144

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

Sara Lee currently is planning to effect a distribution of all or a significant portion of its shares of our common stock within 18 months after this offering. Shares of our common stock distributed to Sara Lee stockholders in the distribution generally will be freely transferable, except for shares of common stock received by persons who may be deemed to be affiliates of Coach. Persons who are deemed to be our affiliates will be permitted to sell the shares of common stock that are issued in this offering or that they receive in the exchange or other distribution only through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144.

The shares of our common stock held by Sara Lee before the exchange or other distribution are deemed "restricted securities" as defined in Rule 144, and may not be sold other than through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144. Sara Lee, our directors and officers and we have agreed not to offer or sell any shares of our common stock, subject to exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of the underwriters.

STOCK PLANS

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

REGISTRATION RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

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

EXPERTS

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of Sara Lee Corporation:

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

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

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

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

Arthur Andersen LLP

Chicago, Illinois
July 26, 2000
(except with respect to the matter
discussed in Note 16, as to which
the date is August 25, 2000)

COACH, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS

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

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

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	YEARS ENDED		
	JUNE 27, 1998	JULY 3, 1999	JULY 1, 2000
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales	$522,220	$507,781	$548,918
Cost of sales	235,512	226,190	220,085
Gross profit	286,708	281,591	328,833
Selling, general and administrative expenses	261,695	255,008	272,816
Reorganization costs	--	7,108	--
Operating income	25,013	19,475	56,017
Interest income	272	27	33
Interest expense	(508)	(441)	(420)
Minority interest in subsidiary	66	--	--
Income before income taxes	24,843	19,061	55,630
Income taxes	4,180	2,346	17,027
Net income	$ 20,663	$ 16,715	$ 38,603
Unaudited pro forma as adjusted basic net income per share			$ 0.83
Shares used in computing unaudited pro forma as adjusted basic net income per share			42,406
Unaudited pro forma as adjusted diluted net income per share			$ 0.83
Shares used in computing unaudited pro forma as adjusted diluted net income per share			42,440

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

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENT OF EQUITY

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

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

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

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

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

1.) BACKGROUND AND BASIS OF PRESENTATION

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

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

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

Sara Lee and Coach have entered into a Master Separation Agreement, General Assignment and Assumption Agreement, Indemnification and Insurance Matters Agreement, Master Transitional Services Agreement, Real Estate Matters Agreement, Lease Indemnification and Reimbursement Agreement, Employee Matters Agreement and Tax Sharing Agreement (collectively referred to as the "Separation Agreements") (See Note 14 of the consolidated and combined financial statements). Pursuant to the Separation Agreements, Sara Lee will transfer to Coach the assets and liabilities that relate to the Coach business on a date ("the Separation Date") prior to the date of completion of Coach's initial public offering.

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

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

2.) SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

Transactions with Sara Lee--Receivable from Sara Lee represents the net amount due to or from Sara Lee as a result of intercompany transactions between Coach and Sara Lee. See Note 14 for a description of the relationship with Sara Lee.

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

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

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

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

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

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.) STOCK-BASED COMPENSATION

SARA LEE STOCK-BASED PLANS

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

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

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

3.) STOCK-BASED COMPENSATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

3.) STOCK-BASED COMPENSATION (CONTINUED)

STOCK UNIT AWARDS. Restricted stock unit awards of Sara Lee stock are granted to Coach employees as performance awards and retention awards. The value of performance awards is determined based upon the fair value of the stock earned at the end of the performance cycle and accrued over the life of the award. The value of retention awards is based upon the fair value of the Sara Lee stock at the grant date and accrued over the life of the award. All stock unit awards are restricted and subject to forfeiture and entitle the participant to dividends that are escrowed until the participant receives the shares. The expense related to these awards for fiscal years 1998, 1999 and 2000 was $380, $660 and $963, respectively.

COACH STOCK-BASED PLANS

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

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

STOCK UNITS--Certain Coach employees who hold approximately 30 Sara Lee restricted stock units will be given the election to convert these stock units into Coach restricted stock units with the same market value on the date of conversion.

4.) MINORITY INTEREST IN SUBSIDIARIES

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

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

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

Coach participates in a cash concentration system that requires that cash balances be deposited with Sara Lee which are netted against any borrowings or billings that are provided by Sara Lee. The balance due under this arrangement is included in the receivable from Sara Lee. For the periods presented, no interest is charged or earned on these balances. As of July 2, 2000, the balance on the receivable from Sara Lee will be capitalized into Sara Lee's investment in Coach. No cash will be paid or collected by either party.

Subsequent to the initial public offering Coach will continue to participate in the Sara Lee cash concentration system through a revolving credit facility entered into between Coach and Sara Lee on July 2, 2000. The maximum borrowing from Sara Lee permitted under this facility is $75,000 which will accrue interest at US dollar LIBOR plus 30 basis points. Any receivable balance from Sara Lee under this facility will accrue interest at US dollar LIBOR minus 20 basis points. When Sara Lee owns less than 50% of Coach's outstanding capital stock, this facility will terminate and become due. The credit facility contains certain covenants including a requirement that Coach maintain an interest coverage ratio of at least 1.75, and restrictions on mergers, significant property disposals, dividends, additional secured debt, sale and leaseback transactions or lease obligations in excess of amounts approved by Sara Lee. Primarily all cash flows from operations less capital expenditures must be used by Coach to pay this note.

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

6.) LEASES

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

6.) LEASES (CONTINUED)
related payment, are considered probable. Rent expense for the Company's operating leases, consisted of the following:

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

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

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

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

7.) CONTINGENCIES

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

8.) REORGANIZATION COSTS

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

8.) REORGANIZATION COSTS (CONTINUED)

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.

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

9.) RETIREMENT PLANS (CONTINUED)

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

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

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%

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

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

11.) SEGMENT INFORMATION (CONTINUED)

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

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

12.) GEOGRAPHIC AREA INFORMATION

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

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

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

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

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

13.) 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.

14.) RELATIONSHIP WITH SARA LEE

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

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

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

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

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

MASTER SEPARATION AGREEMENT

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

14.) RELATIONSHIP WITH SARA LEE (CONTINUED)

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

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

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

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

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

REAL ESTATE MATTERS AGREEMENT

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

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

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

14.) RELATIONSHIP WITH SARA LEE (CONTINUED)

amount equal to the sum of (i) the average annual minimum rent payments for the following fiscal year, plus (ii) six times the average monthly payments for Coach's New York executive office for the following fiscal year, plus (iii) $500,000 (subject to adjustment each year as the amount in (i) changes). This letter of credit is required to be recalculated and renewed annually. The amount of future minimum rental payments included in Note 6 that may be covered by the Lease Indemnification and Reimbursement Agreement for years 2001, 2002, 2003, 2004, 2005 and subsequent to 2005 are $22,887, $21,349, $19,887, $19,296, $18,083, $84,470, respectively.

MASTER TRANSITIONAL SERVICES AGREEMENT

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

TAX SHARING AGREEMENT

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

EMPLOYEE MATTERS AGREEMENT

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

14.) RELATIONSHIP WITH SARA LEE (CONTINUED)

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

15.) RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

16.) 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.

16.) SUBSEQUENT EVENTS (CONTINUED)

The Coach 2000 Stock Incentive Plan will become effective upon the closing of the initial public offering. The Coach Stock Incentive Plan permits the granting of stock appreciation rights, stock options and stock grants in the form of restricted stock or performance shares to employees. Concurrent with the initial public offering, Coach is expected to grant, at the initial public offering price, 3,504 non-qualified stock options to selected members of management and the board. These options will have a ten-year life and will vest ratably over a three-year period. These options will be accounted for under APB 25 and no compensation expense will be recorded for the options that are granted to management and the Board.

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

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

REORGANIZATION COSTS

In the first quarter of 2001, Coach management committed to and announced a plan to close the Medley, Florida manufacturing facility by December 2000. This reorganization plan involves the termination of 362 manufacturing, warehousing and management employees at the Medley, Florida facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach will record a reorganization cost of approximately $6,300 in the first quarter of fiscal year 2001. The reorganization cost includes $3,800 for worker separation costs, $1,100 for lease termination costs, and $1,400 for the write down of long-lived assets to net realizable value.

EQUITY RESTRUCTURING AND NOTE

Prior to the initial public offering, Coach will undergo an equity restructuring which will result in $190,000 of long-term debt to a subsidiary of Sara Lee being recorded on the balance sheet of Coach with a corresponding reduction in common stockholder's equity. Once recorded, the long-term debt will accrue interest at U.S. dollar LIBOR plus 30 basis points while Sara Lee owns greater than a majority of Coach's common stock, and U.S. dollar LIBOR plus 250 basis points when Sara 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

16.) SUBSEQUENT EVENTS (CONTINUED)

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.

17.) PRO FORMA BALANCE SHEET INFORMATION (UNAUDITED)

Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of July 1, 2000:

- The capitalization of the receivable from Sara Lee in the amount of $63,783 into Sara Lee Corporation equity;

- The assumption, prior to the offering, of $190,000 of indebtedness to a subsidiary of Sara Lee and resulting reduction of equity;

- A 35,026.333 to 1.0 common stock split that will result in 35,026,333 shares of Coach common stock outstanding after the split;

- A $21 tax benefit related to the conversion of Sara Lee employee stock options into Coach employee stock options. All eligible options were assumed to convert using an assumed Sara Lee stock price of $19.06, the closing price of Sara Lee stock on August 23, 2000, and initial public offering price of $15.00; and

- Use of the estimated net offering proceeds to repay a portion of the $190,000 of indebtedness, resulting in an unpaid balance of approximately $91,000.

DESCRIPTION OF ARTWORK

Inside back cover

Illustration: The following pictures appear from the left-hand side of the page moving clockwise around the page: (1) a Coach watch, (2) a mixed-material Coach handbag, and (3) a Coach suitcase.

Bi-fold last page in Prospectus

Illustration: The following pictures appear from the left-hand side of the page moving clockwise around the page: (1) a Coach shoe, (2) a Coach wallet and make-up bag, (3) a Coach leather purse, and (4) a Coach personal day-planner and two leather pocket calendars.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

7,380,000 Shares

COACH, INC.

Common Stock

[LOGO]

GOLDMAN, SACHS & CO.
MORGAN STANLEY DEAN WITTER
PRUDENTIAL SECURITIES

Representatives of the Underwriters

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee and the NASD filing fee, are estimates.

SEC registration fee	$ 36,960
NASD filing fee	14,500
New York Stock Exchange listing fee*	
Printing and engraving expenses*	
Legal fees and expenses*	
Accounting fees and expenses*	
Blue sky fees and expenses*	
Transfer agent and registrar fees and expenses*	
Miscellaneous fees and expenses*	
Total*	$

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

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 2-418 of the Maryland General Corporation Law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who has agreed to become a director or officer or who, while a director or officer of the Company and at the request of the Company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer, or a person who has agreed to become a director or officer, of the Company and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company in any of the capacities described above and any employee or agent of the Company or a predecessor of the Company.

Maryland law requires a corporation (unless its charter provides otherwise, which the Company's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act

or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

EXHIBIT NO.	DESCRIPTION
1.1	Form of Underwriting Agreement*
2.1	Master Separation Agreement between Sara Lee and Coach
2.2	Tax Sharing Agreement between Sara Lee and Coach
2.3	General Assignment and Assumption Agreement between Sara Lee and Coach
2.4	Form of Employee Matters Agreement between Sara Lee and Coach*
2.5	Real Estate Matters Agreement between Sara Lee and Coach
2.6	Master Transitional Services Agreement between Sara Lee and Coach
2.7	Indemnification and Insurance Matters Agreement between Sara Lee and Coach
2.8	Revolving Note
2.9	Form of Substitute Note
2.10	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach
3.1	Articles of Incorporation of Coach**
3.2	Bylaws of Coach**
4.1	Specimen Certificate for Common Stock*
5.1	Opinion of Ballard Spahr Andrews & Ingersoll, LLP, special counsel to Coach
10.1	Coach, Inc. 2000 Stock Incentive Plan*
10.2	Coach, Inc. Executive Deferred Compensation Plan*
10.3	Coach, Inc. Performance-Based Annual Incentive Plan*
10.4	Coach, Inc. 2000 Non-Employee Director Stock Plan*
10.5	Coach, Inc. Non-Employee Directors' Deferred Compensation Plan*
10.6	Jacksonville, FL Lease Agreement
10.7	New York, NY Lease Agreement*
21.1	List of Subsidiaries of Coach
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)
24.1	Power of Attorney**
27.1	Financial Data Schedule

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

* To be filed by amendment.

** 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	OTHER ADDITIONS (DEDUCTIONS)(2)	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	--	--	(3,848)	7,242
Total	$13,431	$2,304	$(2,927)	$(3,848)	$ 8,960
FOR THE YEAR ENDED JULY 3, 1999					
Allowances for bad debts	$ 1,718	$ (171)	$ (653)	$ --	$ 894
Allowance for returns	7,242	--	--	(2,017)	5,225
Total	$ 8,960	$ (171)	$ (653)	$(2,017)	$ 6,119
FOR THE YEAR ENDED JULY 1, 2000					
Allowances for bad debts	$ 894	$ (172)	$ (187)	$ --	$ 535
Allowance for returns	5,225	--	--	171	5,396
Total	$ 6,119	$ (172)	$ (187)	$ 171	$ 5,931

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

(1) Net of collections on accounts previously written off.

(2) Reflects adjustment to net sales for wholesale and direct to consumer product returns, based upon historical experience.

All other schedules have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated and combined financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 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 August 25, 2000.

COACH, INC.

By: /s/ LEW FRANKFORT

Name: Lew Frankfort
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities indicated below on August 25, 2000:

SIGNATURE	TITLE
/s/ LEW FRANKFORT Lew Frankfort	Chairman, Chief Executive Officer and Director
/s/ KEITH MONDA Keith Monda	Executive Vice President, Chief Operating Officer and Director
* Wayne Szypulski	Vice President--Corporate Controller of Sara Lee (as principal financial officer and principal accounting officer for Coach)
* Gary Grom	Director
* Richard Oberdorf	Director

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* By Keith Monda as attorney-in-fact.

EXHIBIT INDEX

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24.1	Power of Attorney**
27.1	Financial Data Schedule

* To be filed by amendment.

** Previously filed.

Exhibit 2.1

MASTER SEPARATION AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

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Exhibit B	Certificate of Secretary of Coach
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Exhibit D	Employee Matters Agreement
Exhibit E	Tax Sharing Agreement
Exhibit F	Master Transitional Services Agreement
Exhibit G	Real Estate Matters Agreement
Exhibit H	Indemnification and Insurance Matters Agreement
Exhibit I	Lease Indemnification and Reimbursement Agreement

MASTER SEPARATION AGREEMENT

This Master Separation Agreement (this "Agreement") is dated as of August 24, 2000, between Sara Lee Corporation ("Sara Lee"), a Maryland corporation, and Coach, Inc. ("Coach"), a Maryland corporation. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article VII hereof.

RECITALS

WHEREAS, Sara Lee currently owns all of the issued and outstanding common stock of Coach;

WHEREAS, Sara Lee, through its Coach division, is engaged in the business of producing, marketing and selling handbags, accessories, business cases, luggage and travel accessories, time management products, outerwear, gloves, scarves, watches, footwear, eyewear, home furnishings and furniture as more completely described in the IPO Registration Statement (the "Coach Business");

WHEREAS, the Boards of Directors of Sara Lee and Coach have each determined that it would be appropriate and desirable for Sara Lee to contribute and transfer to Coach, and for Coach to receive and assume, directly or indirectly, assets and liabilities currently held by Sara Lee and associated with the Coach Business (the "Separation");

WHEREAS, Sara Lee and Coach currently contemplate that, following the contribution and assumption of assets and liabilities, Coach will make an initial public offering ("IPO") of an amount of its common stock pursuant to a registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended (the "IPO Registration Statement"), that will reduce Sara Lee's ownership of Coach to not less than 80.5%; and

WHEREAS, the parties intend in this Agreement, including the Exhibits hereto, to set forth the principal arrangements between them regarding the separation of the Coach Business.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, Sara Lee and Coach mutually covenant and agree as follows:

ARTICLE I

SEPARATION

Section 1.1 SEPARATION DATE. Unless otherwise provided in this Agreement, or in any agreement to be executed in connection with this Agreement, the effective time and date of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation shall be 12:01 a.m., Central Time, on the date that is two days prior to the date on which the IPO Registration Statement is declared effective, or such other date as may be fixed by the Board of Directors of Sara Lee (the "Separation Date").

Section 1.2 CLOSING OF TRANSACTIONS. Unless otherwise provided herein, the closing of the transactions contemplated in Article II shall occur by the delivery of each of the executed instruments of transfer, assumptions of liability, undertakings, agreements, instruments or other documents executed or to be executed to Skadden, Arps, Slate, Meagher & Flom (Illinois) ("SASM&F"), 333 West Wacker Drive, Suite 2300, Chicago, Illinois 60606, to be held in escrow for delivery as provided in Section 1.3.

Section 1.3 EXCHANGE OF SECRETARY'S CERTIFICATES. Upon receipt of a certificate of the Secretary or an Assistant Secretary of Sara Lee in the form attached to this Agreement as Exhibit A, SASM&F shall deliver to Coach on behalf of Sara Lee all of the items required to be delivered by Sara Lee hereunder pursuant to Section 2.1 and each such item shall be deemed to be delivered to Coach as of the Separation Date upon delivery of such certificate. Upon receipt of a certificate of the Secretary or an Assistant Secretary of Coach in the form attached to this Agreement as Exhibit B, SASM&F shall deliver to Sara Lee on behalf of Coach all of the items required to be delivered by Coach pursuant to Section 2.2 hereunder and each such item shall be deemed to be delivered to Sara Lee as of the Separation Date upon receipt of such certificate.

ARTICLE II

DOCUMENTS AND ITEMS TO BE
DELIVERED ON THE SEPARATION DATE

Section 2.1 DOCUMENTS TO BE DELIVERED BY SARA LEE. On the Separation Date Sara Lee will deliver, or will cause its appropriate Subsidiaries to deliver, to Coach all of the following items and agreements (collectively, together

with all agreements and documents contemplated by such agreements, the "Ancillary Agreements"):

(a) A duly executed General Assignment and Assumption Agreement (the "Assignment Agreement") substantially in the form attached hereto as Exhibit C;

(b) A duly executed Employee Matters Agreement substantially in the form attached hereto as Exhibit D;

(c) A duly executed Tax Sharing Agreement substantially in the form attached hereto as Exhibit E;

(d) A duly executed Master Transitional Services Agreement substantially in the form attached hereto as Exhibit F;

(e) A duly executed Real Estate Matters Agreement substantially in the form attached hereto as Exhibit G;

(f) A duly executed Indemnification and Insurance Matters Agreement substantially in the form attached hereto as Exhibit H;

(g) A duly executed Lease Indemnification and Reimbursement Agreement substantially in the form attached hereto as Exhibit I;

(h) Resignations of each person who is an officer or director of Sara Lee or its Subsidiaries, immediately prior to the Separation Date, and who will be employees of Coach from and after the Separation Date from such office of Sara Lee or its Subsidiaries; PROVIDED, HOWEVER, that Lew Frankfort shall continue to hold the position of Senior Vice President of Sara Lee and Carole P. Sadler shall continue to hold the position of Assistant Secretary of Sara Lee until the IPO Closing Date; and

(i) Such other agreements, documents or instruments as the parties may agree are necessary or desirable in order to achieve the purposes hereof.

Section 2.2 DOCUMENTS TO BE DELIVERED BY COACH. As of the Separation Date, Coach will deliver to Sara Lee all of the following:

(a) In each case where Coach is a party to any agreement or instrument referred to in Section 2.1, a duly executed counterpart of such agreement or instrument; and

(b) Resignations of each person who is an officer or director of Coach, immediately prior to the Separation Date from such offices of Coach; PROVIDED, HOWEVER, that the foregoing shall not apply to those officers of Sara Lee who serve as directors of Coach as nominees of Sara Lee.

ARTICLE III

THE IPO AND ACTIONS PENDING THE IPO; DISTRIBUTION

Section 3.1 TRANSACTIONS PRIOR TO THE IPO. Subject to the conditions specified in Section 3.3, Sara Lee and Coach shall use their reasonable efforts to consummate the IPO. Such efforts shall include, without limitation, those specified in this Section 3.1.

(a) REGISTRATION STATEMENT. Coach shall file the IPO Registration Statement, and such amendments or supplements thereto as may be necessary in order to cause the same to become and remain effective as required by law or by the managing underwriters for the IPO (the "Underwriters"), including, without limitation, filing such amendments or supplements to the IPO Registration Statement as may be required by the underwriting agreement to be entered into among Sara Lee, Coach and the Underwriters (the "Underwriting Agreement"), the Securities and Exchange Commission (the "Commission") or federal, state or foreign securities laws. Sara Lee and Coach shall also cooperate in preparing, filing with the Commission and causing to become effective a registration statement registering the common stock of Coach under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and any registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the IPO, the Separation, the Distribution or the other transactions contemplated by this Agreement.

(b) UNDERWRITING AGREEMENT. Sara Lee and Coach shall enter into the Underwriting Agreement, in form and substance reasonably satisfactory to Sara Lee and Coach, respectively and shall comply with its obligations thereunder.

(c) NYSE LISTING. Coach shall prepare, file and use reasonable efforts to seek to make effective, an application for listing of the common stock of Coach issued in the IPO on the New York Stock Exchange ("NYSE"), subject to official notice of issuance.

Section 3.2 COOPERATION. Coach shall consult with, and cooperate in all respects with, Sara Lee in connection with the pricing of the common stock of Coach to be offered in the IPO and shall, at Sara Lee's direction, promptly take any and all actions necessary or desirable to consummate the IPO as contemplated by the IPO Registration Statement and the Underwriting Agreement.

Section 3.3 CONDITIONS PRECEDENT TO CONSUMMATION OF THE IPO. The obligations of the parties to use their reasonable efforts to consummate the IPO (the date of such consummation referred to as the "IPO Closing Date") shall be conditioned on the satisfaction of the following conditions:

(a) REGISTRATION STATEMENT. The IPO Registration Statement shall have been filed and declared effective by the Commission, and there shall be no stop-order in effect with respect thereto.

(b) BLUE SKY. The actions and filings with regard to applicable securities and blue sky laws of any state (and any comparable laws under any foreign jurisdictions) shall have been taken and, where applicable, have become effective or been accepted.

(c) NYSE LISTING. The common stock of Coach to be issued in the IPO shall have been accepted for listing on the NYSE, on official notice of issuance.

(d) UNDERWRITING AGREEMENT. Sara Lee and Coach shall have entered into the Underwriting Agreement and all conditions to the obligations of Sara Lee, Coach and the Underwriters shall have been satisfied or waived.

(e) STOCK OWNERSHIP. Sara Lee shall be satisfied, in its sole discretion, that Sara Lee will own at least 80.5% of the outstanding common stock of Coach and that Coach will have no class of equity other than common stock outstanding, immediately following the IPO.

(f) NO LEGAL RESTRAINTS. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation or the IPO or any of the other transactions contemplated by this Agreement shall be in effect.

(g) SEPARATION. The Separation shall have become effective by execution of this Agreement and the Ancillary Agreements.

(h) OTHER ACTIONS. Such other actions as the parties hereto may, based upon the advice of counsel, reasonably request to be taken prior to the IPO in order to assure the successful completion of the IPO, shall have been taken.

(i) NO TERMINATION. This Agreement shall not have been terminated; PROVIDED, HOWEVER, that the condition listed in subparagraph (e) above must be satisfied.

Section 3.4 DISTRIBUTION.

(a) DISTRIBUTION GENERALLY. At any time after the Separation Date, if Sara Lee, in its sole and absolute discretion, advises Coach that Sara Lee intends to pursue a Distribution, Coach agrees to take all action reasonably requested by Sara Lee to facilitate a Distribution.

(b) SARA LEE'S SOLE DISCRETION. Sara Lee shall, in its sole and absolute discretion, determine whether to proceed with all or part of the Distribution or any Distribution, the date of the consummation of any Distribution and all terms of any Distribution, including, without limitation, the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution. In addition, Sara Lee may at any time and from time to time until the completion of the Distribution, modify or change the terms of the Distribution, including, without limitation, by accelerating or delaying the timing of the consummation of all or part of the Distribution. Coach shall cooperate with Sara Lee in all respects to accomplish a Distribution and shall, at Sara Lee's direction, promptly take any and all actions reasonably necessary or desirable to effect the Distribution, including, without limitation, the registration under the Securities Act of the common stock of Coach on an appropriate registration form or forms to be designated by Sara Lee. Sara Lee shall select any investment banker(s) and manager(s) in connection with a Distribution, as well as any financial printer, solicitation and/or exchange agent and outside counsel for Sara Lee;

PROVIDED, HOWEVER, that nothing herein shall prohibit Coach from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with the Distribution.

Section 3.5 FURTHER ASSURANCES REGARDING THE DISTRIBUTION. In addition to the actions specifically provided for elsewhere in this Agreement, if Sara Lee decides to proceed with the Distribution, Coach shall, at Sara Lee's direction, use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things commercially reasonably necessary, proper or expeditious under applicable laws, regulations and agreements in order to consummate and make effective the Distribution as promptly as reasonably practicable. Without limiting the generality of the foregoing, Coach shall, at Sara Lee's direction, cooperate with Sara Lee, and execute and deliver, or use all commercially reasonable efforts to cause to have executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any domestic or foreign governmental or regulatory authority requested by Sara Lee in order to consummate and make effective the Distribution.

ARTICLE IV

COVENANTS AND OTHER MATTERS

Section 4.1 OTHER AGREEMENTS. Sara Lee and Coach agree to execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

Section 4.2 FURTHER INSTRUMENTS. At the request of Coach, and without further consideration, Sara Lee will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Coach and its Subsidiaries such other instruments of transfer, conveyance, assignment, substitution and confirmation and take such action as Coach may reasonably deem necessary or desirable in order to more effectively transfer, convey and assign to Coach and its Subsidiaries and confirm Coach's and its Subsidiaries' title to all of the assets, rights and other things of value contemplated to be transferred to Coach and its Subsidiaries pursuant to this Agreement, the Ancillary Agreements, and any documents referred to therein, to put Coach and its Subsidiaries in actual possession and operating control thereof and to

permit Coach and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained). At the request of Sara Lee and without further consideration, Coach will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Sara Lee and its Subsidiaries all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as Sara Lee may reasonably deem necessary or desirable in order to have Coach fully and unconditionally assume and discharge the liabilities contemplated to be assumed by Coach under this Agreement or any document in connection herewith and to relieve the Sara Lee Group of any liability or obligation with respect thereto and evidence the same to third parties. Neither Sara Lee nor Coach shall be obligated, in connection with the foregoing, to expend money other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, unless reimbursed by the other party. Furthermore, each party, at the request of the other party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby.

Section 4.3 AGREEMENT FOR EXCHANGE OF INFORMATION.

(a) GENERALLY. Each of Sara Lee and Coach agrees to provide, or cause to be provided, to the other, at any time, as soon as reasonably practicable after written request therefor, all reports and other Information regularly provided by Coach to Sara Lee prior to the Separation Date and any Information in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) during the Pre-Distribution Period and thereafter to the extent such Information and cooperation is necessary to comply with such reporting, filing and disclosure obligations, for the preparation of financial statements or completing an audit, and as reasonably necessary to conduct the ongoing businesses of Sara Lee or Coach, as the case may be; PROVIDED, HOWEVER, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable

measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence. Each of Sara Lee and Coach agree to make their respective personnel available to discuss the Information exchanged pursuant to this Section 4.3.

(b) INTERNAL ACCOUNTING CONTROLS; FINANCIAL INFORMATION. After the Separation Date, (i) each party shall maintain in effect at its own cost and expense adequate systems and controls for its business to the extent necessary to enable the other party to satisfy its reporting, tax return, accounting, audit and other obligations, and (ii) each party shall provide, or cause to be provided, to the other party and its Subsidiaries in such form as such requesting party shall request, at no charge to the requesting party, all financial and other data and information as the requesting party determines necessary or advisable in order to prepare its financial statements and reports or filings with any Governmental Authority.

(c) OWNERSHIP OF INFORMATION. Any Information owned by a party that is provided to a requesting party pursuant to this Section 4.3 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(d) RECORD RETENTION. To facilitate the possible exchange of Information pursuant to this Section 4.3 and other provisions of this Agreement after the Distribution Date, each party agrees to use its commercially reasonable efforts until the Distribution Date to retain all Information in its respective possession or control substantially in accordance with the policies of Sara Lee as in effect on the Separation Date. However, except as set forth in the Tax Sharing Agreement, at any time after the Distribution Date, each party may amend its respective record retention policies at such party's discretion; PROVIDED, HOWEVER, that if a party desires to effect the amendment within three (3) years after the Distribution Date, the amending party must give thirty (30) days prior written notice of such change in the policy to the other party to this Agreement. No party will destroy, or permit any of its Subsidiaries to destroy, any Information that exists on the Separation Date (other than Information that is permitted to be destroyed under the current record retention policies of Sara Lee) and that falls under the categories listed in Section 4.3(a), without first using its commercially reasonable efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession or make copies of such Information prior to such destruction.

(e) LIMITATION OF LIABILITY. Each party will use its good faith efforts to ensure that Information provided to the other party hereunder is accurate and complete; PROVIDED, HOWEVER, no party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section 4.3 is found to be inaccurate, in the absence of gross negligence or willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed or lost after commercially reasonable efforts by such party to comply with the provisions of Section 4.3(d).

(f) OTHER AGREEMENTS PROVIDING FOR EXCHANGE OF INFORMATION. The rights and obligations granted under this Section 4.3 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in this Agreement and any Ancillary Agreement.

(g) PRODUCTION OF WITNESSES; RECORDS; COOPERATION. After the Separation Date, except in the case of a legal or other proceeding by one party against another party, each party hereto shall use its commercially reasonable efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of such party as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, administrative or other proceeding in which the requesting party may from time to time be involved, regardless of whether such legal, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

Section 4.4 AUDITORS AND AUDITS; FINANCIAL STATEMENTS; ACCOUNTING MATTERS. Each party agrees that:

(a) SELECTION OF AUDITORS. Until the Distribution Date, Coach shall not use a different accounting firm from the accounting firm that is used by Sara Lee to serve as its (and its Subsidiaries') independent certified public accountants ("Coach's Auditors") for purposes of providing an opinion on its consolidated financial statements without Sara Lee's prior written consent; PROVIDED, HOWEVER, that Coach's audit committee shall be entitled to select its own representative

and team of accountants from such accounting firm to serve Coach, which may be different from the representative and team of accountants that serve Sara Lee, and for so long as such accounting firm is willing and permitted by applicable legal or accounting standards to serve as Coach's Auditors.

(b) DATE OF AUDITORS' OPINION AND QUARTERLY REVIEWS. Coach shall use its commercially reasonable efforts to enable the Coach Auditors to complete their audit such that they will date their opinion on Coach's audited annual financial statements on the same date that Sara Lee's independent certified public accountants ("Sara Lee's Auditors") date their opinion on Sara Lee's audited annual financial statements, and to enable Sara Lee to meet its timetable for the printing, filing and public dissemination of Sara Lee's annual financial statements. Coach shall use its commercially reasonable efforts to enable the Coach Auditors to complete their annual audit and quarterly review procedures such that they will provide clearance on Coach's annual and quarterly financial statements on the same date that Sara Lee's Auditors provide clearance on Sara Lee's annual and quarterly financial statements.

(c) ANNUAL AND QUARTERLY FINANCIAL STATEMENTS. Until the Distribution Date, Coach shall not change its fiscal year and, until the Sara Lee fiscal year end first occurring after the Distribution Date and thereafter to the extent necessary for the purpose of preparing financial statements or completing a financial statement audit, shall provide to Sara Lee on a timely basis all Information that Sara Lee reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of Sara Lee's annual, quarterly and monthly financial statements. Without limiting the generality of the foregoing, Coach will provide all required financial Information with respect to Coach and its Subsidiaries to Coach's Auditors in a sufficient and reasonable time and in sufficient detail to permit Coach's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Sara Lee's Auditors with respect to financial Information to be included or contained in Sara Lee's annual, quarterly and monthly financial statements. Similarly, Sara Lee shall provide to Coach on a timely basis all financial Information that Coach reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of Coach's annual, quarterly and monthly financial statements. Without limiting the generality of the foregoing, Sara Lee will provide all required financial Information with respect to Sara Lee and its Subsidiaries to Coach's Auditors in a sufficient and reasonable time and in sufficient detail to permit Coach's Auditors to take all steps and perform all reviews necessary to provide

sufficient assistance to Coach's Auditors with respect to Information to be included or contained in Coach's annual and quarterly financial statements.

(d) COMPLIANCE WITH POLICIES. Until the Distribution Date and thereafter to the extent necessary for the preparation of consolidated financial statements on a basis consistent with prior periods, Coach shall comply with all financial accounting and reporting rules, policies and directives of Sara Lee, and fulfill all timing and reporting requirements, applicable to Sara Lee's Subsidiaries that are consolidated with Sara Lee for financial statement purposes.

(e) IDENTITY OF PERSONNEL PERFORMING THE ANNUAL AUDIT AND QUARTERLY REVIEWS. Until the Distribution Date and thereafter to the extent such information and cooperation is necessary for the preparation of financial statements or completing a financial statements audit, Coach shall authorize Coach's Auditors to make available to Sara Lee's Auditors both the personnel who performed or will perform the annual audits and quarterly reviews of Coach and work papers related to the annual audits and quarterly reviews of Coach, in all cases within a reasonable time prior to Coach's Auditors' opinion date, so that Sara Lee's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Coach's Auditors as it relates to Sara Lee's Auditors' report on Sara Lee's financial statements, all within sufficient time to enable Sara Lee to meet its timetable for the printing, filing and public dissemination of Sara Lee's annual and quarterly statements. Similarly, Sara Lee shall authorize Sara Lee's Auditors to make available to Coach's Auditors both the personnel who performed or will perform the annual audits and quarterly reviews of Sara Lee and work papers related to the annual audits and quarterly reviews of Sara Lee, in all cases within a reasonable time prior to Sara Lee's Auditors' opinion date, so that Coach's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Sara Lee's Auditors as it relates to Coach's Auditors' report on Coach's statements, all within sufficient time to enable Coach to meet its timetable for the printing, filing and public dissemination of Coach's annual and quarterly financial statements.

(f) ACCESS TO BOOKS AND RECORDS. Until the Distribution Date and thereafter to the extent such information and cooperation is necessary for the preparation of financial statements or completing a financial statements audit, all governmental audits are complete and the applicable statute of limitations for tax matters has expired, Coach shall provide Sara Lee's internal auditors, counsel and other designated representatives of Sara Lee access during normal business hours to (i) the premises of Coach and its Subsidiaries and all Information (and duplicating

rights) within the knowledge, possession or control of Coach and its Subsidiaries and (ii) the officers and employees of Coach and its Subsidiaries, so that Sara Lee may conduct reasonable audits relating to the financial statements provided by Coach pursuant hereto as well as to the internal accounting controls and operations of Coach and its Subsidiaries. Similarly, Sara Lee shall provide Coach's internal auditors, counsel and other designated representatives of Coach access during normal business hours to (i) the premises of Sara Lee and its Subsidiaries and all Information (and duplicating rights with respect thereto) within the knowledge, possession or control of Sara Lee and its Subsidiaries and (ii) the officers and employees of Sara Lee and its Subsidiaries, so that Coach may conduct reasonable audits relating to the financial statements provided by Sara Lee pursuant hereto as well as to the internal accounting controls and operations of Sara Lee and its Subsidiaries.

(g) NOTICE OF CHANGE IN ACCOUNTING PRINCIPLES. Until the Distribution Date and thereafter if a change in accounting principles would affect the historical financial statements of the other party, (i) Coach shall not make or adopt any significant changes in its accounting estimates or accounting principles from those in effect on the Separation Date without Sara Lee's prior written consent, which shall not be unreasonably withheld, and (ii) Coach will consult with Sara Lee and, if requested by Sara Lee, Coach will consult with Sara Lee's independent public accountants with respect thereto. Sara Lee shall give Coach as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles from those in effect on the Separation Date. Sara Lee will consult with Coach and, if requested by Coach, Sara Lee will consult with Coach's independent public accountants with respect thereto.

(h) CONFLICT WITH THIRD-PARTY AGREEMENTS. Nothing in Sections 4.3 and 4.4 shall require Coach to violate any agreement with any third party regarding the confidentiality of confidential and proprietary information relating to that third party or its business; PROVIDED, HOWEVER, that in the event that Coach is required under Sections 4.3 and 4.4 to disclose any such Information, Coach shall use all commercially reasonable efforts to seek to obtain such third party's consent to the disclosure of such information.

Section 4.5 CONFIDENTIALITY.

(a) For a period (i) in the case of Confidential Information that is Confidential Business Information, of ten years from the Separation Date and (ii) in the case of Confidential Information that is Confidential Operational Information,

continuing into perpetuity, Sara Lee and Coach shall hold and shall cause each of their respective Subsidiaries to hold, and shall each cause their respective officers, employees, agents, consultants and advisors to hold, in strict confidence and not to disclose or release without the prior written consent of the other party, any and all Confidential Information (as defined herein) concerning the other party; PROVIDED, that the parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information and are informed of their obligation to hold such information confidential to the same extent as is applicable to the parties hereto and in respect of whose failure to comply with such obligations, Coach or Sara Lee, as the case may be, will be responsible or (ii) if the parties or any of their respective Subsidiaries are compelled to disclose any such Confidential Information by judicial or administrative process or, in the opinion of independent legal counsel, by other requirements of law. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, Sara Lee or Coach, as the case may be, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which both parties will cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the party whose Confidential Information is required to be disclosed shall or shall cause the other party to furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed. As used in this Section 4.5:

(1) "Confidential Information" shall mean Confidential Business Information and Confidential Operational Information concerning one party which, prior to or following the Separation Date, has been disclosed by Sara Lee or its Subsidiaries on the one hand, or Coach or its Subsidiaries, on the other hand, in written, oral (including by recording), electronic, or visual form to, or otherwise has come into the possession of, the other, including pursuant to the access provisions of Section 4.3 or 4.4 hereof or any other provision of this Agreement (except to the extent that such Information can be shown to have been (x) in the public domain through no fault of such party (or any party's Subsidiary) or (y) later lawfully acquired from other sources by the party (or any party's Subsidiary) to which it was furnished; PROVIDED, HOWEVER, in the case of (y) that such sources did not provide such Information in breach of any confidentiality obligations).

(2) "Confidential Operational Information" shall mean all proprietary, design or operational information, data or material including, without limitation, (a) specifications, ideas and concepts for products and services, (b) manufacturing specifications and procedures, (c) design drawings and models, (d) materials and material specifications, (e) quality assurance policies, procedures and specifications, (f) customer information, (g) computer software and derivatives thereof relating to design development or manufacture of products, (h) training materials and information and (i) all other know-how, methodology, procedures, techniques and trade secrets related to design, development and manufacturing.

(3) "Confidential Business Information" shall mean all proprietary information, data or material other than Confidential Operational Information, including, but not limited to (a) proprietary earnings reports and forecasts, (b) proprietary macro-economic reports and forecasts, (c) proprietary business plans, (d) proprietary general market evaluations and surveys and (e) proprietary financing and credit-related information.

Notwithstanding the first sentence of this Section 4.5(a), with respect to any Confidential Business Information that is disclosed after the Separation Date (which shall be deemed to be Confidential Information for the purposes of this Section), the obligations of this subsection shall terminate ten years after the date of the first disclosure of such Confidential Business Information to Sara Lee or its Subsidiaries, on the one hand, or Coach or its Subsidiaries, on the other hand.

(b) Notwithstanding anything to the contrary set forth herein, (i) Sara Lee and its Subsidiaries, on the one hand, and Coach and its Subsidiaries, on the other hand, shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar Information and (ii) confidentiality obligations provided for in any agreement between Sara Lee or its Subsidiaries, or Coach or any of its Subsidiaries, on the one hand, and any employee of Sara Lee or any of its Subsidiaries, or Coach or any of its Subsidiaries, on the other hand shall remain in full force and effect. Confidential Information of Sara Lee and its Subsidiaries, on the one hand, or Coach and its Subsidiaries, on the other hand, in the possession of and used by the

other as of the Separation Date may continue to be used by such Person in possession of the Confidential Information in and only in the operation of the business of Sara Lee or the Coach Business, the case may be, and may be used only so long as the Confidential Information is maintained in confidence and not disclosed in violation of Section 4.5(a). Such continued right to use may not be transferred to any third party unless the third party purchases all or substantially all of the business and Assets in one transaction or in a series of related transactions for which or in which the relevant Confidential Information is used or employed. In the event that such right to use is transferred in accordance with the preceding sentence, the transferring party shall not disclose the source of the relevant Confidential Information.

Section 4.6 PRIVILEGED MATTERS.

(a) Sara Lee and Coach agree that their respective rights and obligations to maintain, preserve, assert or waive any or all privileges belonging to either corporation or their Subsidiaries with respect to the Coach Business or the business of Sara Lee, including but not limited to the attorney-client and work product privileges (collectively, "Privileges"), shall be governed by the provisions of this Section 4.6. With respect to Privileged Information of Sara Lee (as defined below), Sara Lee shall have sole authority in perpetuity to determine whether to assert or waive any or all Privileges, and Coach shall take no action (nor permit any of its Subsidiaries to take action) without the prior written consent of Sara Lee that could result in any waiver of any Privilege that could be asserted by Sara Lee or any of its Subsidiaries under applicable law and this Agreement. With respect to Privileged Information of Coach arising after the Separation, Coach shall have sole authority in perpetuity to determine whether to assert or waive any or all Privileges, and Sara Lee shall take no action (nor permit any of its Subsidiaries to take action) without the prior written consent of Coach that could result in any waiver of any Privilege that could be asserted by Coach or any of its Subsidiaries under applicable law and this Agreement. The rights and obligations created by this Section 4.6 shall apply to all Information as to which Sara Lee or Coach or their respective Subsidiaries would be entitled to assert or has asserted a Privilege without regard to the effect, if any, of the Separation ("Privileged Information"). Privileged Information of Sara Lee includes but is not limited to (i) any and all Information regarding the business of Sara Lee and its Subsidiaries (other than the Coach Business; PROVIDED that Coach has assumed and will be liable on or after the Separation Date for any liability or claim arising with respect to such Information), whether or not it is in the possession of Coach or any of its Subsidiaries; (ii) all communications subject to a Privilege between counsel for Sara Lee (including in-house counsel) and any person who, at

the time of the communication, was an employee of Sara Lee, regardless of whether such employee is or becomes an employee of Coach or any of its Subsidiaries and (iii) all Information generated, received or arising after the Separation Date that refers or relates to Privileged Information of Sara Lee generated, received or arising prior to the Separation Date. Privileged Information of Coach includes but is not limited to (x) any and all Information regarding the Coach Business, whether or not it is in the possession of Sara Lee or any of its Subsidiaries; PROVIDED that Coach has assumed and will be liable on or after the Separation Date for any liability or claim arising with respect to such Information; (y) all communications subject to a Privilege occurring after the Separation between counsel for the Coach Business (including in-house counsel and former in-house counsel who are employees of Sara Lee) and any person who, at the time of the communication, was an employee of Coach, regardless of whether such employee was, is or becomes an employee of Sara Lee or any of its Subsidiaries and (z) all Information generated, received or arising after the Separation Date that refers or relates to Privileged Information of Coach generated, received or arising after the Separation Date.

(b) Upon receipt by Sara Lee or Coach, as the case may be, of any subpoena, discovery or other request from any third party that actually or arguably calls for the production or disclosure of Privileged Information of the other or if Sara Lee or Coach, as the case may be, obtains knowledge that any current or former employee of Sara Lee or Coach, as the case may be, has received any subpoena, discovery or other request from any third party that actually or arguably calls for the production or disclosure of Privileged Information of the other, Sara Lee or Coach, as the case may be, shall promptly notify the other of the existence of the request and shall provide the other a reasonable opportunity to review the Information and to assert any rights it may have under this Section 4.6 or otherwise to prevent the production or disclosure of Privileged Information. Sara Lee or Coach, as the case may be, will not produce or disclose to any third party any of the other's Privileged Information under this Section 4.6 unless (a) the other has provided its express written consent to such production or disclosure or (b) a court of competent jurisdiction has entered an order not subject to interlocutory appeal or review finding that the Information is not entitled to protection from disclosure under any applicable privilege, doctrine or rule.

(c) Sara Lee's transfer of books and records pertaining to the Coach Business and other Information to Coach, Sara Lee's agreement to permit Coach to obtain Information existing prior to the Separation, Coach's transfer of books and records pertaining to Sara Lee, if any, and other Information and Coach's

agreement to permit Sara Lee to obtain Information existing prior to the Separation are made in reliance on Sara Lee's and Coach's respective agreements, as set forth in Section 4.5 and this Section 4.6, to maintain the confidentiality of such Information and to take the steps provided herein for the preservation of all Privileges that may belong to or be asserted by Sara Lee or Coach, as the case may be. The access to Information, witnesses and individuals being granted pursuant to Sections 4.3 and 4.4 and the disclosure to Coach and Sara Lee of Privileged Information relating to the Coach Business or the business of Sara Lee pursuant to this Agreement in connection with the Separation shall not be asserted by Sara Lee or Coach to constitute, or otherwise deemed, a waiver of any Privilege that has been or may be asserted under this Section 4.6 or otherwise. Nothing in this Agreement shall operate to reduce, minimize or condition the rights granted to Sara Lee and Coach in, or the obligations imposed upon Sara Lee and Coach by, this Section 4.6.

Section 4.7 MAIL AND OTHER COMMUNICATIONS. After the Separation Date, each of Sara Lee and Coach may receive mail, telegrams, packages and other communications properly belonging to the other. Accordingly, at all times after the Separation Date, each of Sara Lee and Coach authorizes the other to receive and open all mail, telegrams, packages and other communications received by it and not unambiguously intended for the other party or any of the other party's officers or directors, and to retain the same to the extent that they relate to the business of the receiving party or, to the extent that they do not relate to the business of the receiving party, the receiving party shall promptly deliver such mail, telegrams, packages or other communications, including, without limitation, notices of any liens or encumbrances on any asset transferred to Coach in connection with the Separation, (or, in case the same relate to both businesses, copies thereof) to the other party as provided for in Section 6.5 hereof. The provisions of this Section 4.7 are not intended to, and shall not, be deemed to constitute an authorization by either Sara Lee or Coach to permit the other to accept service of process on its behalf and neither party is or shall be deemed to be the agent of the other for service of process purposes.

Section 4.8 CONSISTENCY WITH PAST PRACTICES. At all times, Sara Lee and Coach will conduct the Coach Business before the Separation Date and Coach will conduct the Coach Business before the Distribution Date in the ordinary course, consistent with past practices.

Section 4.9 ENVIRONMENTAL AND SAFETY PRACTICES. Coach covenants that, from the Separation Date through the Distribution Date, the following: (i) all

handbags, men's and women's accessories, business cases, luggage and other products sold by Coach in the ordinary course of the Coach Business ("Products") shall be manufactured in accordance with all applicable federal, state and local environmental, safety and other laws, regulations, ordinances, permits, licenses or any other binding legal obligation in effect at the time and place of manufacture and sale of the Products; (ii) that Coach will operate its facilities and conduct its operations, or cause its operations to be conducted, in compliance with all applicable federal, state and local environmental, safety and other laws, regulations, ordinances, permits, licenses or any other binding legal obligation in effect now or in the future; (iii) that Coach will continue to maintain an environmental management system comparable to or better than Coach's environmental management system, as that system exists on the Separation Date, or Sara Lee's environmental management system as improved or updated thereafter, comparability to be determined by Sara Lee through Sara Lee's right to periodically inspect and audit Coach's environmental management systems and facilities and (iv) Coach will participate in Sara Lee's periodic environmental council meetings and training programs as part of Coach's efforts to maintain compliance with environmental laws and regulations and main tain an comparable environmental management system.

Section 4.10 PAYMENT OF EXPENSES. Except as otherwise provided in this Agreement, the Ancillary Agreements or any other agreement between the parties relating to the Separation, the IPO or a Distribution, (i) all costs and expenses of the parties hereto in connection with the IPO (including costs associated with drafting this Agreement, the Ancillary Agreements and the documents relating to the formation of Coach) shall be paid by Coach, (ii) all costs and expenses of the parties hereto in connection with any Distribution shall be paid by Sara Lee; 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 Sara Lee will pay the incremental fees and expenses of Coach's independent accountants incurred in connection with the Distribution; and (ii) all costs and expenses of the parties hereto in connection with the Separation shall be paid by the party which incurs such cost or expense. Coach will instruct its independent accountants to segregate its fees and expenses between those incurred in connection with the Distribution and those incurred in connection with other matters. Notwithstanding the foregoing, Coach and Sara Lee shall each be responsible for their own internal fees, costs and expenses (e.g., salaries of personnel) incurred in connection with the Separation, the IPO and a Distribution.

Section 4.11 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements, other than the Tax Sharing Agreement, or the breach, termination or validity thereof ("Dispute") which arises

between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a Dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County, Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through mediation within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with its rules. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) CONTINUITY OF SERVICE AND PERFORMANCE. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Section 4.11 with respect to all matters not subject to such dispute, controversy or claim.

Section 4.12 GOVERNMENTAL APPROVALS. To the extent that the Separation requires any Governmental Approvals, the parties will use their commercially reasonable efforts to obtain any such Governmental Approvals.

Section 4.13 NO REPRESENTATION OR WARRANTY. Sara Lee does not, in this Agreement or any other agreement, instrument or document contemplated by this Agreement, make any representation as to, warranty of or covenant with respect to:

(a) the value of any asset or thing of value to be transferred to Coach;

(b) the freedom from encumbrance of any asset or thing of value to be transferred to Coach; PROVIDED, HOWEVER, that Sara Lee agrees to notify Coach promptly in the event Sara Lee receives any notice or claim of any encumbrance on or against any asset or thing of value transferred to Coach;

(c) the absence of defenses or freedom from counterclaims with respect to any claim to be transferred to Coach; PROVIDED, HOWEVER, that neither Sara Lee nor its Subsidiaries have any counterclaims with respect to any claim to be transferred to Coach; or

(d) the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any asset or thing of value upon its execution, deliver and filing.

Except as may expressly be set forth herein or in any Ancillary Agreement, all assets to be transferred to Coach shall be transferred "AS IS, WHERE IS" and Coach shall bear the economic and legal risk that any conveyance shall prove to be insufficient to vest in Coach good and marketable title, free and clear of any lien, claim, equity or other encumbrance.

Section 4.14 NON-SOLICITATION OF EMPLOYEES. Sara Lee and Coach each agree not to solicit or recruit, without the other party's express written consent, the other party's employees for a period of two (2) years following the Separation Date. To the extent this prohibition is waived, any recruitment efforts by either Sara Lee or Coach during the period of one (1) year after the Separation Date shall be coordinated with each party's Senior Vice President of Human Resources or his or her designee and appropriate management. Notwithstanding the foregoing, this prohibition on solicitation does not apply to actions taken by a party either: (a) solely as a result of an employee's affirmative response to a general recruitment effort carried out through a public solicitation or general solicitation or (b) as a result of an employee's initiative.

Section 4.15 COOPERATION IN OBTAINING NEW AGREEMENTS. Sara Lee understands that, prior to the Separation Date, Coach has derived benefits under certain agreements and relationships between Sara Lee and third parties, which agreements and relationships are not being assigned or transferred to Coach in connection with the Separation. Upon the request of Coach, Sara Lee agrees to make introductions of appropriate Coach personnel to Sara Lee's contacts at such third parties, and agrees to provide reasonable assistance to Coach, at Sara Lee's own expense, so that Coach, to the extent possible, may enter into agreements or relationships with such third parties under substantially equivalent terms and conditions, including financial terms and conditions, that apply to Sara Lee. Such assistance may include, but is not limited to, (i) requesting and encouraging such third parties to enter into such agreements or relationships with Coach, (ii) attending meetings and negotiating sessions with Coach and such third parties and (iii) participating in buying consortiums with Coach. Sara Lee also understands that certain agreements between Sara Lee and third parties which are being assigned to Coach in connection with the Separation may require the consent of the applicable third party. Sara Lee shall assist Coach in seeking and obtaining the consent of such third parties to such

assignment. The parties expect that the activities contemplated by this Section 4.15 will be substantially completed by the Distribution Date, but in no event will Sara Lee have any obligations hereunder after the first anniversary of the Distribution Date.

Section 4.16 PROPERTY DAMAGE TO COACH ASSETS PRIOR TO THE SEPARATION DATE. In the event of any property damage, other than ordinary wear and tear, to any Coach Assets held by Sara Lee which occurs prior to the Separation Date, Sara Lee shall repair or otherwise address such damage in the ordinary course of business consistent with past practices; PROVIDED, HOWEVER, that nothing in this clause shall restrict Sara Lee from disposing of any Assets in the ordinary course of business consistent with past practices.

Section 4.17 RESTRICTIONS ON COACH. Notwithstanding any other provision of this Agreement or any of the Ancillary Agreements, for the period from the Separation Date until the Distribution Date (the "Pre-Distribution Period"), Coach shall not take any action (such action to include, without limitation, the granting of restricted stock awards and the issuance of Coach Capital Stock (whether upon the exercise by the holders of any stock options or convertible securities issued by Coach or otherwise) during the Pre-Distribution Period without the prior written consent of Sara Lee if, as a result of such action, Sara Lee would or would reasonably be expected to cease to have Tax Control of Coach unless, prior to Coach taking such action Sara Lee has determined, in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve both Sara Lee's Tax Control of Coach and the Tax-Free Status of the Distribution, that such action will not jeopardize either Sara Lee's Tax Control of Coach or the Tax-Free Status of the Distribution. In furtherance of the foregoing provisions of this Section 4.17, Coach shall be permitted to grant stock options and restricted stock awards to its employees which have been approved by the compensation and employee benefits committee of Coach only so long as (i) Coach repurchases in the open market sufficient shares of issued and outstanding Coach Capital Stock prior to the date such stock options are exercised or become transferable or such restricted stock awards are granted (or deemed granted) to ensure that Sara Lee will not cease to have Tax Control of Coach at any time during the Pre-Distribution Period, (ii) Coach provides Sara Lee with prior written notification of the procedures taken by Coach to comply with its obligations described in clause (i) above, including substantiation that the appropriate number of Coach shares have been repurchased, and (iii) Sara Lee approves of such procedures in writing (which approval shall not be unreasonably withheld). All of the restrictions on Coach contained in this Section 4.17 shall apply to Coach

during the Pre-Distribution Period. In furtherance of Coach's covenants under this Section 4.17, Coach shall instruct the Coach Transfer Agent not to issue or deliver certificates representing, or other evidence of ownership of, newly issued shares of Coach Capital Stock during the Pre-Distribution Period without the prior written consent of Sara Lee. Coach hereby agrees that during the Pre-Distribution Period, (i) the treasury department of Sara Lee will administer or oversee the administration of all issuances of shares of Coach Capital Stock (whether pursuant to stock options exercises, the granting of restricted stock awards, or otherwise) to ensure that Sara Lee will not fail to have Tax Control of Coach at any time during the Pre-Distribution Period and (ii) all grants of options, restricted stock awards and other issuances of similar instruments by Coach during the Pre-Distribution Period shall include provisions to the effect that the grant or exercise of such option, award or other instrument shall be void AB INITIO if the effect of such grant or exercise (whether alone or when aggregated with other issuances of Coach Capital Stock) would cause or would reasonably be expected to cause Sara Lee to fail to have Tax Control of Coach at any time during the Pre-Distribution Period.

Section 4.18 SARA LEE EMPLOYEE DISCOUNT ON COACH PRODUCTS. For the period ending ten (10) years from the Distribution Date, Coach will continue to offer all employees and directors of the Sara Lee Group on the date of purchase a discount on all Coach products purchased by such Sara Lee Group employees or directors, which discount shall be equivalent to the employee and director discount programs in effect with respect to Coach products as of the Separation Date.

ARTICLE V

REGISTRATION RIGHTS

Section 5.1 DEMAND REGISTRATION. (a) The Holders shall have the right after the IPO Closing Date to request in writing (a "Request") (which request shall specify the Registrable Securities intended to be disposed of by such Holders and the intended method of distribution thereof, including in a Rule 415 Offering, if Coach is then eligible to register such Registrable Securities on Form S-3 (or a successor form) for such offering) that Coach register such portion of such Holders' Registrable Securities as shall be specified in the Request (a "Demand Registration") by filing with the Commission, as soon as practicable thereafter, but not later than the 30th day (or the 45th day if the applicable registration form is other than Form S- 3) after the receipt of such a Request by Coach, a registration statement (a "Demand Registration Statement") covering such Registrable Securities, and Coach shall use

all commercially reasonable efforts to have such Demand Registration Statement declared effective by the Commission as soon as practicable thereafter, but in no event later than the 75th day (or the 90th day if the applicable registration form is other than Form S-3) after the receipt of such a Request, and to keep such Demand Registration Statement Continuously Effective for a period of at least twenty-four (24) months, in the case of a Rule 415 Offering, or, in all other cases, for a period of at least 180 days following the date on which such Demand Registration Statement is declared effective (or for such shorter period which will terminate when all of the Registrable Securities covered by such Demand Registration Statement shall have been sold pursuant thereto), including, if necessary, by filing with the Commission a post-effective amendment or a supplement to the Demand Registration Statement or the related prospectus or any document incorporated therein by reference or by filing any other required document or otherwise supplementing or amending the Demand Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by Coach for such Demand Registration Statement or by the Securities Act, the Exchange Act, any state securities or blue sky laws, or any rules and regulations thereunder; PROVIDED that such period during which the Demand Registration Statement shall remain Continuously Effective shall, in the case of an Underwritten Offering, be extended for such period (if any) as the underwriters shall reasonably require, including to satisfy, in the judgment of counsel to the underwriters, any prospectus delivery requirements imposed by applicable law.

(b) Coach shall not be obligated to effect more than three (3) Demand Registrations pursuant to Requests, other than Requests with respect to a Rule 415 Offering which shall not reduce the number of Demand Registrations which may be Requested by Holders, and not more than one (1) Demand Registration in any calendar year. For purposes of the preceding sentence, a Demand Registration shall not be deemed to have been effected (and, therefore, not requested for purposes of paragraph (a) above), (i) unless a Demand Registration Statement with respect thereto has become effective, (ii) if after such Demand Registration Statement has become effective, the offer, sale or distribution of Registrable Securities thereunder is prevented by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to any Holder and such effect is not thereafter eliminated or (iii) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied or waived other than by reason of a failure on the part of any Holder. If Coach shall have complied with its obligations under this Article V, a right to a Demand Registration pursuant to this Section 5.1 shall be deemed to have been satisfied upon the earlier of (x) the date

as of which all of the Registrable Securities included therein shall have been sold to the underwriters or distributed pursuant to the Demand Registration Statement and (y) the date as of which such Demand Registration shall have been Continuously Effective for a period of at least twenty-four (24) months, in the case of a Rule 415 Offering, or, in all other cases, for a period of at least 180 days following the effectiveness of such Demand Registration Statement.

(c) Any request made pursuant to this Section 5.1 shall be addressed to the attention of the secretary of Coach, and shall specify (i) the number of Registrable Securities to be registered (which shall be not less than the lesser of (x) 5% of the total number of shares of Common Stock outstanding or (y) the remaining balance of the Registrable Securities then held by the Holders, provided that the aggregate public offering price of the Registrable Securities to be registered (based on the closing sale price of the Common Stock on the last trading day prior to the delivery of a Request) would not be less than $20 million), (ii) the intended method of distribution thereof and (iii) that the request is for a Demand Registration pursuant to this Section 5.1.

(d) Coach may not include in a Demand Registration pursuant to Section 5.1 hereof shares of Common Stock for the account of Coach or any subsidiary of Coach, but, if and to the extent required by a contractual obligation, may, subject to compliance with Section 5.1(e), include shares of Common Stock for the account of any other Person who holds shares of Common Stock entitled to be included therein; PROVIDED, HOWEVER, that if the Underwriters' Representative of any offering described in this Section 5.1 shall have informed Coach in writing that in its judgment there is a Maximum Number of shares of Common Stock that all Holders and any other Persons desiring to participate in such Registration may include in such offering, then Coach shall include in such Demand Registration all Registrable Securities requested to be included in such registration by the Holders together with up to such additional number of shares of Common Stock that any other Persons entitled to participate in such registration desire to include in such registration up to the Maximum Number that the Underwriters' Representative has informed Coach may be included in such registration without materially and adversely affecting the success or pricing of such offering; PROVIDED that the number of shares of Common Stock to be offered for the account of all such other Persons participating in such registration shall be reduced in a manner determined by the Company in its sole discretion.

(e) No Holder may participate in any Underwritten Offering under Section 5.1 hereof and no other Person shall be permitted to participate in any such offering pursuant to Section 5.1 hereof unless it completes and executes all customary questionnaires, powers of attorney, custody agreements, underwriting agreements and other customary documents required under the customary terms of such underwriting arrangements. In connection with any Underwritten Offering under Section 5.1 hereof, each participating Holder and Coach and, except in the case of a Rule 415 Offering hereof, each other Person shall be a party to the underwriting agreement with the underwriters and may be required to make certain customary representations and warranties and provide certain customary indemnifications for the benefits of the underwriters; PROVIDED that the Holders shall not be required to make representations and warranties with respect to Coach and its Subsidiaries or their business and operations and shall not be required to agree to any indemnity or contribution provisions less favorable to them than as are set forth herein.

Section 5.2 PIGGYBACK REGISTRATION. (a) In the event that Coach at any time after the IPO Closing Date proposes to register any of its Common Stock, any other of its equity securities or securities convertible into or exchangeable for its equity securities (collectively, including Common Stock, "Other Securities") under the Securities Act, either in connection with a primary offering for cash for the account of Coach, a secondary offering or a combined primary and secondary offering, Coach will each time it intends to effect such a registration, give written notice (a "Company Notice") to all Holders of Registrable Securities at least ten (10) business days prior to the initial filing of a registration statement with the Commission pertaining thereto, informing such Holders of its intent to file such registration statement and of the Holders' right to request the registration of the Registrable Securities held by the Holders. Upon the written request of the Holders made within seven (7) business days after any such Company Notice is given (which request shall specify the Registrable Securities intended to be disposed of by such Holder and, unless the applicable registration is intended to effect a primary offering of Common Stock for cash for the account of Coach, the intended distribution thereof), Coach will use all commercially reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which Coach has been so requested to register by the Holders to the extent required to permit the disposition (in accordance with the intended methods of distribution thereof or, in the case of a registration which is intended to effect a primary offering for cash for the account of Coach, in accordance with Coach's intended method of distribution) of the Registrable Securities so requested to be registered, including, if necessary, by filing with the Commission

a post-effective amendment or a supplement to the registration statement filed by Coach or the related prospectus or any document incorporated therein by reference or by filing any other required document or otherwise supplementing or amending the registration statement filed by Coach, if required by the rules, regulations or instructions applicable to the registration form used by Coach for such registration statement or by the Securities Act, any state securities or blue sky laws, or any rules and regulations thereunder; PROVIDED, HOWEVER, that if, at any time after giving written notice of its intention to register any Other Securities and prior to the effective date of the registration statement filed in connection with such registration, Coach shall determine for any reason not to register or to delay such registration of the Other Securities, Coach shall give written notice of such determination to each Holder of Registrable Securities and, thereupon, (i) in the case of a determination not to register, Coach shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith or from Coach's obligations with respect to any subsequent registration) and (ii) in the case of a determination to delay such registration, Coach shall be permitted to delay registration of any Registrable Securities requested to be included in such registration statement for the same period as the delay in registering such Other Securities. The registration rights granted pursuant to the provisions of this Section 5.2 shall be in addition to the registration rights granted pursuant to the other provisions of this Article V.

(b) If, in connection with a Registration Statement pursuant to this Section 5.2, the Underwriters' Representative of the offering registered thereon shall inform Coach in writing that in its opinion there is a Maximum Number of shares of Common Stock that may be included therein and if such Registration Statement relates to an offering initiated by Coach of Common Stock being offered for the account of Coach, Coach shall include in such registration: (i) first, the number of shares Coach proposes to offer ("Company Securities"), (ii) second, up to the full number of Registrable Securities held by Holders of Registrable Securities that are requested to be included in such registration (Registrable Securities that are so held being sometimes referred to herein as "Sara Lee Securities") to the extent necessary to reduce the respective total number of shares of Common Stock requested to be included in such offering to the Maximum Number of shares of Common Stock recommended by such Underwriters' Representative (and in the event that such Underwriters' Representative advises that less than all of such Sara Lee Securities may be included in such offering, the Holders of Registrable Securities may withdraw their request for registration of their Registrable Securities under this Section 5.2 and not less than 90 days subsequent to the effective

date of the registration statement for the registration of such Other Securities request that such registration be effected as a registration under Section 5.1 to the extent permitted thereunder) and (iii) third, up to the full number of the Other Securities (other than Company Securities), if any, in excess of the number of Company Securities and Sara Lee Securities to be sold in such offering to the extent necessary to reduce the respective total number of shares of Common Stock requested to be included in such offering to the Maximum Number of shares of Common Stock recommended by such Underwriters' Representative (and, if such number is less than the full number of such Other Securities, such number shall be allocated pro rata among the holders of such Other Securities (other than Company Securities) on the basis of the number of securities requested to be included therein by each such holder).

(c) If, in connection with a Registration Statement pursuant to this Section 5.2, the Underwriters' Representative of the offering registered thereon shall inform Coach in writing that in its opinion there is a Maxi mum Number of shares of Common Stock that may be included therein and if such Registration Statement relates to an offering initiated by any Person other than Coach (the "Other Holders"), Coach shall include in such registration the number of securities (including Registrable Securities) that such underwriters advise can be so sold without adversely affecting such offering, allocated pro rata among the Other Holders and the Holders of Registrable Securities on the basis of the number of securities (including Registrable Securities) requested to be included therein by each Other Holder and Holder of Registrable Securities.

(d) Coach shall not be required to effect any registration of Registrable Securities under this Section 5.2 incidental to the registration of any of its securities in connection with Coach's issuance of registered shares of Common Stock in mergers, acquisitions, exchange offers, subscription offers, dividend reinvestment plans or stock option or other executive or employee benefit or compensation plans.

(d) No registration of Registrable Securities effected under this Section 5.2 shall relieve Coach of its obligation to effect a registration of Registrable Securities pursuant to Section 5.1.

Section 5.3 EXPENSES. Except as provided herein, Coach shall pay all Registration Expenses in connection with all registration of Registrable Securities. Notwithstanding the foregoing, each Holder of Registrable Securities and

Coach shall be responsible for its own internal administrative and similar costs, which shall not constitute Registration Expenses.

Section 5.4 BLACKOUT PERIOD. Coach shall be entitled to elect that a Registration Statement not be usable, or that the filing thereof be delayed beyond the time otherwise required, for a reasonable period of time, but not in excess of 60 days (a "Blackout Period"), if Coach determines in good faith that the registration and distribution of Registrable Securities (or the use or filing of the Registration Statement or related prospectus) would interfere with any pending material financing, acquisition, corporate reorganization or any other material corporate development involving Coach or any of its Subsidiaries or would require premature disclosure thereof that would be detrimental to Coach and promptly gives the Holders of Registrable Securities written notice of such determination, and if requested by Holders and to the extent such action would not violate applicable law, Coach will promptly deliver to the Holders a general statement of the reasons for such postponement or restriction on use and to the extent practicable an approximation of the anticipated delay; PROVIDED, HOWEVER, that the aggregate number of days included in all Blackout Periods during any consecutive 12 months shall not exceed 90 days.

Section 5.5 SELECTION OF UNDERWRITERS. If any Rule 145 Offering or any offering pursuant to a Demand Registration Statement is an Underwritten Offering, Sara Lee will select a managing underwriter or underwriters to administer the offering, which managing underwriter shall be reasonably satisfactory to Coach.

Section 5.6 REGISTRATION AND QUALIFICATION. If and whenever Coach is required to effect the registration of any Registrable Securities under the Securities Act as provided in this Article V, Coach shall as promptly as practicable:

(a) prepare, file and use all commercially reasonable efforts to cause to become effective a registration statement under the Securities Act relating to the Registrable Securities to be offered;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until the earlier of (i) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition set forth in such registration statement and (ii) the expiration

of six-months after such registration statement becomes effective; PROVIDED, that such six-month period shall be extended for such number of days that equals the number of days elapsing from (x) the date the written notice contemplated by paragraph (f) below is given by Coach to (y) the date on which Coach delivers to Holders of Registrable Securities the supplement or amendment contemplated by paragraph (f) below;

(c) furnish to Holders of Registrable Securities and to any underwriter of such Registrable Securities such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus), in conformity with the requirements of the Securities Act, such documents incorporated by reference in such registration statement or prospectus, and such other documents, as Holders of Registrable Securities or such underwriter may reasonably request, and a copy of any and all transmittal letters or other correspondence to or received from the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering;

(d) use all commercially reasonable efforts to register or qualify all Registrable Securities covered by such registration statement under the securities or blue sky laws of such jurisdictions as the Holders of such Registrable Securities or any underwriter to such Registrable Securities shall request, and use all commercially reasonable efforts to obtain all appropriate registrations, permits and consents in connection therewith, and do any and all other acts and things which may be necessary or advisable to enable the Holders of Registrable Securities or any such underwriter to consummate the disposition in such jurisdictions of its Registrable Securities covered by such registration statement; PROVIDED, that Coach shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any such jurisdiction wherein it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) (i) use all commercially reasonable efforts to furnish to each Holder of Registrable Securities included in such registration (each, a "Selling Holder") and to any underwriter of such Registrable Securities an opinion of counsel for Coach addressed to each Selling Holder and dated the date of the closing under the underwriting agreement (if any) (or if such offering is not underwritten, dated the effective date of the registration statement) and (ii) use all commercially reasonable

efforts to furnish to each Selling Holder a "cold comfort" letter addressed to each Selling Holder and signed by the independent public accountants who have audited the financial statements of Coach included in such registration statement, in each such case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities and such other matters as the Selling Holders may reasonably request and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements;

(f) as promptly as practicable, notify the Selling Holders in writing (i) at any time when a prospectus relating to a registration made pursuant to Sections 5.1 or 5.2 contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading due to the occurrence of any event and (ii) of any request by the Commission or any other regulatory body or other body having jurisdiction for any amendment of or supplement to any registration statement or other document relating to such offering, and in either such case, at the request of the Selling Holders prepare and furnish to the Selling Holders a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading;

(g) if reasonably requested by the lead or managing underwriters, use its best efforts to list all such Registrable Securities covered by such registration on each securities exchange and automated inter-dealer quotation system on which a class of common equity securities of Coach is then listed;

(h) to the extent reasonably requested by the lead or managing underwriters, send appropriate officers of Coach to attend any "road shows" scheduled in connection with any such registration, with all out-of-pocket costs and expense incurred by Coach or such officers in connection with such attendance to be paid by Coach; and

(i) furnish or cause to be furnished for delivery in connection with the closing of any offering of Registrable Securities pursuant to a

registration effected pursuant to Sections 5.1 or 5.2 unlegended certificates representing ownership of the Registrable Securities being sold in such denominations as shall be requested by the Selling Holders or the underwriters.

Section 5.7 UNDERWRITING; DUE DILIGENCE. (a) If requested by the underwriters for any Underwritten Offering of Registrable Securities pursuant to a registration requested under this Article V, Coach shall enter into an underwriting agreement in a form reasonably satisfactory to Coach with such underwriters for such offering, which agreement will contain such representations and warranties by Coach and such other terms and provisions as are customarily contained in under writing agreements with respect to secondary distributions, including, without limitation, indemnification and contribution provisions substantially to the effect and to the extent provided in Section 5.8, and agreements as to the provision of opinions of counsel and accountants' letters to the effect and to the extent provided in Section 5.6(e). The Selling Holders on whose behalf the Registrable Securities are to be distributed by such underwriters shall be a party to any such underwriting agreement and the representations and warranties by, and the other agreements on the part of, Coach to and for the benefit of such underwriters, shall also be made to and for the benefit of such Selling Holders. Such underwriting agreement shall also contain such representations and warranties by such Selling Holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnification and contribution provisions substantially to the effect and to the extent provided in Section 5.8.

(b) In connection with the preparation and filing of each registration statement registering Registrable Securities under the Securities Act pursuant to this Article V, Coach shall give the Holders of such Registrable Securities and the underwriters, if any, and their respective counsel and accountants, such reasonable and customary access to its books and records and such opportunities to discuss the business of Coach with its officers and the independent public accountants who have certified the financial statements of Coach as shall be necessary, in the opinion of such Holders and such underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act; provided, that such Holders and the underwriters and their respective counsel and accountants shall use their reasonable best efforts to coordinate any such investigation of the books and records of Coach and any such discussions with Coach's officers and accountants so that all such investigations occur at the same time and all such discussions occur at the same time.

Section 5.8 INDEMNIFICATION AND CONTRIBUTION. (a) In the case of each offering of Registrable Securities made pursuant to this Article V, Coach agrees to indemnify and hold harmless, to the extent permitted by law, each Selling Holder, each underwriter of Registrable Securities so offered and each Person, if any, who controls any of the foregoing Persons within the meaning of the Securities Act and the officers, directors, affiliates, employees and agents of each of the foregoing, against any and all losses, liabilities, costs (including reasonable attorney's fees and disbursements), claims and damages, joint or several, to which they or any of them may become subject, under the Securities Act or otherwise, including any amount paid in settlement of any litigation commenced or threatened, insofar as such losses, liabilities, costs, claims and damages (or actions or proceedings in respect thereof, whether or not such indemnified Person is a party thereto) arise out of or are based upon any untrue statement by Coach or alleged untrue statement by Coach of a material fact contained in the registration statement (or in any preliminary or final prospectus included therein) or in any offering memorandum or other offering document relating to the offering and sale of such Registrable Securities prepared by Coach or at its direction, or any amendment thereof or supplement thereto, or in any document incorporated by reference therein, or any omission by Coach or alleged omission by Coach to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, that Coach shall not be liable to any Person in any such case to the extent that any such loss, liability, cost, claim or damage arises out of or relates to any untrue statement or alleged untrue statement, or any omission, if such statement or omission shall have been made in reliance upon and in conformity with information relating to a Selling Holder or another holder of securities included in such registration statement furnished to Coach by or on behalf of such Selling Holder or underwriter, as the case may be, specifically for use in the registration statement (or in any preliminary or final prospectus included therein), offering memorandum or other offering document, or any amendment thereof or supplement thereto. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any Selling Holder or any other holder and shall survive the transfer of such securities. The foregoing indemnity agreement is in addition to any liability that Coach may otherwise have to each Selling Holder, or other holder or underwriter of the Registrable Securities or any controlling person of the foregoing and the officers, directors, affiliates, employees and agents of each of the foregoing; PROVIDED, further, that, in the case of an offering with respect to which a Selling Holder has designated the lead or managing underwriters (or a Selling Holder is offering Registrable Securities directly, without an underwriter), this indemnity does not apply to any

loss, liability, cost, claim or damage arising out of or relating to any untrue statement or alleged untrue statement or omission or alleged omission in any preliminary prospectus or offering memorandum if a copy of a final prospectus or offering memorandum was not sent or given by or on behalf of any underwriter (or such Selling Holder or other holder, as the case may be) to such Person asserting such loss, liability, cost, claim or damage at or prior to the written confirmation of the sale of the Registrable Securities as required by the Securities Act and such untrue statement or omission had been corrected in such final prospectus or offering memorandum.

(b) In the case of each offering made pursuant to this Agreement, each Selling Holder, by exercising its registration rights hereunder, agrees to indemnify and hold harmless, and to cause each underwriter of Registrable Securities included in such offering (in the same manner and to the same extent as set forth in Section 5.8(a)) to agree to indemnify and hold harmless to the extent permitted by law, Coach, each other underwriter who participates in such offering, each other Selling Holder or other holder with securities included in such offering and in the case of an underwriter, such Selling Holder or other holder, and each Person, if any, who controls any of the foregoing within the meaning of the Securities Act and the officers, directors, affiliates, employees and agents of each of the foregoing, against any and all losses, liabilities, costs, claims and damages to which they or any of them may become subject, under the Securities Act or otherwise, including any amount paid in settlement of any litigation commenced or threatened, insofar as such losses, liabilities, costs, claims and damages (or actions or proceedings in respect thereof, whether or not such indemnified Person is a party thereto) arise out of or are based upon any untrue statement or alleged untrue statement by such Selling Holder or underwriter, as the case may be, of a material fact contained in the registration statement (or in any preliminary or final prospectus included therein) or in any offering memorandum or other offering document relating to the offering and sale of such Registrable Securities prepared by Coach or at its direction, or any amendment thereof or supplement thereto, or any omission by such Selling Holder or underwriter, as the case may be, or alleged omission by such Selling Holder or underwriter, as the case may be, of a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that such untrue statement of a material fact is contained in, or such material fact is omitted from, information relating to such Selling Holder or underwriter, as the case may be, furnished to Coach by or on behalf of such Selling Holder or underwriter, as the case may be, specifically for use in such registration statement (or in any preliminary or final prospectus included therein), offering

memorandum or other offering document. The foregoing indemnity is in addition to any liability which such Selling Holder or underwriter, as the case may be, may otherwise have to Coach, or controlling persons and the officers, directors, affiliates, employees, and agents of each of the foregoing; PROVIDED, that, in the case of an offering made pursuant to this Agreement with respect to which Coach has designated the lead or managing underwriters (or Coach is offering securities directly, without an underwriter), this indemnity does not apply to any loss, liability, cost, claim, or damage arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission in any preliminary prospectus or offering memorandum if a copy of a final prospectus or offering memorandum was not sent or given by or on behalf of any underwriter (or Coach, as the case may be) to such Person asserting such loss, liability, cost, claim or damage at or prior to the written confirmation of the sale of the Registrable Securities as required by the Securities Act and such untrue statement or omission had been corrected in such final prospectus or offering memorandum.

(c) Each party indemnified under paragraph (a) or (b) above shall, promptly after receipt of notice of a claim or action against such indemnified part in respect of which indemnity may be sought hereunder, notify the indemnifying party in writing of the claim or action; PROVIDED, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party on account of the indemnity agreement contained in para graph (a) or (b) above except to the extent that the indemnifying party was actually prejudiced by such failure, and in no event shall such failure relieve the indemnifying party from any other liability that it may have to such indemnified party. If any such claim or action shall be brought against an indemnified party, and it shall have notified the indemnifying party thereof, unless in such indemnified party's reason able judgment a conflict of interest between such indemnified party and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 5.8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation. Any indemnifying party against whom indemnity may be sought under this Section 5.8 shall not be liable to indemnify an indemnified party if such indemnified party settles such claim or action without the consent of the indemnifying party. The indemnifying party

may not agree to any settlement of any such claim or action, other than solely for monetary damages for which the indemnifying party shall be responsible hereunder, the result of which any remedy or relief shall be applied to or against the indemnified party, without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld. In any action hereunder as to which the indemnifying party has assumed the defense thereof with counsel satisfactory to the indemnified party, the indemnified party shall continue to be entitled to participate in the defense thereof, with counsel of its own choice, but the indemnifying party shall not be obligated hereunder to reimburse the indemnified party for the costs thereof.

(d) If the indemnification provided for in this Section 5.8 shall for any reason be unavailable (other than in accordance with its terms) to an indemnified party in respect of any loss, liability, cost, claim or damage referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, cost, claim or damage (i) as between Coach and the Selling Holders on the one hand and the underwriters on the other, in such proportion as shall be appropriate to reflect the relative benefits received by Coach and the Selling Holders on the one hand and the underwriters on the other hand or, if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of Coach and the Selling Holders on the one hand and the underwriters on the other with respect to the statements or omissions which resulted in such loss, liability, cost, claim or damage as well as any other relevant equitable considerations and (ii) as between Coach on the one hand and each Selling Holder on the other, in such proportion as is appropriate to reflect the relative fault of Coach and of each Selling Holder in connection with such statements or omissions as well as any other relevant equitable considerations. The relative benefits received by Coach and the Selling Holders on the one hand and the underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by Coach and the Selling Holders bear to the total underwriting discounts and commissions received by the underwriters, in each case as set forth in the table on the cover page of the prospectus. The relative fault of Coach and the Selling Holders on the one hand and of the underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by Coach and the Selling Holders or by the under writers. The relative fault of Coach on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue

or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, but not by reference to any indemnified party's stock ownership in Coach. The amount paid or payable by an indemnified party as a result of the loss, cost, claim, damage or liability, or action in respect thereof, referred to above in this paragraph (d) shall be deemed to include, for purposes of this paragraph (d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Coach and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 5.8 were determined by pro rata allocation (even if the underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this paragraph. Notwithstanding any other provision of this Section 5.8, no Selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Selling Holder were offered to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Indemnification and contribution similar to that specified in the preceding paragraphs of this Section 5.8 (with appropriate modifications) shall be given by Coach, the Selling Holders and underwriters with respect to any required registration or other qualification of securities under any state law or regulation or governmental authority.

(f) The obligations of the parties under this Section 5.8 shall be in addition to any liability which any party may otherwise have to any other party.

Section 5.9 RULE 144 AND FORM S-3. Commencing 90 days after the IPO Closing Date, Coach shall use all commercially reasonable efforts to ensure that the conditions to the availability of Rule 144 set forth in paragraph (c) thereof shall be satisfied. Upon the request of any Holder of Registrable Securities, Coach will deliver to such Holder a written statement as to whether it has complied with such requirements. Coach further agrees to use its reasonable efforts to cause all

conditions to the availability of Form S-3 (or any successor form) under the Securities Act of the filing of registration statements under this Agreement to be met as soon as practicable after the IPO Closing Date. Notwithstanding anything contained in this Section 5.9, Coach may deregister under Section 12 of the Securities Ex change Act of 1934, as amended, if it then is permitted to do so pursuant to said Act and the rules and regulations thereunder.

Section 5.10 HOLDBACK AGREEMENT. (a) If so requested by the Underwriters' Representative in connection with an offering of securities covered by a registration statement filed by Coach, whether or not Registrable Securities of the Holders are included therein, each Holder shall agree not to effect any sale or distribution of the Shares, including any sale under Rule 144, without the prior written consent of the Underwriters' Representative (otherwise than through the registered public offering then being made), within 7 days prior to or 90 days (or such lesser period as the Underwriters' Representative may permit) after the effective date of the registration statement (or the commencement of the offering to the public of such Registrable Securities in the case of Rule 415 Offerings). The Holders shall not be subject to the restrictions set forth in this Section 5.10 for longer than 97 days during any 12-month period and a Holder shall no longer be subject to such restrictions at such time as such Holder shall own less than 10% of the then-outstanding shares of Common Stock on a fully-diluted basis.

(a) If so requested by the Underwriters' Representative in connection with an offering of any Registrable Securities, Coach shall agree not to effect any sale or distribution of Common Stock, without the prior written consent of the Underwriters' Representative (otherwise than through the registered public offering then being made or in connection with any acquisition or business combination transaction and other than in connection with stock options and employee benefit plans and compensation), within 7 days prior to or 90 days (or such lesser period as the Underwriters' Representative may permit) after the effective date of the registration statement (or the commencement of the offering to the public of such Registrable Securities in the case of Rule 415 Offerings) and shall use its best efforts to obtain and enforce similar agreements from any other Persons if requested by the Underwriters' Representative; PROVIDED that Coach or such Persons shall not be subject to the restrictions set forth in this Section 5.10 for longer than 97 days during any 12-month period.

(b) Notwithstanding anything else in this Section 5.10 to the contrary, no Holder shall be precluded from distributing to any or all of its stockholders any or all of the Registrable Securities.

Section 5.11 TERM. This Article V shall remain in effect until all Registrable Securities held by Holders have been transferred by them to other Persons.

ARTICLE VI

MISCELLANEOUS

Section 6.1 LIMITATION OF LIABILITY. IN NO EVENT SHALL ANY MEMBER OF THE SARA LEE GROUP OR COACH GROUP BE LIABLE TO ANY OTHER MEMBER OF THE SARA LEE GROUP OR COACH GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

Section 6.2 ENTIRE AGREEMENT. This Agreement, the Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof and thereof.

Section 6.3 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to

Section 4.11 herein, and non exclusive jurisdiction over any action for enforcement of an arbitral award.

Section 6.4 TERMINATION. This Agreement and all Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection therewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termination pursuant to this Section 6.4, no party shall have any liability of any kind to the other party.

Section 6.5 NOTICES. Notices, offers, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses:

if to Sara Lee :

Sara Lee Corporation
Three First National Plaza
70 West Madison
Chicago, Illinois 60602-4260
Attention: General Counsel
Fax: (312) 345-5706

if to Coach:

Coach, Inc.
516 W. 34th Street
New York, NY 10001
Attention: General Counsel
Fax: (212) 629-2398

or to such other address or facsimile number as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by facsimile, confirmed by first class mail. All notices shall be deemed to have been given when received, if hand delivered; when transmitted, if transmitted by facsimile

or similar electronic transmission method; one working day after it is sent, if sent by recognized overnight courier; and three days after it is postmarked, if mailed first class mail or certified mail, return receipt requested, with postage prepaid.

Section 6.6 COUNTERPARTS. This Agreement, including the Ancillary Agreement and the Exhibits and Schedules hereto and thereto and the other documents referred to herein or therein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 6.7 BINDING EFFECT; ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Sara Lee Group and each member of the Coach Group. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assignment shall be void; PROVIDED, HOWEVER, either party may assign this Agreement to a successor entity in conjunction with such party's reincorporation in another jurisdiction or into another business form.

Section 6.8 SEVERABILITY. If any term or other provision of this Agreement or the Exhibits or Schedules attached hereto is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 6.9 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof

or of any other right. All rights and remedies existing under this Agreement or the Exhibits or Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 6.10 AMENDMENT. No change or amendment will be made to this Agreement or the Exhibits or Schedules attached hereto except by an instrument in writing signed on behalf of each of the parties to such agreement.

Section 6.11 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 6.12 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 6.13 CONFLICTING AGREEMENTS. In the event of conflict between this Agreement and any Ancillary Agreement or other agreement executed in connection herewith, the provisions of such other agreement shall prevail.

ARTICLE VII

DEFINITIONS

Section 7.1 AAA. "AAA" has the meaning set forth in Section 4.11(a) of this Agreement.

Section 7.2 AFFILIATED COMPANY. "Affiliated Company" of any Person means any entity that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 7.3 ANCILLARY AGREEMENTS. "Ancillary Agreements" shall have the meaning set forth in Section 2.1 of this Agreement.

Section 7.4 ASSETS. "Assets" has the meaning set forth in Section 4.5 of the Assignment Agreement.

Section 7.5 ASSIGNMENT AGREEMENT. "Assignment Agreement shall have the meaning set forth in Section 2.1(a) of this Agreement.

Section 7.6 BLACKOUT PERIOD. "Blackout Period" shall have the meaning set forth in Section 5.4 of this Agreement.

Section 7.7 COACH AFFILIATE. "Coach Affiliate" means any corporation or other entity directly or indirectly Controlled by Coach.

Section 7.8 COACH ASSETS. "Coach Assets" has the meaning set forth in Section 1.2 of the Assignment Agreement.

Section 7.9 COACH'S AUDITORS. "Coach's Auditors" shall have the meaning set forth in Section 4.4(a) of this Agreement.

Section 7.10 COACH BUSINESS. "Coach Business" shall have the meaning set forth in the preamble of this Agreement.

Section 7.11 COACH CAPITAL STOCK. "Coach Capital Stock" means all classes or series of capital stock of Coach.

Section 7.12 COACH GROUP. "Coach Group" means the affiliated group (within the meaning of Section 1504(a) of the Code), or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immediately after the

Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 7.13 COACH TRANSFER AGENT. "Coach Transfer Agent" means ChaseMellon Shareholder Services.

Section 7.14 CODE. "Code" means the Internal Revenue Code of 1986 (or any successor statute), as amended from time to time, and the regulations promulgated thereunder.

Section 7.15 COMMISSION. "Commission" shall have the meaning set forth in Section 3.1(a) of this Agreement.

Section 7.16 COMMON STOCK. "Common Stock" means shares of common stock, par value $.01 per share, of Coach.

Section 7.17 COMPANY NOTICE. "Company Notice shall have the meaning set forth in Section 5.2(a) of this Agreement.

Section 7.18 COMPANY SECURITIES. "Company Securities" shall have the meaning set forth in Section 5.2(b) of this Agreement.

Section 7.19 CONFIDENTIAL BUSINESS INFORMATION. "Confidential Business Information" shall have the meaning set forth in Section 4.5(a)(3) of this Agreement.

Section 7.20 CONFIDENTIAL INFORMATION. "Confidential Information" shall have the meaning set forth in Section 4.5(a)(1) of this Agreement.

Section 7.21 CONFIDENTIAL OPERATIONAL INFORMATION. "Confidential Operational Information" shall have the meaning set forth in Section 4.5(a)(2) of this Agreement.

Section 7.22 CONTINUOUSLY EFFECTIVE. "Continuously Effective" with respect to a specified registration statement, means that such registration statement shall not cease to be effective and available for transfers of Registrable Securities in accordance with the method of distribution set forth therein for longer than five (5) business days during the period specified in the relevant provision of this Agreement.

Section 7.23 DEMAND REGISTRATION. "Demand Registration" shall have the meaning set forth in Section 5.1 of this Agreement.

Section 7.24 DEMAND REGISTRATION STATEMENT. "Demand Registration Statement" shall have the meaning set forth in Section 5.1 of this Agreement.

Section 7.25 DISPUTE. "Dispute" has the meaning set forth in Section 4.11(a) of this Agreement.

Section 7.26 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 4.11(a) of this Agreement.

Section 7.27 DISTRIBUTION. A "Distribution" means the divestiture by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee, which divestiture may be effected by Sara Lee as a dividend, an exchange with existing Sara Lee stockholders for shares of Sara Lee capital stock, a spin-off or otherwise, as a result of which Sara Lee is no longer required to consolidate Coach's results of operations and financial position (determined in accordance with generally accepted accounting principles consistently applied).

Section 7.28 DISTRIBUTION DATE. "Distribution Date" means the date on which a Distribution is consummated.

Section 7.29 EXCHANGE ACT. "Exchange Act" shall have the meaning set forth in Section 3.1(a) of this Agreement.

Section 7.30 GOVERNMENTAL APPROVALS. "Governmental Approvals" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

Section 7.31 GOVERNMENTAL AUTHORITY. "Governmental Authority" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

Section 7.32 HOLDERS. "Holders" shall mean, collectively, Sara Lee and its Affiliated Companies (other than Coach and after the Separation Date, the

subsidiaries of Coach) who from time to time own Registrable Securities, each of such entities separately is sometimes referred to herein as a "Holder."

Section 7.33 INFORMATION. "Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

Section 7.34 IPO. "IPO" shall have the meaning set forth in the preamble of this Agreement.

Section 7.35 IPO CLOSING DATE. "IPO Closing Date" has the meaning set forth in the Section 3.3 of this Agreement.

Section 7.36 IPO REGISTRATION STATEMENT. "IPO Registration Statement shall have the meaning set forth in the preamble of this Agreement.

Section 7.37 MAXIMUM NUMBER. "Maximum Number" when used in connection with an Underwritten Offering, shall mean the maximum number of shares of Common Stock (or amount of other Registrable Securities) that the Underwriters' Representative has informed Coach may be included as part of such offering without materially and adversely affecting the success or pricing of such offering.

Section 7.38 NYSE. "NYSE" shall have the meaning set forth in Section 3.1(c) of this Agreement.

Section 7.39 OTHER HOLDERS. "Other Holders" shall have the meaning set forth in Section 5.2(c) of this Agreement.

Section 7.40 OTHER SECURITIES. "Other Securities" shall have the meaning set forth in Section 5.2(a) of this Agreement.

Section 7.41 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

Section 7.42 PRE-DISTRIBUTION PERIOD. "Pre-Distribution Period" shall have the meaning set forth in Section 4.17 of this Agreement.

Section 7.43 PRIVILEGED INFORMATION. "Privileged Information" shall have the meaning set forth in Section 4.6(a) of this Agreement.

Section 7.44 PRIVILEGES. "Privileges" shall have the meaning set forth in Section 4.6(a) of this Agreement.

Section 7.45 PRODUCTS. "Products" shall have the meaning set forth in Section 4.9 of this Agreement.

Section 7.46 REGISTRABLE SECURITIES. "Registrable Securities" means (i) the shares of Common Stock held by Sara Lee immediately following the IPO Closing Date (the "Shares"), (ii) and any stock or other securities received by Sara Lee into which or for which the Shares may hereafter be changed, converted or exchanged and (iii) any other securities issued or distributed to Sara Lee in respect of the Shares by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise, (iv) any other securities received by Sara Lee into which or for which shares of Common Stock are converted or exchanged or are convertible or exchangeable, (v) any other shares of Common Stock acquired by Sara Lee prior to the Distribution Date, and (vi) any other successor securities received by Sara Lee in respect of any of the forgoing (i) through (v); PROVIDED that in the event that any Registrable Securities (as defined without giving effect to this proviso) are being registered pursuant hereto, the Holder may include in such registration (subject to the limitations of this Agreement otherwise applicable to the inclusion of Registrable Securities) any shares of Common Stock or securities acquired in respect thereof thereafter acquired by such Holder, which shall also be deemed to be "Shares" and accordingly Registrable Securities, for purposes of such registration. As to any particular Registrable Securities, such Registrable Securities shall cease to be Registrable Securities when (w) a registration statement with respect to the sale by Sara Lee shall have been declared effective under the Securities Act and such Shares shall have been disposed

of in accordance with such registration statement, (x) they shall have been distributed to the public in accordance with Rule 144, (y) they shall have been otherwise transferred by Sara Lee to an entity or Person that is not an Affiliated Company of Sara Lee, new certificates for them not bearing a legend restricting further transfer shall have been delivered by Coach and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any state securities or blue sky law then in effect or (z) they shall have ceased to be outstanding.

Section 7.47 REGISTRATION EXPENSES. "Registration Expenses" means any and all out-of-pocket expenses incident to performance of or compliance with Article V of this Agreement, including, without limitation, (i) all Commission and securities exchange registration and filing fees, (ii) all fees and expenses of complying with securities or blue sky laws (including fees and disbursements of counsel for any underwriters in connection with blue sky qualifications of the Registrable Securities) or relating to the National Association of Securities Dealers, Inc., (iii) all printing, messenger and delivery expenses, (iv) all fees and expenses incurred in exchange, (v) the fees and disbursements of counsel for Coach and of its independent public accountants, (vi) all expenses in connection with the preparation, printing and filing of the registration statement, any preliminary prospectus or final prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to any Holders, underwriters and dealers and all expenses incidental to delivery of the Registrable Securities, (vii) subject to the limitations set forth in 5.3, the reasonable fees and disbursements of one firm of counsel, other than Coach's counsel, selected by the Holders of Registrable Securities being registered, (viii) any fees and disbursements of underwriters customarily paid by the issuers or sellers of securities, and the reasonable fees and expenses of any special experts retained in connection with the requested registration, but excluding underwriting discounts and commissions and transfer taxes, if any, and (ix) the expenses incurred in connection with making "road show" presentations and holding meetings with potential investors to facilitate the distribution and sale of Registrable Securities.

Section 7.48 REQUEST. "Request" shall have the meaning set forth in Section 5.1(a) of this Agreement.

Section 7.49 RULE 144. "Rule 144" means Rule 144 (or any successor rule to similar effect) promulgated under the Securities Act.

Section 7.50 RULE 415 OFFERING. "Rule 415 Offering" means an offering on a delayed or continuous basis pursuant to Rule 415 (or any successor rule to similar effect) promulgated under the Securities Act.

Section 7.51 SARA LEE AFFILIATE. "Sara Lee Affiliate" means any corporation or other entity directly or indirectly Controlled by Sara Lee, but excluding Coach and any Coach Affiliate.

Section 7.52 SARA LEE GROUP. "Sara Lee Group" means the affiliated group (within the meaning of Section 1504(a) of the Code), or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 7.53 SARA LEE SECURITIES. "Sara Lee Securities" shall have the meaning set forth in Section 5.2(b) of this Agreement.

Section 7.54 SARA LEE'S AUDITORS. "Sara Lee's Auditors" shall have the meaning set forth in Section 4.4(b) of this Agreement.

Section 7.55 SASM&F. "SASM&F" shall have the meaning set forth in Section 1.2 of this Agreement.

Section 7.56 SECURITIES ACT. "Securities Act" means the Securities Act of 1933, as amended.

Section 7.57 SELLING HOLDER. "Selling Holder" shall have the meaning set forth in Section 5.6(e) of this Agreement.

Section 7.58 SEPARATION. "Separation" shall have the meaning set forth in the preamble of this Agreement.

Section 7.59 SEPARATION DATE. "Separation Date" shall have the meaning set forth in Section 1.1 of this Agreement.

Section 7.60 SUBSIDIARY. "Subsidiary" of any Person means a corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary

voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER, that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

Section 7.61 TAX CONTROL. "Tax Control" means ownership of an amount of equity of a corporation that represents both (i) "control" of that corporation within the meaning of Section 368(c) of the Code and (ii) the "80-percent voting and value test" set forth in Section 1504(a)(2) of the Code.

Section 7.62 TAX-FREE STATUS OF THE DISTRIBUTION. "Tax-Free Status of the Distribution" means the nonrecognition of taxable gain or loss for U.S. federal income tax purposes to Sara Lee, members of the affiliated group (within the meaning of Section 1504(a) of the Code) of which Sara Lee is the common parent corporation and Sara Lee's stockholders in connection with a Distribution.

Section 7.63 UNDERWRITTEN OFFERING. "Underwritten Offering" shall mean a registration in which securities of Coach are sold to one or more underwriters for reoffering to the public.

Section 7.64 UNDERWRITERS. "Underwriters" shall have the meaning set forth in Section 3.1(a) of this Agreement.

Section 7.65 UNDERWRITERS' REPRESENTATIVE. "Underwriters' Representative" when used in connection with an Underwritten Offering, shall mean the managing underwriter of such offering, or, in the case of a co-managed underwriting, the managing underwriters designated as the Underwriters' Representative by the co-managers.

Section 7.66 UNDERWRITING AGREEMENT. "Underwriting Agreement" shall have the meaning set forth in Section 3.1(a) of this Agreement.

WHEREFORE, the parties have signed this Master Separation Agreement effective as of the date first set forth above.

SARA LEE CORPORATION

_____
Name:
Title:

COACH, INC.

_____

Name:
Title:

EXHIBITS

Exhibit A	Certificate of Secretary of Sara Lee
Exhibit B	Certificate of Secretary of Coach
Exhibit C	General Assignment and Assumption Agreement
Exhibit D	Employee Matters Agreement
Exhibit E	Tax Sharing Agreement
Exhibit F	Master Transitional Services Agreement
Exhibit G	Real Estate Matters Agreement
Exhibit H	Indemnification and Insurance Matters Agreement
Exhibit I	Lease Indemnification and Reimbursement Agreement

EXHIBIT A

CERTIFICATE OF ASSISTANT SECRETARY OF
SARA LEE CORPORATION

I, _____, Assistant Secretary of Sara Lee Corporation, a corporation organized and existing under the laws of the State of Maryland (the "Company"), DO HEREBY CERTIFY that attached hereto are true and correct copies of certain resolutions adopted in a telephone meeting of the Company Board of Directors on _____, 2000, which resolutions have not been amended, modified, rescinded and remain in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed the seal of Sara Lee Corporation this _____ day of _____, 2000.

_____
Name: R. Henry Kleeman
Title: Assistant Secretary

EXHIBIT B

CERTIFICATE OF SECRETARY OF COACH, INC.

I, _____, Secretary of Coach, Inc., a corporation organized and existing under the laws of the State of Maryland (the "Company"), DO HEREBY CERTIFY that attached hereto are true and correct copies of certain resolutions adopted in a meeting of the Company Board of Directors on _____, 2000, which resolutions have not been amended, modified, rescinded and remain in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed the seal of Coach, Inc. this _____ day of _____, 2000.

_____
Name: Carole P. Sadler
Title: Secretary

EXHIBIT C

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

EXHIBIT D

EMPLOYEE MATTERS AGREEMENT

EXHIBIT E

TAX SHARING AGREEMENT

EXHIBIT F

MASTER TRANSITIONAL SERVICES AGREEMENT

EXHIBIT G

REAL ESTATE MATTERS AGREEMENT

EXHIBIT H

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

EXHIBIT I

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

Exhibit 2.2

TAX SHARING AGREEMENT

by and among

SARA LEE CORPORATION

AND ITS AFFILIATES

and

COACH, INC.

AND ITS AFFILIATES

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TAX SHARING AGREEMENT

This Tax Sharing Agreement (this "Agreement") is dated as of August 24, 2000, by and among Sara Lee Corporation ("Sara Lee"), a Maryland corporation, each Sara Lee Affiliate, Coach, Inc. ("Coach"), a Maryland corporation and currently a direct, wholly owned subsidiary of Sara Lee, and each Coach Affiliate. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article IX hereof.

RECITALS

WHEREAS, as of the date specified in the preamble to this Agreement, Sara Lee and its direct and indirect domestic subsidiaries are members of an Affiliated Group, of which Sara Lee is the common parent corporation;

WHEREAS, the Boards of Directors of Sara Lee and Coach have each determined that it is appropriate and desirable for Sara Lee to contribute and transfer to Coach, and for Coach to receive and assume, directly or indirectly, assets and liabilities currently held by Sara Lee and associated with the Coach Business (the "Separation");

WHEREAS, as set forth in the Master Separation Agreement dated as of August 24, 2000 (the "Separation Agreement"), and subject to the terms and conditions thereof, Sara Lee and Coach currently contemplate that, following the Separation, Coach will make an initial public offering (the "IPO") of an amount of its common stock pursuant to a registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended (the "IPO Registration Statement"), that will reduce Sara Lee's ownership of Coach to not less than 80.5%;

WHEREAS, as set forth in the Separation Agreement, and subject to the terms and conditions thereof, Sara Lee intends, sometime after the IPO, to distribute all of its shares of Coach common stock to Sara Lee shareholders (the "Distribution");

WHEREAS, the Separation and the Distribution are intended to qualify as a tax-free reorganization and distribution under sections 368(a)(1)(D) and 355 of the Code;

WHEREAS, in contemplation of the Distribution pursuant to which Coach and its direct and indirect domestic subsidiaries will cease to be members of the Sara Lee Group, the parties hereto have determined to enter into this Agreement, setting forth their agreement with respect to certain Tax matters; and

WHEREAS, Sara Lee and Coach desire to set forth their agreement on the rights and obligations of Sara Lee and Coach and their respective groups with respect to handling and allocating federal, state and local and foreign Taxes, in periods beginning prior to the Distribution

Date, Taxes resulting from transactions effectuated in connection with the Distribution and various other Tax matters.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, Sara Lee and Coach mutually covenant and agree as follows:

ARTICLE I

PREPARATION AND FILING OF TAX RETURNS

Section 1.1 SARA LEE'S RESPONSIBILITY. Sara Lee shall have sole and exclusive responsibility for the preparation and filing of:

(1) all Tax Returns and Taxes with respect to Sara Lee, any Sara Lee Affiliate, Coach, and/or any Coach Affiliate for Pre-Separation Periods;

(2) all Consolidated Returns, Combined Returns and separate United States federal, state, local, and foreign Income Tax Returns for any Interim Periods; and

(3) all Tax Returns with respect to Sara Lee and any Sara Lee Affiliate for Post-Distribution Periods.

Section 1.2 COACH'S RESPONSIBILITY. Coach shall have sole and exclusive responsibility for the preparation and filing of:

(1) all Tax Returns (other than Income Tax Returns) and Taxes (other than Income Taxes) for Coach and any Coach Affiliate for any Interim Periods and

(2) all Tax Returns with respect to Coach and any Coach Affiliate for Post-Distribution Periods.

Section 1.3 AGENT. Subject to the other applicable provisions of this Agreement, Coach hereby irrevocably designates, and agrees to cause each Coach Affiliate to so designate, Sara Lee as its sole and exclusive agent and attorney-in-fact to take such action (including execution of documents) as Sara Lee, in its reasonable discretion, may deem appropriate in any and all matters (including Audits) relating to any Tax Return described in Section 1.1.

Section 1.4 MANNER OF TAX RETURN PREPARATION.

(1) Unless otherwise required by a Taxing Authority, the parties hereby agree to prepare and file all Tax Returns, and to take all other actions, in a manner

consistent with this Agreement and the Separation Agreement, and, to the extent not inconsistent with this Agreement, the Separation Agreement or applicable law, any Ruling Documents and any Supplemental Ruling Documents. All Tax Returns shall be filed on a timely basis (taking into account applicable extensions) by the party responsible for filing such Tax Returns under this Agreement.

(2) Subject to Section 1.4(a), Sara Lee shall have the exclusive right, in its reasonable discretion, with respect to any Tax Return described in Section 1.1 to determine (1) the manner in which such Tax Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (2) whether any extensions may be requested, (3) the elections that will be made by Sara Lee, any Sara Lee Affiliate, Coach, or any Coach Affiliate on such Tax Return, (4) whether any amended Tax Return(s) shall be filed, (5) whether any claim(s) for refund shall be made, (6) whether any refund shall be paid by way of refund or credited against any liability for the related Tax, and (7) whether to retain outside firms to prepare or review such Tax Returns; PROVIDED, that Sara Lee shall prepare all Tax Returns described in Section 1.1(b) in a manner consistent with its past Tax reporting practices with respect to the Coach Business, except that Sara Lee shall prepare Tax Returns for Coach Puerto Rico in a manner consistent with the IRS private letter ruling issued to Coach Puerto Rico on April 12, 2000.

(3) Within ninety (90) days after filing the Consolidated Return for the tax year that includes the Distribution Date, Sara Lee shall notify Coach of the Tax attributes associated with Coach and each Coach Affiliate, and the Tax bases of the assets and liabilities, transferred to Coach in connection with the Separation. Sara Lee shall provide Coach with preliminary estimates of such information within ninety (90) days after the Separation Date.

Section 1.5 TAX SERVICES.

(1) IN GENERAL. Sara Lee shall provide to Coach the Services (as defined in the Transitional Services Agreement) set forth under the heading "Taxation" on the Transition Services Schedule attached to the Transitional Services Agreement (the "Tax Services").

(2) RIGHT TO REVIEW. Upon Coach's request, Sara Lee shall provide Coach with any Tax Return (or portion or excerpt thereof relating exclusively to Coach or any Coach Affiliate) to be filed by Sara Lee on behalf of Coach or any Coach Affiliate pursuant to Sara Lee's provision of Tax Services at least ten (10) days prior to the due date of such Tax Return. Coach shall have the right to comment on any such Tax Return (or portion or excerpt thereof, as applicable), and Sara Lee shall reasonably consider Coach's comments.

(3) INFORMATION. Sara Lee shall provide Coach with copies of all Tax Returns (or portions or excerpts thereof relating exclusively to Coach or any Coach Affiliate)

filed on behalf of Coach or any Coach Affiliate, in each case within fifteen (15) days of filing, pursuant to Sara Lee's provision of Tax Services and any notices or communications from any Taxing Authority relating to any Tax or Tax Return of Coach or any Coach Affiliate covered by the Tax Services.

(4) LIST OF TAX RETURNS. As soon as practicable after the date hereof, Sara Lee shall provide to Coach a list of all Tax Returns to be filed by Sara Lee on behalf of Coach and/or any Coach Affiliate pursuant to Section 1.1(b). As soon as practicable after the Distribution Date, Sara Lee shall provide to Coach an updated list of all Tax Returns filed by Sara Lee on behalf of Coach and/or any Coach Affiliate pursuant to Section 1.1(b).

ARTICLE II

LIABILITY FOR TAXES

Section 2.1 COACH'S LIABILITY FOR SECTION 1.1(b) TAXES. Coach shall be liable for the Separate Tax Liability with respect to Tax Returns described in Section 1.1(b). Sara Lee shall be liable for any Tax deficiency assessed with respect to such Tax Returns, and shall be entitled to receive and retain all refunds of Taxes previously paid with respect to the Separate Tax Liability.

Section 2.2 SARA LEE'S LIABILITY FOR SECTION 1.1(a) AND SECTION 1.1(c) TAXES. Sara Lee shall be liable for all Taxes due with respect to all Tax Returns described in Section 1.1(a) and Section 1.1(c), and shall be liable for any Tax deficiency assessed with respect to such Tax Returns. Sara Lee shall be entitled to receive and retain all refunds of Taxes previously paid by Sara Lee with respect to such Taxes.

Section 2.3 COACH'S LIABILITY FOR SECTION 1.2 TAXES. Coach shall be liable for all Taxes due with respect to Tax Returns described in Section 1.2, and shall be liable for any Tax deficiency assessed with respect to such Tax Returns. Coach shall be entitled to receive and retain all refunds of Taxes previously paid by Coach with respect to such Taxes.

Section 2.4 PUERTO RICO TOLL GATE TAX. For the avoidance of doubt, Sara Lee shall be liable for any Puerto Rico Toll Gate Tax incurred prior to the Separation Date. Coach shall be liable for any Puerto Rico Toll Gate Tax incurred on or after the Separation Date.

Section 2.5 CERTAIN TAX BENEFITS.

(1) FSC BENEFIT. Coach shall be solely entitled to any Tax Benefit resulting from Coach's participation in any "foreign sales corporation" (as such term is defined in section 922(a) of the Code) of Sara Lee during any Pre-Distribution Period (the "FSC Benefit").

(2) FTC BENEFIT. Sara Lee shall compensate Coach for Sara Lee's actual use, against Sara Lee's excess foreign tax credit limitation, of any carryback or carryover within the meaning of section 904(c) of the Code (the "FTC Benefit") attributable to Coach's or any Coach Affiliate's payment or accrual of excess foreign taxes during any Interim Period.

(3) FOREIGN SOURCE INCOME. For the avoidance of doubt, to the extent that Sara Lee derives any additional Tax Benefit (other than the FSC Benefit and the FTC Benefit) as a result of foreign source income generated by Coach's export sales during any Interim Period, Sara Lee shall be solely entitled to, and shall not compensate Coach for, such additional Tax Benefit.

(4) PUERTO RICO WAGE CREDIT. For the avoidance of doubt, Sara Lee shall be solely entitled to, and shall not compensate Coach for, any Tax Benefit arising to Sara Lee or any Sara Lee Affiliate during any Interim Period by reason of any excess of (i) Coach's limitation (described in section 936(a)(4) of the Code) on the Puerto Rico "possession tax credit" provided in section 936(a) of the Code over (ii) the amount of the Puerto Rico possession tax credit actually utilized by Coach.

Section 2.6 PAYMENT OF TAX LIABILITY. If one party is liable for Taxes, under Sections 2.1 through 2.3, with respect to Tax Returns for which another party has the preparation and filing responsibility, then the liable party shall pay the Taxes to the other party pursuant to Section 6.3. One party's failure to pay Taxes pursuant to this Section 2.6 shall not relieve the other party of its obligation to prepare and file any Tax Return and to make any related payment of Taxes to a Taxing Authority. If a party (the "Non-Paying Party") shall fail to pay over to a Taxing Authority any payment received by it from the other party in respect of Taxes owed by such other party, the Non-Paying Party shall indemnify the other party for such Taxes.

Section 2.7 COMPUTATION. Sara Lee shall provide Coach with a calculation of the amount of any Separate Tax Liability, estimated Separate Tax Liability (for purposes of Section 6.1) or True-Up Payment (for purposes of Section 6.2). Such calculation shall provide sufficient detail to permit Coach to reasonably understand such calculation. Coach shall have the right to review, comment on and contest such calculation. Any Dispute with respect to such calculation shall be resolved pursuant to Section 8.3; PROVIDED, that, notwithstanding any Dispute with respect to any such calculation, in no event shall any payment attributable to the amount of any Separate Tax Liability or estimated Separate Tax Liability be paid later than the date provided in Article VI; PROVIDED FURTHER, that, all or a part of any such contested payment may be subject to return based on the resolution of the Dispute, and any payments owing from one party to the other shall be made promptly.

ARTICLE III

DISTRIBUTION TAXES AND DECONSOLIDATION

Section 3.1 DISTRIBUTION TAXES.

(a) SARA LEE'S LIABILITY FOR DISTRIBUTION TAXES. Notwithstanding Sections 2.1 through 2.3, Sara Lee and each Sara Lee Affiliate shall be liable for one hundred percent (100%) of any Distribution Taxes that are attributable to, or result from, one or more of the following:

(1) any action or omission by Sara Lee (or any Sara Lee Affiliate) that is materially inconsistent with any material or information, or that constitutes a material breach of any material covenant or material representation, pertaining to Sara Lee in the Ruling Documents, Supplemental Ruling Documents, Initial Ruling, or Supplemental Ruling, or the Sara Lee Representation Letter, if any;

(2) any action or omission by Sara Lee (or any Sara Lee Affiliate) after the date of the Distribution, including, without limitation, a cessation, transfer to affiliates, or disposition of its active trades or businesses, or an issuance of stock, stock buyback or payment of an extraordinary dividend by Sara Lee (or any Sara Lee Affiliate) following the Distribution;

(3) any acquisition of any stock or assets of Sara Lee (or any Sara Lee Affiliate) by one or more other persons occurring prior to or following the Distribution; or

(4) any issuance of stock by Sara Lee (or any Sara Lee Affiliate), or change in ownership of stock in Sara Lee (or any Sara Lee Affiliate), that causes section 355(d) or section 355(e) of the Code to apply to the Distribution.

(2) COACH'S LIABILITY FOR DISTRIBUTION TAXES. Notwithstanding Sections 2.1 through 2.3, Coach and each Coach Affiliate shall be liable for one hundred percent (100%) of any Distribution Taxes that are attributable to, or result from, one or more of the following:

(1) any action or omission by Coach (or any Coach Affiliate) that is materially inconsistent with any material or information, or that constitutes a material breach of any material covenant or material representation, pertaining to Coach in the Ruling Documents, Supplemental Ruling Documents, Initial Ruling, or Supplemental Ruling, or the Coach Representation Letter, if any;

(2) any action or omission by Coach (or any Coach Affiliate) after the date of the Distribution, including without limitation, a cessation, transfer to affiliates or disposition of its active trades or businesses, or an issuance of stock, stock buyback or payment of an extraordinary dividend by Coach (or any Coach Affiliate) following the Distribution;

(3) any acquisition of any stock or assets of Coach (or any Coach Affiliate) by one or more other persons following the Distribution; or

(4) any issuance of stock by Coach (or any Coach Affiliate), or change in ownership of stock in Coach (or any Coach Affiliate), that causes section 355(d) or section 355(e) of the Code to apply to the Distribution.

(3) FIRST PARTY RESPONSIBLE. The first party to act or fail to act in a manner that results in the imposition of Distribution Taxes shall be liable for one hundred percent (100%) of such Distribution Taxes pursuant to Section 3.1(a) or 3.1(b), as applicable; PROVIDED, that if such first party is able to act, and does act, in a manner that results in Distribution Taxes not being imposed, then such first party shall not be liable for any Distribution Taxes imposed as a result of any act or omission by the other party subsequent to the first party's action or omission.

(4) LIABILITY FOR NON-INCOME DISTRIBUTION TAXES. The liability for any Non-Income Distribution Taxes shall be borne by Coach only if such liability arises with respect to assets transferred to Coach by Sara Lee pursuant to the Separation. The liability for all other Non-Income Distribution Taxes shall be borne by Sara Lee.

Section 3.2 PRIVATE LETTER RULINGS; TAX OPINION.

(1) INFORMATION. Sara Lee has provided Coach with copies of the Ruling Documents, if any, submitted on or prior to the date specified in the preamble to this Agreement, and shall provide Coach with copies of any Ruling Documents or Supplemental Ruling Documents prepared after such date prior to the submission of such Ruling Documents or Supplemental Ruling Documents, as applicable, to a Taxing Authority. Sara Lee shall provide Coach with a copy of the Sara Lee Representation Letter and a copy of the Tax Opinion, if any.

(2) COOPERATION BY COACH. Coach shall cooperate with Sara Lee, and shall take any and all actions reasonably requested by Sara Lee, in connection with (i) Sara Lee's submission of any Ruling Documents prepared after the date specified in the preamble to this Agreement and (ii) Sara Lee's request, if any, for a Tax Opinion.

(3) SUPPLEMENTAL RULINGS.

(1) IN GENERAL. Sara Lee agrees that at the reasonable request of Coach, Sara Lee shall cooperate with Coach and use its reasonable best efforts to seek to obtain, as expeditiously as possible, a Supplemental Ruling or other guidance from the IRS or any other Taxing Authority for the purpose of confirming (1) the continuing validity of any ruling issued by any Taxing Authority addressing the application of the law to the Distribution and (2) compliance on the part of Coach (or any Coach Affiliate) with its obligations under Section 3.1(b). However, Sara Lee shall not be obligated to seek a Supplemental Ruling if it reasonably believes that seeking such Supplemental Ruling would adversely affect Sara Lee, its shareholders or any Sara Lee Affiliate. Further, in no event shall Sara Lee be required to file any Supplemental Ruling Documents unless Coach represents that (1) it has read the Supplemental Ruling Documents and (2) all information and representations, if any, relating to Coach (or any Coach Affiliate) contained in the Supplemental Ruling Documents are true, correct and complete in all material respects. Coach shall reimburse Sara Lee for all costs and expenses incurred by Sara Lee in obtaining a Supplemental Ruling requested by Coach. Neither Coach nor any Coach Affiliate shall seek any guidance (whether written or oral) from the IRS or any other Taxing Authority concerning the Distribution except as set forth in this Section 3.2(c).

(2) PARTICIPATION RIGHTS. If Sara Lee requests a Supplemental Ruling or other guidance after the date specified in the preamble to this Agreement: (A) Sara Lee shall keep Coach informed in a timely manner of all material actions taken or proposed to be taken by Sara Lee in connection therewith; (B) Sara Lee shall (1) reasonably in advance of the submission of any such Supplemental Ruling Documents provide Coach with a draft copy thereof, (2) reasonably consider Coach's comments on such draft copy, (3) provide Coach with a final copy of the Supplemental Ruling Documents, and (4) provide Coach with notice reasonably in advance of, and Coach shall have the right to attend, any meetings with the Taxing Authority (subject to the approval of the Taxing Authority) that relate to such Supplemental Ruling.

Section 3.3 CARRYBACKS.

(1) IN GENERAL. Sara Lee agrees to pay to Coach the United States federal Income Tax Benefit from the use, in any period or portion thereof beginning before the IPO Closing Date, of a carryback of any Tax Asset of the Coach Group from a period (other than a Post-Distribution Period) or portion thereof beginning on or after the IPO Closing Date (other than a carryback of any Tax Asset attributable to Distribution Taxes). Subject to the following sentence, if any Tax Asset of the Coach Group from a Post-Distribution Period is required by the Code or the Treasury Regulations to be carried back to any period or portion thereof beginning before the Distribution Date, then Sara Lee shall pay to Coach the United States federal Income Tax Benefit, if any, from Sara Lee's actual use of the carryback of such Tax Asset. If there is a

carryback of any Tax Asset of the Sara Lee Group to the same taxable year to which there is a carryback of a Tax Asset of the Coach Group, then the carryback of the Sara Lee Group shall be used prior the carryback of the Coach Group. If, subsequent to the payment by Sara Lee to Coach of the United States federal Income Tax Benefit of a carryback of a Tax Asset of the Coach Group, there shall be a Final Determination which results in a (1) change to the amount of the Tax Asset so carried back or (2) change to the amount of such United States federal Income Tax Benefit, Coach shall repay to Sara Lee, or Sara Lee shall repay to Coach, as the case may be, any amount which would not have been payable to such other party pursuant to this Section 3.3(a) had the amount of the benefit been determined in light of these events. Nothing in this Section 3.3(a) shall require Sara Lee to file an amended Tax Return or claim for refund of United States federal Income Taxes; PROVIDED, that Sara Lee shall use its reasonable best efforts to use any carryback of a Tax Asset of the Coach Group that is carried back under this Section 3.3(a).

(2) NET OPERATING LOSSES. Notwithstanding any other provision of this Agreement, Coach hereby expressly agrees to elect (under section 172(b)(3) of the Code and, to the extent feasible, any similar provision of any state, local or foreign Tax law) to relinquish any right to carry back net operating losses.

Section 3.4 ALLOCATION OF TAX ITEMS. All Tax computations for (1) any Interim Periods ending on the Distribution Date and (2) the immediately following taxable period of Coach or any Coach Affiliate, shall be made pursuant to the principles of section 1.1502-76(b) of the Treasury Regulations or of a corresponding provision under the laws of other jurisdictions, as determined by Sara Lee, taking into account all reasonable suggestions made by Coach with respect thereto.

Section 3.5 CONTINUING COVENANTS. Sara Lee (for itself and each Sara Lee Affiliate) and Coach (for itself and each Coach Affiliate) agree (1) not to take any action reasonably expected to result in an increased Tax liability to the other, a reduction in a Tax Asset of the other or an increased liability to the other under this Agreement and (2) to take any action reasonably requested by the other that would reasonably be expected to result in a Tax Benefit or avoid a Tax Detriment to the other, provided that such action does not result in any additional cost not fully compensated for by the requesting party. The parties hereby acknowledge that the preceding sentence is not intended to limit, and therefore shall not apply to, the rights of the parties with respect to matters otherwise covered by this Agreement.

Section 3.6 ALLOCATION OF TAX ASSETS. In connection with the Distribution, Sara Lee and Coach shall cooperate in determining the allocation of any Tax Assets among Sara Lee, each Sara Lee Affiliate, Coach, and each Coach Affiliate. The parties hereby agree that in the absence of controlling legal authority or unless otherwise provided under this Agreement, Tax Assets shall be allocated to the legal entity that incurred the cost or burden associated with the creation of such Tax Asset.

ARTICLE IV

STOCK OPTIONS

Section 4.1 DEDUCTION.

(1) To the extent permitted by law, Sara Lee (or the appropriate member of the Sara Lee Group) shall claim all Tax deductions arising by reason of exercises of Options to acquire Sara Lee stock held by Coach Employees. To the extent permitted by law, Coach (or the appropriate member of the Coach Group) shall claim all Tax deductions arising by reason of exercises of Options to acquire Coach stock held by Sara Lee Employees.

(2) If, pursuant to a Final Determination, all or any part of a Tax deduction claimed pursuant to Section 4.1(a) is disallowed to Sara Lee (or any member of the Sara Lee Group), then, to the extent permitted by law, Coach (or the appropriate member of the Coach Group) shall claim such Tax deduction. If, pursuant to a Final Determination, all or any part of a Tax deduction claimed pursuant to Section 4.1(a) is disallowed to Coach (or any member of the Coach Group), then, to the extent permitted by law, Sara Lee (or the appropriate member of the Sara Lee Group) shall claim such Tax deduction.

Section 4.2 WITHHOLDING AND REPORTING. Sara Lee shall withhold applicable Taxes and satisfy applicable Tax reporting obligations with respect to exercises of Options to acquire Sara Lee stock held by Coach Employees. Coach shall withhold applicable Taxes and satisfy applicable Tax reporting obligations with respect to exercises of Options to acquire Coach stock held by Sara Lee Employees.

Section 4.3 ADJUSTMENTS. If Coach (or any Coach Affiliate) receives any Tax Benefit in any taxable period as a result of any deduction claimed by Coach (or any Coach Affiliate) pursuant to Section 4.1(b), Coach shall pay the amount of such Tax Benefit (net of any Tax Detriment suffered by Coach (or any Coach Affiliate) in such taxable period to Sara Lee. If Sara Lee (or any Sara Lee Affiliate) receives any Tax Benefit in any taxable period as a result of any deduction claimed by Sara Lee (or any Sara Lee Affiliate) pursuant to Section 4.1(b), Sara Lee shall pay the amount of such Tax Benefit (net of any Tax Detriment suffered by Sara Lee (or any Sara Lee Affiliate) in such taxable period to Coach.

ARTICLE V

INDEMNIFICATION

Section 5.1 GENERALLY. The Sara Lee Group shall jointly and severally indemnify Coach, each Coach Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Sara Lee or any Sara Lee Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from the failure of Sara Lee, any Sara Lee Affiliate or any director, officer or employee to make any payment required to be made under this Agreement. The Coach Group shall jointly and severally indemnify Sara Lee, each Sara Lee Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Coach or any Coach Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from, the failure of Coach, any Coach Affiliate or any director, officer or employee to make any payment required to be made under this Agreement.

Section 5.2 INACCURATE, INCOMPLETE OR UNTIMELY INFORMATION. The Sara Lee Group shall jointly and severally indemnify Coach, each Coach Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Sara Lee or any Sara Lee Affiliate in supplying Coach or any Coach Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return. The Coach Group shall jointly and severally indemnify Sara Lee, each Sara Lee Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Coach or any Coach Affiliate in supplying Sara Lee or any Sara Lee Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return.

Section 5.3 ADJUSTMENTS TO PAYMENTS. Any party that is entitled to receive a payment (the "Indemnitee") under this Agreement from another party (the "Indemnifying Party") with respect to any Taxes, losses, costs, damages or expenses suffered or incurred by the Indemnitee (an "Indemnified Loss") shall pay to such Indemnifying Party, or the Indemnifying Party shall pay to the Indemnitee, as applicable, an amount equal to the difference between any "Tax Saving Amount" actually realized by the Indemnitee in the year of the payment and the amount of the Indemnified Loss. For purposes of this Section 5.3, the Tax Saving Amount shall equal the amount by which the Income Taxes of the Indemnitee or any of its affiliates are reduced (including, without limitation, through the receipt of a refund, credit or otherwise), plus any related interest received by the Indemnitee (net of Tax) from a Taxing Authority, as a result of claiming as a deduction or offset on any relevant Tax Return amounts attributable to an Indemnified Loss (the "Indemnifiable Loss Deduction").

Section 5.4 REPORTING OF INDEMNIFIABLE LOSS. In the event that an Indemnitee incurs an Indemnified Loss, such Indemnitee shall claim as a deduction or offset on any relevant Tax Return (including, without limitation, any claim for refund) such Indemnified Loss to the extent such position is supported by "substantial authority" (within the meaning of Section 1.6662-4(d) of the Treasury Regulations) with respect to United States federal, state and local Tax Returns or has similar appropriate authoritative support with respect to any Tax Return other than a United States federal, state or local Tax Return. Except as otherwise provided in this Agreement, the Indemnitee shall have primary responsibility for the preparation of its Tax Returns and reporting thereon such Indemnifiable Loss Deduction; PROVIDED, that the Indemnitee shall consult with, and provide the Indemnifying Party with a reasonable opportunity to review and comment on the portion of the Indemnitee's Tax Return relating to the Indemnified Loss. If a Dispute arises between the Indemnitee and the Indemnifying Party as to whether there is "substantial authority" (with respect to United States federal, state and local Tax Returns) or similar appropriate authoritative support (with respect to any Tax Return other than a United States federal, state or local Tax Return) for the claiming of an Indemnifiable Loss Deduction, such Dispute shall be resolved in accordance with the principles and procedures set forth in Section 8.3. Both Sara Lee and Coach shall act in good faith to coordinate their Tax Return filing positions with respect to the taxable periods that include an Indemnifiable Loss Deduction. There shall be an adjustment to any Tax Saving Amount calculated under Section 5.3 hereof in the event of an Audit which results in a Final Determination that increases or decreases the amount of the Indemnifiable Loss Deduction reported on any relevant Tax Return of the Indemnitee. The Indemnitee shall promptly inform the Indemnifying Party of any such Audit and shall attempt in good faith to sustain the Indemnifiable Loss Deduction at issue in the Audit. Upon receiving a written notice of a Final Determination in respect of an Indemnifiable Loss Deduction, the Indemnitee shall redetermine the Tax Saving Amount attributable to the Indemnifiable Loss Deduction under Section 5.3 hereof, taking into account the Final Determination (the "Restated Tax Saving Amount"). If the Restated Tax Saving Amount is greater than the Tax Saving Amount, the Indemnitee shall promptly pay the Indemnifying Party an amount equal to the difference between such amounts. If the Restated Tax Saving Amount is less than the Tax Saving Amount, then the Indemnifying Party shall pay to the Indemnitee an amount equal to the difference between such amounts promptly after receipt of written notice setting forth the amount due and the computation thereof.

Section 5.5 NO INDEMNIFICATION FOR TAX ITEMS. Nothing in this Agreement shall be construed as a guarantee of the existence or amount of any loss, credit, carryforward, basis or other Tax Item, whether past, present or future, of Sara Lee, any Sara Lee Affiliate, Coach or any Coach Affiliate.

ARTICLE VI

PAYMENTS

Section 6.1 ESTIMATED TAX PAYMENTS. Not later than ten (10) business days prior to each Estimated Tax Installment Date with respect to a taxable period for which a Consolidated Return or a Combined Return will be filed, Coach shall pay to Sara Lee on behalf of the Coach Group an amount equal to the amount of any estimated Separate Tax Liability that Coach would have otherwise been required to pay to a Taxing Authority on such Estimated Tax Installment Date.

Section 6.2 TRUE-UP PAYMENTS. Not later than ten (10) business days after completion of a Tax Return, Coach shall pay to Sara Lee, or Sara Lee shall pay to Coach, as appropriate, an amount equal to the difference, if any, between the Separate Tax Liability and the aggregate amount paid by Coach with respect to such period under Section 6.1.

Section 6.3 PAYMENTS UNDER THIS AGREEMENT. In the event that one party (the "Owing Party") is required to make a payment to another party (the "Owed Party") pursuant to this Agreement, then such payments shall be made according to this Section 6.3.

(1) IN GENERAL. All payments shall be made to the Owed Party or to the appropriate Taxing Authority as specified by the Owed Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within twenty (20) days after delivery of written notice of payment owing together with a computation of the amounts due.

(2) TREATMENT OF PAYMENTS. Unless otherwise required by any Final Determination, the parties agree that any payments made by one party to another party (other than payments of interest pursuant to Section 6.3(e) and payments of After Tax Amounts pursuant to Section 6.3(d)) pursuant to this Agreement shall be treated for all Tax and financial accounting purposes as nontaxable payments (dividend distributions or capital contributions, as the case may be) made immediately prior to the Distribution and, accordingly, as not includible in the taxable income of the recipient.

(3) PROMPT PERFORMANCE. All actions required to be taken by any party under this Agreement shall be performed within the time prescribed for performance in this Agreement, or if no period is prescribed, such actions shall be performed promptly.

(4) AFTER TAX AMOUNTS. If pursuant to a Final Determination it is determined that the receipt or accrual of any payment made under this Agreement (other than payments of interest pursuant to Section 6.3(e)) is subject to any Tax, the party making such payment shall be liable for (a) the After Tax Amount with respect to such payment and (b) interest at the rate described in Section 6.3(e) on the amount of such Tax from the date such Tax accrues through the date of payment of such After Tax Amount. A party making a demand for a payment pursuant to this Agreement and for a payment of an After Tax Amount with respect to such payment shall separately specify and compute such After Tax Amount. However, a party may choose not to specify an After Tax Amount in a demand for payment pursuant to this

Agreement without thereby being deemed to have waived its right subsequently to demand an After Tax Amount with respect to such payment.

(5) INTEREST. Payments pursuant to this Agreement that are not made within the period prescribed in this Agreement (the "Payment Period") shall bear interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment at a per annum rate equal to the prime rate as published in THE WALL STREET JOURNAL on the last day of such Payment Period, plus two percent (2%). Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

ARTICLE VII

TAX PROCEEDINGS

Section 7.1 AUDITS. The party responsible for preparing and filing a Tax Return pursuant to Article I (the "Filing Party") shall have the exclusive right to control, contest, and represent the interests of Sara Lee, any Sara Lee Affiliate, Coach, and any Coach Affiliate in any Audit relating to such Tax Return and, in its reasonable discretion, to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit. The Filing Party's rights shall extend to any matter pertaining to the management and control of an Audit, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item. Any costs incurred in handling, settling, or contesting an Audit shall be borne by the Filing Party. The Filing Party shall, to the extent such information is available, advise the non-Filing Party of any significant Tax issue subject to an Audit by any Taxing Authority, and shall keep the non-Filing Party informed with respect to any contest, compromise or settlement thereof.

Section 7.2 NOTICE. Within ten (10) days after a party receives a written notice or other information from a Taxing Authority of the existence of a Tax issue that may give rise to an indemnification obligation under this Agreement, such party shall notify the other party of such issue, and thereafter shall promptly forward to the other party copies of notices and material communications with any Taxing Authority relating to such issue. The failure of one party to notify the other party of any matter relating to a particular Tax for a taxable period or to take any action specified in this Agreement shall not relieve such other party of any liability and/or obligation which it may have under this Agreement with respect to such Tax for such taxable period, except to the extent that such other party's rights under this Agreement are materially prejudiced by such failure.

Section 7.3 REMEDIES. Coach agrees that no claim against Sara Lee and no defense to Coach's liabilities and/or obligations to Sara Lee under this Agreement shall arise from the resolution by Sara Lee of any deficiency, claim or adjustment relating to the redetermination of any Tax Item of Sara Lee or any Sara Lee Affiliate.

Section 7.4 CONTROL OF DISTRIBUTION TAX PROCEEDINGS. Sara Lee shall have the exclusive right and sole discretion to control, contest, and represent the interests of Sara Lee, any Sara Lee Affiliate, Coach, and any Coach Affiliate in any Audits relating to Distribution Taxes and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit. Sara Lee's rights shall extend to any matter pertaining to the management and control of such Audit, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item. Coach may assume sole control of any Audits relating to Distribution Taxes if it acknowledges in writing that it has sole liability for any Distribution Taxes that might arise in such Audit.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 EFFECTIVENESS. This Agreement shall become effective on the Separation Date.

Section 8.2 COOPERATION AND EXCHANGE OF INFORMATION.

(1) COOPERATION. Coach and Sara Lee shall each cooperate fully (and each shall cause its respective affiliates to cooperate fully) with all reasonable requests from another party hereto, or from an agent, representative or advisor to such party, in connection with the preparation and filing of Tax Returns, claims for refund, and Audits concerning issues or other matters covered by this Agreement. Such cooperation shall include, without limitation:

(1) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of Tax Returns, books, records (including information regarding ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities;

(2) the execution of any document that may be necessary or reasonably helpful in connection with any Tax Proceeding, or the filing of a Tax Return or refund claim by a member of the Sara Lee Group or the Coach Group, including certification, to the best of a party's knowledge, of the accuracy and completeness of the information it has supplied; and

(3) the use of the party's reasonable best efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing.

Each party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters.

(2) FAILURE TO PERFORM. If a party materially fails to comply with any of its obligations set forth in Section 8.2(a) upon reasonable request and notice by the other party, and such failure results in the imposition of additional Taxes, the non-performing party shall be liable in full for such additional Taxes notwithstanding anything to the contrary in this Agreement.

(3) RETENTION OF RECORDS. A party intending to dispose of documentation of Sara Lee (or any Sara Lee Affiliate) or Coach (or any Coach Affiliate), including without limitation, Tax Returns, books, records, documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities (after the expiration of the applicable statute of limitations), shall provide written notice to the other party describing the documentation to be destroyed or disposed of sixty (60) business days prior to taking such action. The other party may arrange to take delivery of the documentation described in the notice at its expense during the succeeding sixty (60) day period.

Section 8.3 DISPUTE RESOLUTION. Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity hereof ("Dispute") which arises between Sara Lee and Coach shall first be negotiated between the appropriate senior executives of Sara Lee and Coach who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within ten (10) days of receipt by Sara Lee or Coach, as applicable, of notice of a Dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then Sara Lee and Coach shall jointly retain an Independent Firm that is a "big five" accounting firm to resolve the Dispute. If Sara Lee and Coach cannot mutually agree upon an Independent Firm that is a "big five" accounting firm, or if there is no Independent Firm that is a "big five" accounting firm, then any Dispute which Sara Lee and Coach cannot resolve within thirty (30) days from the Dispute Resolution Commencement Date shall be resolved by a "big five" accounting firm selected by the American Arbitration Association; PROVIDED, that the American Arbitration Association shall not select any accounting firm that is then providing auditing services to Sara Lee, any Sara Lee Affiliate, Coach or any Coach Affiliate. The accounting firm selected by the American Arbitration Association shall act as an arbitrator to resolve all points of disagreement, and its decision shall be final and binding upon all parties involved. Following the decision of such firm, Sara Lee and Coach shall each take or cause to be taken any action necessary to implement the decision of such firm. Sara Lee and Coach shall share equally the administrative costs of the arbitration and such firm's fees and expenses, and shall each bear their respective other costs and expenses related to the arbitration.

Section 8.4 NOTICES. Notices, offers, requests or other communications required or permitted to be given by any party pursuant to the terms of this Agreement shall be given in writing to Sara Lee or Coach, as applicable, to the following addresses or facsimile numbers:

If to Sara Lee, at:

Sara Lee Corporation
Three First National Plaza
70 West Madison
Chicago, Illinois 60602-4260
Fax Number: 312/558-4956
Attention: Senior Vice-President - Taxes

If to Coach, at:

Coach, Inc.
516 West 34th Street
New York, New York 10001
Fax Number: 212/629-2344
Attention: Chief Financial Officer and General Counsel

or to such other address or facsimile number as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by facsimile, confirmed by first class mail. All notices shall be deemed to have been given when received, if hand-delivered; when receipt confirmed, if transmitted by facsimile or similar electronic transmission method; one (1) working day after it is sent, if sent by recognized overnight courier; and three (3) days after it is postmarked, if mailed by first class mail or certified mail, return receipt requested, with postage prepaid.

Section 8.5 CHANGES IN LAW.

(1) Any reference to a provision of the Code, Treasury Regulations, or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

(2) If, due to any change in applicable law or regulations or their interpretation by any court of law or other governing body having jurisdiction subsequent to the date specified in the preamble to this Agreement, performance of any provision of this Agreement or any transaction contemplated hereby shall become impracticable or impossible, the

parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 8.6 CONFIDENTIALITY. Each of the parties hereto shall hold and cause its directors, officers, employees, advisors and consultants to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other parties hereto furnished it by such other party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (1) in the public domain through no fault of such party or (2) later lawfully acquired from other sources not under a duty of confidentiality by the party to which it was furnished), and no party shall release or disclose such information to any other person, except its directors, officers, employees, auditors, attorneys, financial advisors, bankers or other consultants who shall be advised of and agree to be bound by the provisions of this Section 8.6. Each of the parties hereto shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other parties if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 8.7 ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Sara Lee Group and each member of the Coach Group. No party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other parties hereto, and any such assignment shall be void; PROVIDED, that each of Sara Lee and Coach may assign this Agreement to a successor entity in conjunction with such party's reincorporation.

Section 8.8 AFFILIATES. Sara Lee shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Sara Lee Affiliate, and Coach shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Coach Affiliate; PROVIDED, that (1) if it is contemplated that a Coach Affiliate may cease to be a Coach Affiliate as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Coach Group to the shareholders of Coach, then Coach shall request in writing no later than thirty (30) days prior to such cessation that Sara Lee execute a release of such Coach Affiliate from its obligations under this Agreement effective as of such transfer, provided that Coach shall succeed to the rights of such Coach Affiliate under this Agreement and shall have confirmed in writing the obligations Coach and its remaining Coach Affiliates with respect to their own obligations and those of the departing Coach Affiliate, and that such

departing Coach Affiliate shall have executed a release of any rights it may have against Sara Lee or any Sara Lee Affiliate by reason of this Agreement, and (2) if it is contemplated that a Sara Lee Affiliate may cease to be a Sara Lee Affiliate as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Sara Lee Group to the shareholders of Sara Lee, then Sara Lee shall request in writing no later than thirty (30) days prior to such cessation that Coach execute a release of such Sara Lee Affiliate from its obligations under this Agreement effective as of such transfer, provided that Sara Lee shall succeed to the rights of such Sara Lee Affiliate under this Agreement and shall have confirmed in writing the obligations of Sara Lee and its remaining Sara Lee Affiliates with respect to their own obligations and the obligations of the departing Sara Lee Affiliate, and that such departing Sara Lee Affiliate shall have executed a release of any rights it may have against Coach or any Coach Affiliate by reason of this Agreement.

Section 8.9 AUTHORITY. Each of the parties hereto represents, on behalf of itself and its affiliates, to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 8.10 ENTIRE AGREEMENT. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 8.11 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with, and all Disputes hereunder shall be governed by, the laws of the State of Illinois, excluding its conflict of law rules.

Section 8.12 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 8.13 SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless

remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 8.14 PARTIES IN INTEREST. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon Sara Lee, the Sara Lee Affiliates, Coach and the Coach Affiliates and inure solely to the benefit of the Coach Indemnitees and the Sara Lee Indemnitees and their respective permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 8.15 FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any failure to exercise, or any single or partial exercise, of any such right preclude other or further exercise thereof or of any other right.

Section 8.16 SETOFF. All payments to be made by any party under this Agreement may be netted against payments due to such party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

Section 8.17 AMENDMENTS. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to this Agreement.

Section 8.18 INTERPRETATION. When a reference is made in this Agreement to an Article or a Section, or to an Exhibit or a Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The headings contained in this Agreement, in any Exhibit or Schedule, and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement.

ARTICLE IX

DEFINITIONS

Section 9.1 AFFILIATED GROUP. "Affiliated Group" means an affiliated group of corporations within the meaning of section 1504(a)(1) of the Code that files a Consolidated Return.

Section 9.2 AFTER TAX AMOUNT. "After Tax Amount" means any additional amount necessary to reflect (through a gross-up mechanism) the hypothetical Tax consequences of the receipt or accrual of any payment required to be made under this Agreement (including payment of an additional amount or amounts hereunder and the effect of the deductions available for interest paid or accrued and for Taxes such as state and local Income Taxes), determined by using the highest marginal corporate Tax rate (or rates, in the case of an item that affects more than one Tax) for the relevant taxable period (or portion thereof).

Section 9.3 AUDIT. "Audit" includes any audit, assessment of Taxes, other examination by any Taxing Authority, proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial, including proceedings relating to competent authority determinations.

Section 9.4 COACH AFFILIATE. "Coach Affiliate" means any corporation or other entity directly or indirectly Controlled by Coach.

Section 9.5 COACH BUSINESS. "Coach Business" means the business of producing, marketing and selling handbags, accessories, business cases, luggage and travel accessories, time management products, outerwear, gloves, scarves, watches, footwear, eyewear, home furnishings and furniture.

Section 9.6 COACH EMPLOYEE. "Coach Employee" means an employee of Coach or any Coach Affiliate immediately after the Distribution.

Section 9.7 COACH GROUP. "Coach Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immediately after the Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 9.8 COACH PUERTO RICO. "Coach Puerto Rico" means Coach Leatherware International, Inc., a Delaware corporation.

Section 9.9 COACH REPRESENTATION LETTER. "Coach Representation Letter" means an officer's certificate in which certain representations, warranties and covenants are made on behalf of Coach in connection with the issuance of a Tax Opinion.

Section 9.10 CODE. "Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

Section 9.11 COMBINED RETURN. "Combined Return" means any Tax Return, other than with respect to United States federal Income Taxes, filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination) or unitary basis wherein Coach or one or more Coach Affiliates joins in the filing of such Tax Return (for any taxable period or portion thereof) with Sara Lee or one or more Sara Lee Affiliates.

Section 9.12 CONSOLIDATED RETURN. "Consolidated Return" means any Tax Return with respect to United States federal Income Taxes filed on a consolidated basis wherein Coach and one or more Coach Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof) with Sara Lee and one or more Sara Lee Affiliates.

Section 9.13 CONTROL. "Control" means the ownership of stock possessing at least 50 percent of the total combined voting power of all classes of stock entitled to vote.

Section 9.14 DISPUTE. "Dispute" has the meaning set forth in Section 8.3.

Section 9.15 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 8.3.

Section 9.16 DISTRIBUTION. "Distribution" has the meaning set forth in the recitals to this Agreement.

Section 9.17 DISTRIBUTION DATE. "Distribution Date" means the close of business on the earlier of (a) the date on which the Distribution is effected and (b) the date on which Sara Lee disposes of shares of Coach common stock in an amount sufficient to result in Sara Lee failing to satisfy the "80 percent vote and value test" described in Section 1504(a)(2) of the Code.

Section 9.18 DISTRIBUTION TAXES. "Distribution Taxes" means any Taxes imposed on Sara Lee or any Sara Lee Affiliate resulting from, or arising in connection with, the failure of the Distribution to be tax-free to such party under section 355 and section 368(a)(1)(D) of the Code (including, without limitation, any Tax resulting from the application of section 355(d) or section 355(e) of the Code to the Distribution) or corresponding provisions of the laws of any other jurisdictions. Each Tax referred to in the immediately preceding sentence shall be determined using the highest marginal corporate Income Tax rate for the relevant taxable period (or portion thereof).

Section 9.19 ESTIMATED TAX INSTALLMENT DATE. "Estimated Tax Installment Date" means the estimated Tax installment due dates prescribed in section 6655(c) of the Code and any other date on which an installment of Taxes is required to be made.

Section 9.20 FILING PARTY. "Filing Party" has the meaning set forth in Section 7.1.

Section 9.21 FINAL DETERMINATION. "Final Determination" means the final resolution of liability for any Tax for any taxable period, by or as a result of: (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Code sections 7121 or 7122, or a comparable agreement under the laws of other jurisdictions, which resolves the entire Tax liability for any taxable period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

Section 9.22 INCOME TAX. "Income Tax" means any federal, state, local or foreign Tax determined by reference to income, net worth, gross receipts or capital, or any such Taxes imposed in lieu of such Tax.

Section 9.23 INDEMNIFIABLE LOSS DEDUCTION. "Indemnifiable Loss Deduction" has the meaning set forth in Section 5.3.

Section 9.24 INDEMNIFIED LOSS. "Indemnified Loss" has the meaning set forth in Section 5.3.

Section 9.25 INDEMNITEE. "Indemnitee" has the meaning set forth in Section 5.3.

Section 9.26 INDEMNIFYING PARTY. "Indemnifying Party" has the meaning set forth in Section 5.3.

Section 9.27 INDEPENDENT FIRM. "Independent Firm" means an accounting firm which has not, except pursuant to Section 8.3, performed any services since January 1, 1999 for Sara Lee, any Sara Lee Affiliate, Coach or any Coach Affiliate.

Section 9.28 INITIAL RULING. "Initial Ruling" means any private letter ruling issued by the IRS in connection with the IPO and the Distribution in response to Sara Lee's initial request for such a letter ruling.

Section 9.29 INTERIM PERIOD. "Interim Period" means a taxable period beginning on or after the Separation Date but before the Distribution Date.

Section 9.30 IPO. "IPO" has the meaning set forth in the recitals to this Agreement.

Section 9.31 IPO CLOSING DATE. "IPO Closing Date" means the date on which the IPO is consummated.

Section 9.32 IPO REGISTRATION STATEMENT. "IPO Registration Statement" shall have the meaning set forth in the recitals to this Agreement.

Section 9.33 IRS. "IRS" means the United States Internal Revenue Service or any successor thereto, including, but not limited to its agents, representatives, and attorneys.

Section 9.34 NON-INCOME DISTRIBUTION TAXES. "Non-Income Distribution Taxes" means any Taxes other than Income Taxes imposed on Sara Lee, any Sara Lee Affiliate, Coach or any Coach Affiliate as a result of or in connection with the Distribution that would not have been imposed but for the Distribution.

Section 9.35 OPTION. "Option" means an option to acquire common stock, or other equity-based incentives the economic value of which is designed to mirror that of an option, including non-qualified stock options, discounted non-qualified stock options, cliff options to the extent stock is issued or issuable (as opposed to cash compensation), and tandem stock options to the extent stock is issued or issuable (as opposed to cash compensation).

Section 9.36 OWED PARTY. "Owed Party" has the meaning set forth in Section 6.3.

Section 9.37 OWING PARTY. "Owing Party" has the meaning set forth in Section 6.3.

Section 9.38 PAYMENT PERIOD. "Payment Period" has the meaning set forth in Section 6.3(e).

Section 9.39 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

Section 9.40 POST-DISTRIBUTION PERIOD. "Post-Distribution Period" means a taxable period beginning after the Distribution Date.

Section 9.41 PRE-DISTRIBUTION PERIOD. "Pre-Distribution Period" means any Pre-Separation Period and/or Interim Period.

Section 9.42 PRE-SEPARATION PERIOD. "Pre-Separation Period" means a taxable period beginning before the Separation Date.

Section 9.43 PUERTO RICO TOLL GATE TAX. "Puerto Rico Toll Gate Tax" means any amount paid to the government of the Commonwealth of Puerto Rico with respect to a distribution of a dividend by Coach Puerto Rico, such amount to be computed and paid pursuant to the Decree dated February 15, 1994 and signed by Jorge N. Navas, Acting Secretary of State of the Commonwealth of Puerto Rico and Pedro Rossello, Governor of the Commonwealth of Puerto Rico.

Section 9.44 RESTATED TAX SAVING AMOUNT. "Restated Tax Saving Amount" has the meaning set forth in Section 5.4.

Section 9.45 RULING DOCUMENTS. "Ruling Documents" means (1) the initial request for a private letter ruling under section 355 and various other sections of the Code, filed with the IRS in connection with the IPO and the Distribution, together with any supplemental filings or ruling requests or other materials subsequently submitted in connection with such request on behalf of Sara Lee, its subsidiaries and shareholders to the IRS, the appendices and exhibits thereto, and any rulings issued by the IRS to Sara Lee (or any Sara Lee Affiliate) in response to such request or (2) any similar filings submitted to, or rulings issued by, any other Tax Authority in connection with the Distribution.

Section 9.46 SARA LEE AFFILIATE. "Sara Lee Affiliate" means any corporation or other entity directly or indirectly Controlled by Sara Lee, but excluding Coach and any Coach Affiliate.

Section 9.47 SARA LEE EMPLOYEE. "Sara Lee Employee" means an employee of Sara Lee or any Sara Lee Affiliate immediately after the Distribution.

Section 9.48 SARA LEE GROUP. "Sara Lee Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 9.49 SARA LEE REPRESENTATION LETTER. "Sara Lee Representation Letter" means an officer's certificate in which certain representations, warranties and covenants are made on behalf of Sara Lee in connection with the issuance of a Tax Opinion.

Section 9.50 SEPARATE TAX LIABILITY. "Separate Tax Liability" means (a) with respect to federal Income Taxes other than federal Income Taxes covered in clause (b) below, an amount equal to the Tax liability that Coach and each eligible Coach Affiliate would have

incurred if Coach had filed a consolidated return for itself and each eligible Coach Affiliate separate from the Sara Lee Group and any member thereof, (b) with respect to federal, state or local Income Taxes for which Sara Lee will file an Income Tax Return for Coach and/or each Coach Affiliate separate from the Sara Lee Group and any member thereof, an amount equal to the Tax liability that Coach and/or each Coach Affiliate would have incurred if Coach and/or such Coach Affiliate had filed such Income Tax Return for itself, and (c) with respect to all Taxes other than Income Taxes covered in clauses (a) and (b) above, an amount equal to the positive difference between (i) the Tax liability of the Sara Lee Group computed as if Coach and each Coach Affiliate were members of the Sara Lee Group and (ii) the Tax liability of the Sara Lee Group computed without treating Coach and each Coach Affiliate as members of the Sara Lee Group; PROVIDED, that no deficiency with respect to any Tax liability described in (a), (b) or (c) above shall be included in the Separate Tax Liability. Sara Lee shall compute the applicable Tax liability in a manner consistent with (x) general Tax accounting principles, (y) the Code, the Treasury Regulations, and any applicable state or local Tax statutes and Tax regulations and (z) past practice, if any.

Section 9.51 SEPARATION. "Separation" has the meaning set forth in the recitals to this Agreement.

Section 9.52 SEPARATION AGREEMENT. "Separation Agreement" has the meaning set forth in the recitals to this Agreement.

Section 9.53 SEPARATION DATE. "Separation Date" means the effective date and time of each transfer of property, assumption of liability, license, undertaking or agreement in connection with the Separation, which shall be 12:01 a.m., Central Time, on the date that is two days prior to the date on which the IPO Registration Statement is declared effective, or such other date as may be fixed by the Board of Directors of Sara Lee.

Section 9.54 SUPPLEMENTAL RULING. "Supplemental Ruling" means (1) any ruling issued by the IRS in connection with the IPO or the Distribution other than a ruling in response to Sara Lee's initial request for a private letter ruling, and (2) any similar ruling issued by any other Taxing Authority addressing the application of a provision of the laws of another jurisdiction to the IPO or the Distribution.

Section 9.55 SUPPLEMENTAL RULING DOCUMENTS. "Supplemental Ruling Documents" means (1) any request for a Supplemental Ruling and any materials, appendices and exhibits submitted or filed therewith and any Supplemental Rulings issued by the IRS to Sara Lee in response to any such request and (2) any similar filings submitted to, or rulings issued by, any other Taxing Authority in connection with the IPO or the Distribution.

Section 9.56 TAX AND TAXES. "Tax" and "Taxes" include all taxes, charges, fees, duties, levies, imposts, rates or other assessments imposed by any federal, state, local or foreign Taxing Authority, including, but not limited to, income, gross receipts, excise, property, sales,

use, license, capital stock, transfer, franchise, payroll, withholding, social security, value added and other taxes, and any interest, penalties or additions attributable thereto.

Section 9.57 TAX ASSET. "Tax Asset" means any Tax Item that has accrued for Tax purposes, but has not been used during a taxable period, and that could reduce a Tax in another taxable period, including a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction, credit related to alternative minimum tax and any other Tax credit.

Section 9.58 TAX BENEFIT. "Tax Benefit" means a reduction in the Tax liability of a taxpayer (or of the Affiliated Group of which it is a member) for any taxable period. A Tax Benefit shall be deemed to have been realized or received from a Tax Item in a taxable period only if and to the extent that the Tax liability of the taxpayer (or of the Affiliated Group of which it is a member) for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer in the current period and all prior periods, is less than it would have been if such Tax liability were determined without regard to such Tax Item.

Section 9.59 TAX DETRIMENT. "Tax Detriment" means an increase in the Tax liability of a taxpayer (or of the Affiliated Group of which it is a member) for any taxable period. A Tax Detriment shall be deemed to have been realized or received from a Tax Item in a taxable period only if and to the extent that the Tax liability of the taxpayer (or of the Affiliated Group of which it is a member) for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer in the current period and all prior periods, is more than it would have been if such Tax liability were determined without regard to such Tax Item.

Section 9.60 TAX ITEM. "Tax Item" means any item of income, gain, loss, deduction or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

Section 9.61 TAX OPINION. "Tax Opinion" means an opinion issued to Sara Lee by a law firm or an accounting firm with respect to the qualification of the IPO and the Distribution for treatment under sections 368(a)(1)(D) and 355 of the Code.

Section 9.62 TAX RETURN. "Tax Return" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

Section 9.63 TAX SAVING AMOUNT. "Tax Saving Amount" has the meaning set forth in Section 5.3.

Section 9.64 TAX SERVICES. "Tax Services" has the meaning set forth in Section 1.5(a).

Section 9.65 TAXING AUTHORITY. "Taxing Authority" means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

Section 9.66 TRANSITIONAL SERVICES AGREEMENT. "Transitional Services Agreement" means the Master Transitional Services Agreement between Sara Lee and Coach dated as of August 24, 2000.

Section 9.67 TREASURY REGULATIONS. "Treasury Regulations" means the final and temporary (but not proposed) income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

[SIGNATURE PAGE FOLLOWS]

WHEREFORE, the parties have signed this Tax Sharing Agreement effective as of the date first set forth above.

SARA LEE CORPORATION
on behalf of itself and the Sara Lee Affiliates

_____
Name:
Title:

COACH, INC.
on behalf of itself and the Coach Affiliates

_____
Name:
Title:

Exhibit 2.3

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

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GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

This General Assignment and Assumption Agreement (this "Agreement") is dated as of August 24, 2000 between Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Coach, Inc., a Maryland corporation ("Coach"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in Article IV hereof.

RECITALS

WHEREAS, Sara Lee hereby and by certain other instruments of even date herewith transfers or will transfer to Coach effective as of the Separation Date, certain assets of the Coach Business owned by Sara Lee in accordance with the Master Separation Agreement dated as of August 24, 2000 between Sara Lee and Coach (the "Separation Agreement").

WHEREAS, it is further intended between the parties that Coach assume certain of the liabilities related to the Coach Business currently owned by Sara Lee, as provided in this Agreement, the Separation Agreement or the other agreements and instruments provided for in the Separation Agreement.

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

ARTICLE I

CONTRIBUTION AND ASSUMPTION

Section 1.1 CONTRIBUTION OF ASSETS AND ASSUMPTION OF LIABILITIES.

(a) TRANSFER OF ASSETS. Effective as of the Separation Date, Sara Lee hereby assigns, transfers, conveys and delivers (or will cause any applicable Subsidiary to assign, transfer, convey and deliver) to Coach and Coach hereby accepts from Sara Lee, or the applicable Sara Lee Subsidiary, and agrees to cause the applicable Coach Subsidiary to accept, all of Sara Lee's and its applicable Subsidiaries' respective right, title and interest in all Coach Assets, other than the Delayed Transfer Assets; PROVIDED, HOWEVER, that any Coach Assets that are specifically assigned or transferred pursuant to another Ancillary Agreement shall not be assigned or transferred pursuant to this Section 1.1(a).

(b) ASSUMPTION OF LIABILITIES. Effective as of the Separation Date, Coach hereby assumes and agrees faithfully to perform and fulfill (or will cause any applicable Coach Subsidiary to assume, perform and fulfill) all the Coach Liabilities heretofore held by Sara Lee, other than the Delayed Transfer Liabilities, in accordance with their respective terms. Thereafter, Coach shall be responsible (or will cause any applicable Coach Subsidiary to be responsible) for all Coach Liabilities held by Sara Lee, regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to, on or after the date hereof, regardless of where or against whom such Liabilities are asserted or determined (including any Coach Liabilities arising out of claims made by Sara Lee's or Coach's respective directors, officers, consultants, independent contractors, employees or agents against any member of the Sara Lee Group or the Coach Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of law, misrepresentation by any member of the Sara Lee Group or the Coach Group or any of their respective directors, officers, employees or agents, except for any Liabilities resulting from any fraudulent act by Sara Lee in the operation of the Coach Business prior to the Separation Date.

(c) DELAYED TRANSFER ASSETS AND LIABILITIES. Each of the parties hereto agrees that the Delayed Transfer Assets will be assigned, transferred, conveyed and delivered, and the Delayed Transfer Liabilities will be assumed, in accordance with the terms of the agreements that provide for such assignment, transfer, conveyance and delivery, or such assumption, after the date of this Agreement or as otherwise set forth on Schedule 1.1(c). Following such assignment, transfer, conveyance and delivery of any Delayed Transfer Asset, or the assumption of any Delayed Transfer Liability, the applicable Delayed Transfer Asset or Delayed Transfer Liability shall be treated for all purposes of this Agreement and the other Ancillary Agreements as a Coach Asset or as a Coach Liability, as the case may be.

(d) MISALLOCATED ASSETS. In the event that at any time or from time to time (whether prior to, on or after the Separation Date), any party hereto (or any member of such party's respective Group) shall receive or otherwise possess any Asset that is allocated to any other Person pursuant to this Agreement or any Ancillary Agreement, such party shall promptly transfer, or cause to be transferred, such Asset to the Person so entitled thereto. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset in trust for any such other Person.

Section 1.2 COACH ASSETS.

(a) INCLUDED ASSETS. For purposes of this Agreement, "Coach Assets" shall mean (without duplication) the following Assets, except as otherwise provided for in any other Ancillary Agreement or other written agreement of the parties:

(i) all Assets reflected in the Coach Balance Sheet, subject to any dispositions of such Assets subsequent to the date of the Coach Balance Sheet; PROVIDED, HOWEVER, that such Assets shall exclude the accounts receivable from Sara Lee that are reflected in the Coach Balance Sheet but that, as disclosed in the IPO Registration Statement, will be capitalized into Sara Lee's equity on or prior to the completion of the IPO;

(ii) all Assets that have been written off, expensed or fully depreciated that, had they not been written off, expensed or fully depreciated, would have been reflected in the Coach Balance Sheet in accordance with the principles and accounting policies under which the Coach Balance Sheet was prepared;

(iii) all Assets acquired by Sara Lee or its Subsidiaries after the date of the Coach Balance Sheet that would be reflected in the balance sheet of Coach as of the Separation Date if such balance sheet was prepared using the same principles and accounting policies under which the Coach Balance Sheet was prepared;

(iv) all Assets that should have been reflected in the Coach Balance Sheet as of the Separation Date but are not reflected in the Coach Balance Sheet due to mistake or unintentional omission; PROVIDED, HOWEVER, that, subject to Section 1.5(b), no Asset shall be a Coach Asset requiring any transfer by Sara Lee unless Coach or its Subsidiaries have, on or before the earlier of the second anniversary of the Separation Date or the Distribution Date, given Sara Lee or its Subsidiaries notice that Coach believes that such Asset is a Coach Asset;

(v) all Coach Contingent Gains;

(vi) all Coach Contracts;

(vii) all Intellectual Property used exclusively in the Coach Business, which shall include, without limitation, the tradename and trademarks COACH, COACH AND LOZENGE design, COACH AND TAG design, "C" SIGNATURE FABRIC design and any other trademarks using the name "Coach";

(viii) to the extent permitted by law and subject to the Indemnification and Insurance Matters Agreement, all rights of any member of the Coach Group under any of Sara Lee's Insurance Policies or other insurance policies issued by Persons unaffiliated with Sara Lee;

(ix) all outstanding capital stock of Coach Stores Puerto Rico, Inc., a Delaware corporation, Coach Leatherware Int'l, Inc., a Delaware corporation, Coach Europe Services S.r.l., an Italian corporation, and Coach U.K. Ltd., a United Kingdom corporation; and

(x) all Assets that are expressly contemplated by this Agreement, the Separation Agreement or any other Ancillary Agreement or any Schedule hereto or thereto as Assets to be transferred to Coach or any other member of the Coach Group.

Notwithstanding the foregoing, the Coach Assets shall not include the Excluded Assets referred to in Section 1.2(b) below.

(b) EXCLUDED ASSETS. For the purposes of this Agreement, "Excluded Assets" shall mean any Assets that are expressly contemplated by the Separation Agreement, this Agreement or any other Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by Sara Lee or any other member of the Sara Lee Group.

Section 1.3 COACH LIABILITIES.

(a) INCLUDED LIABILITIES. For the purposes of this Agreement, "Coach Liabilities" shall mean (without duplication) the following Liabilities, except as otherwise provided for in any other Ancillary Agreement or other express agreement of the parties:

(i) all Liabilities reflected in the Coach Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the Coach Balance Sheet;

(ii) all Liabilities of Sara Lee or its Subsidiaries that arise after the date of the Coach Balance Sheet that would be reflected in the balance sheet of Coach as of the Separation Date if such balance sheet was prepared using the same principles and accounting policies under which the Coach Balance Sheet was prepared;

(iii) all Liabilities that should have been reflected in the Coach Balance Sheet as of the Separation Date but are not reflected in the Coach Balance Sheet due to mistake or unintentional omission; PROVIDED, HOWEVER, that, subject to Section 1.5(b), no Liability shall be considered as a Coach Liability unless Sara Lee or its Subsidiaries, on or before the earlier of the second anniversary of the Separation Date or the Distribution Date, has given Coach or its Subsidiaries notice that Sara Lee believes that such Liability is a Coach Liability;

(iv) all Coach Contingent Liabilities;

(v) all Liabilities (other than Liabilities for Taxes), whether arising before, on or after the Separation Date, substantially or exclusively relating to, arising out of or resulting from:

(1) the operation of the Coach Business, as conducted at any time prior to, on or after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(2) the operation of any business conducted by any member of the Coach Group at any time after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority)); or

(3) any Coach Assets;

(vi) outstanding indebtedness of Sara Lee owing to International Affiliates & Investment Inc., a Delaware corporation, as lender, and evidenced by a Term Note dated as of June 30, 2000 in an aggregate principal amount of $190,000,000;

(vii) all Liabilities that are expressly contemplated by this Agreement, the Separation Agreement or any other Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be assumed by Coach or any member of the Coach Group, and all agree ments, obligations and Liabilities of any member of the Coach Group under this Agreement or any of the Ancillary Agreements.

Notwithstanding the foregoing, the Coach Liabilities shall not include the Excluded Liabilities referred to in Section 1.3(b) below.

(b) EXCLUDED LIABILITIES. For the purposes of this Agreement, "Excluded Liabilities" shall mean:

(i) all Insured Coach Liabilities;

(ii) all Liabilities that are expressly contemplated by this Agreement, the Separation Agreement or any other Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by Sara Lee or any other member of the Sara Lee Group, and all agreements and obligations of any member of the Sara Lee Group under the Separation Agreement, this Agreement or any other Ancillary Agreement.

Section 1.4 SHARED CONTRACTS.

(a) With respect to Shared Contractual Liabilities pursuant to, under or relating to a given Shared Contract, such Shared Contractual Liabilities shall be allocated between the parties as follows:

(i) First, if a Liability is incurred exclusively in respect of a benefit received by one party, the party receiving such benefit shall be responsible for such Liability.

(ii) Second, if a Liability cannot be exclusively allocated to one party under clause (i), such Liability shall be allocated among both parties based on the relative proportions of total benefit received (over the term of the Shared Contract, measured as of the date of allocation) under the relevant Shared Contract. Notwithstanding the foregoing, each party shall be responsible for any or all Liabilities arising out of or resulting from its breach of the relevant Shared Contract.

(b) If Sara Lee or any member of the Sara Lee Group, on the one hand, or Coach or any member of the Coach Group, on the other hand, receives any benefit or payment under any Shared Contract which was intended for the other party, Sara Lee and any member of the Sara Lee Group, on the one hand, or Coach and any member of the Coach Group, on the other hand, will use their respective commercially reasonable efforts to deliver, transfer or otherwise afford such benefit or payment (on an after-tax basis) to the other party.

Section 1.5 METHODS OF TRANSFER AND ASSUMPTION.

(a) TERMS OF OTHER ANCILLARY AGREEMENTS GOVERN. The parties shall enter into the other Ancillary Agreements, on or about the date of this Agreement. To the extent that the transfer of any Coach Asset or the assumption of any Coach Liability is expressly provided for by the terms of any other Ancillary Agreement, the terms of such other Ancillary Agreement shall effect, and determine the manner of, the transfer or assumption. For example, and without limitation, transfers of interests in real property used substantially or exclusively in the Coach Business shall be governed by the Real Estate Matters Agreement. It is the intent of the parties that pursuant to Sections 1.1, 1.2, 1.3 and 1.4, the transfer and assumption of all other Coach Assets and Coach Liabilities, other than Delayed Transfer Assets and Delayed Transfer Liabilities, shall be made effective as of the Separation Date.

(b) MISTAKEN ASSIGNMENTS AND ASSUMPTIONS. In addition to those transfers and assumptions accurately identified and designated by the parties to take place but which the parties are not able to effect prior to the Separation Date, there may exist (i) Assets that the parties discover were, contrary to the agreements between the parties, by mistake or unintentional omission, transferred to Coach or retained by Sara Lee or (ii) Liabilities that the parties discover were, contrary to the agreements between the parties, by mistake or unintentional omission, assumed by

Coach or not assumed by Coach. The parties shall cooperate in good faith to effect the transfer or re-transfer of such Assets, and/or the assumption or re-assumption of such Liabilities, to or by the appropriate party and shall not use the determination that remedial actions need to be taken to alter the original intent of the parties hereto with respect to the Assets to be transferred to or Liabilities to be assumed by Coach. Each party shall reimburse the other or make other financial adjustments or other adjustments to remedy any mistakes or omissions relating to any of the Assets transferred hereby or any of the Liabilities assumed hereby.

(c) TRANSFER OF ASSETS AND LIABILITIES NOT INCLUDED IN COACH ASSETS AND COACH LIABILITIES. In the event the parties discover Assets and Liabilities that relate substantially or exclusively to the Coach Business but do not constitute Coach Assets under Section 2.1 or Coach Liabilities under Section 1.3, the parties shall cooperate in good faith to effect the transfer of such Assets at book value, or the assumption of such Liabilities, to Coach or its Subsidiaries to the extent such Assets or Liabilities relate substantially or exclusively to the Coach Business and shall not use the determination of remedial actions contemplated in the Separation Agreement to alter the original intent of the parties hereto with respect to the Assets to be transferred to or Liabilities to be assumed by Coach. Each party shall reimburse the other or make other financial adjustments or other adjustments to remedy any mistakes or omissions relating to any of the Assets transferred hereby or any of the Liabilities assumed hereby.

Section 1.6 DOCUMENTS RELATING TO TRANSFERS OF COACH ASSETS AND ASSUMPTION OF COACH LIABILITIES. In furtherance of the assignment, transfer and conveyance of Coach Assets and the assumption of Coach Liabilities set forth in Section 1.1 and Sections 1.4(a), (b) and (c) and certain other Ancillary Agreements, simulta neously with the execution and delivery hereof or as promptly as practicable thereafter, (i) Sara Lee shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of Sara Lee's and its Subsidiaries' right, title and interest in and to the Coach Assets to Coach and (ii) Coach shall execute and deliver to Sara Lee and its Subsidiaries such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Coach Liabilities by Coach.

Section 1.7 GOVERNMENTAL APPROVALS AND CONSENTS.

(a) TRANSFER IN VIOLATION OF LAWS. If and to the extent that the valid, complete and perfected transfer or assignment to the Coach Group of any Coach Assets or assumption or novation by the Coach Group of any Silver Liabilities would be a violation of applicable laws or require any Consent or Governmental Approval in connection with the Separation, the IPO or any Distribution, then, unless Sara Lee shall otherwise determine, the transfer or assignment to the Coach Group of such Coach Assets or the assumption or novation by the Coach Group of such Coach Liabilities shall be automatically deemed deferred and any such purported transfer, assignment, assumption or novation shall be null and void until such time as all legal impediments are removed and/or such Consents or Governmental Approvals have been obtained. Notwithstanding the foregoing, any such Asset shall still be considered a Coach Asset and any such Liability shall still be considered a Coach Liability for purposes of determining whether any Liability is a Coach Liability; PROVIDED, HOWEVER, that if such Consents or Governmental Approvals have not been obtained within six months of the Separation Date, the parties will use their commercially reasonable efforts to achieve an alternative solution in accordance with the parties' intentions. If and when the Consents and/or Governmental Approvals, the absence of which caused the deferral of transfer of any Asset or any Liability pursuant to this Section 1.7(a), are obtained, the transfer of the applicable Asset or the assumption of the applicable Liability shall be effected in accordance with the terms of this Agreement and/or such other applicable Ancillary Agreement.

(b) TRANSFERS NOT CONSUMMATED PRIOR TO SEPARATION DATE. If the transfer, assignment or novation of any Assets intended to be transferred or assigned hereunder is not consummated prior to or on the Separation Date, whether as a result of the provisions of Section 1.7(a) or for any other reason, then the Person retaining such Asset shall thereafter hold such Asset for the use and benefit, insofar as reasonably possible, of the Person entitled thereto (at the expense of the Person entitled thereto). In addition, the Person retaining such Asset shall take such other actions as may be reasonably requested by the Person to whom such Asset is to be transferred in order to place such Person, insofar as reasonably possible, in the same position as if such Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Asset, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Asset, are to inure from and after the Separation Date to the Coach Group (or the Sara Lee Group, as the case may be).

(c) EXPENSES. The Person retaining an Asset due to the deferral of the transfer of such Asset shall not be obligated, in connection with the foregoing, to expend any money in connection with the maintenance of the Asset or otherwise unless

the necessary funds are advanced by the Person entitled to the Asset, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the Person entitled to such Asset.

Section 1.8 NONRECURRING COSTS AND EXPENSES. Notwithstanding anything herein to the contrary, any nonrecurring costs and expenses incurred by the parties hereto to effect the transactions contemplated hereby which are not allocated pursuant to the terms of the Separation Agreement, this Agreement or any other Ancillary Agreement shall be the responsibility of the party which incurs such costs and expenses. In particular, Coach and Sara Lee shall each be responsible for their own internal fees, costs and expenses (e.g., salaries of personnel) incurred in connection with this Agreement.

Section 1.9 NOVATION OF ASSUMED COACH LIABILITIES.

(a) COMMERCIALLY REASONABLE EFFORTS. Each of Sara Lee and Coach, at the request of the other, shall use its commercially reasonable efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate or assign all rights and obligations under agreements, leases, licenses and other obligations or Liabilities (including Other Financial Liabilities) of any nature whatsoever that constitute Coach Liabilities or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the Coach Group, so that, in any such case, Coach and its Subsidiaries will be solely responsible for such Liabilities.

(b) INABILITY TO OBTAIN NOVATION. If Sara Lee or Coach is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the applicable member of the Sara Lee Group shall continue to be bound by such agreements, leases, licenses and other obligations and, unless not permitted by law or the terms thereof (except to the extent expressly set forth in this Agreement, the Separation Agreement or any other Ancillary Agreement), Coach shall, as agent or subcontractor for Sara Lee or such other Person, as the case may be, pay, perform and discharge fully, or cause to be paid, transferred or discharged all the obligations or other Liabilities of Sara Lee or such other Person, as the case may be, thereunder from and after the date hereof. Sara Lee shall, without further consideration, pay and remit, or cause to be paid or remitted, to Coach or its appropriate Subsidiary promptly all money, rights and other consideration received by it or any member of its respective Group in respect of such performance (unless any such consideration is an Excluded Asset). If and when any such consent, approval, release, substitution or

amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Sara Lee shall thereafter assign, or cause to be assigned, all its rights, obligations and other Liabilities thereunder or any rights or obligations of any member of its respective Group to Coach without payment of further consideration and Coach shall, without the payment of any further consideration, assume such rights and obligations.

ARTICLE II

LITIGATION

Section 2.1 LITIGATION. Subject to, any contrary provision in the Indemnifica tion and Insurance Matters Agreement, on the Separation Date, (a) Coach shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions solely relating to or solely arising in connection with the Coach Business, the Coach Assets or the Coach Liabilities (each a "Coach Action") and may settle or compromise, or consent to the entry of any judgment with respect to any such Action, without the consent of Sara Lee, and (b) Sara Lee shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions solely relating to or solely arising in connection with the Sara Lee Business, the Excluded Assets or the Excluded Liabilities (each a "Sara Lee Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of Coach; PROVIDED, that if both Coach and Sara Lee are named as parties to any Coach Action or Sara Lee Action that is not set forth on Schedule 2.1(a) or 2.1(b), then Sara Lee and Coach must obtain the written consent of the other, such consent not to be unreasonably withheld, to settle or compromise, or consent to the entry of any judgment with respect to any such Action. Notwithstanding any contrary provision in the Indemnification and Insurance Matters Agreement, Sara Lee may, in its sole discretion have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating to or arising in connection with, in any manner (other then solely with respect to or solely in connection with) the Coach Business, the Coach Assets or the Coach Liabilities if Sara Lee or a member of the Sara Lee Group is named as a party thereto; PROVIDED, HOWEVER, that Sara Lee must obtain the written consent of Coach, such consent not to be unreasonably withheld, to settle or compromise or consent to the entry of judgment with respect to such Action. After any such compromise, settlement, consent to entry of judgment or entry of judgment, Sara Lee shall reasonably and fairly allocate to Coach and Coach shall be responsible for Coach's proportionate share of any such compromise, settlement, consent or judgment attributable to the Coach Business, the Coach Assets

or the Coach Liabilities, including its proportionate share of the costs and expenses associated with defending same. All other matters relating to such claims, including, but not limited to, indemnification for such claims, shall be governed by the provisions of the Indemnification and Insurance Matters Agreement. Coach shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to have Sara Lee and any of its Subsidiaries removed as parties to any Coach Action in which Sara Lee or any of its Subsidiaries are named parties as soon as is reasonably practicable, and Sara Lee shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to have Coach and any of its Subsidiaries removed as a party to any Sara Lee Action in which it is a named party as soon as is reasonably practicable.

Section 2.2 COOPERATION. Sara Lee and is Subsidiaries and Coach and its Subsidiaries shall cooperate with each other in the defense of any litigation covered under this Article II and afford to each other reasonable access upon reasonable advance notice to witnesses and Information (other than Information protected from disclosure by applicable privileges) that is reasonably required to defend this litigation (as "Information" is defined pursuant to Section 7.33 of the Separation Agreement). The foregoing agreement to cooperate includes, but is not limited to, an obligation to provide access to qualified assistance to provide information, witnesses and documents to respond to discovery requests in specific lawsuits. In such cases, cooperation shall be timely so that the party responding to discovery may meet all court-imposed deadlines. The party requesting information shall reimburse the party providing information consistent with the terms of Section 4.3 of the Separation Agreement. The obligations set forth in this paragraph are more clearly defined in Section 4.3 of the Separation Agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1 ENTIRE AGREEMENT. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 3.2 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws

of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Section 3.14 herein, and non exclusive jurisdiction over any action for enforcement of an arbitral award.

Section 3.3 NOTICES. Notices, offers, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses or facsimile numbers:

if to Sara Lee:

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

if to Coach:

Coach, Inc.
516 West 34th Street
New York, New York 10001
Attention: General Counsel
Facsimile: (212) 629-2398

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

Section 3.4 TERMINATION. This Agreement, the Separation Agreement and all Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection herewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termination pursuant to this Section 3.4, no party shall have any liability of any kind to the other party.

Section 3.5 PARTIES IN INTEREST. This Agreement, including the Exhibits and Schedules hereto, and the other documents referred to herein, shall be binding upon and inure solely to the benefit of each party hereto and their legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 3.6 COUNTERPARTS. This Agreement, including the Exhibits and Schedules hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 3.7 ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors. This Agreement may not be assigned by any party hereto, without the other party's express written consent.

Section 3.8 SEVERABILITY. If any term or other provision of this Agreement or the Exhibits or Schedules attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 3.9 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules or Exhibits attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 3.10 AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

Section 3.11 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 3.12 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 3.13 CONFLICTING AGREEMENTS. In the event of conflict between this Agreement and any other Ancillary Agreement or other agreement executed in connection herewith, the provisions of such other agreement shall prevail (other than (a) as otherwise provided herein and (b) as provided in the Separation Agreement).

Section 3.14 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof ("Dispute") which arises between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through mediation within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial

Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

ARTICLE IV

DEFINITIONS

Section 4.1 AAA. "AAA" has the meaning set forth in Section 3.14(a) of this Agreement.

Section 4.2 ACTION. "Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal, other than any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation relating to Taxes.

Section 4.3 AFFILIATED COMPANY. "Affiliated Company" of any Person means a Person that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 4.4 ANCILLARY AGREEMENT. "Ancillary Agreement" has the meaning set forth in the Separation Agreement.

Section 4.5 ASSETS. "Assets" means assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(i) all accounting and other books, records and files whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(ii) all computers and other electronic data processing equipment, fixtures, machinery, equipment, furniture, office equipment, motor vehicles and other transportation equipment, special and general tools, prototypes and models and other tangible personal property;

(iii) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(iv) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest, lessor, sublessor, lessee, sublessee or otherwise;

(v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person; and all other investments in securities of any Person;

(vi) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and other contracts, agreements or commitments;

(vii) all deposits, letters of credit and performance and surety bonds;

(viii) all written technical information, data, specifica tions, research and development information, engineering drawings, operating and maintenance manuals, and materials and analyses prepared by consultants and other third parties;

(ix) all Intellectual Property and licenses from third Persons granting the right to use any Intellectual Property;

(x) all computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation and instructions;

(xi) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product literature, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(xii) all prepaid expenses, trade accounts and other accounts and notes receivables;

(xiii) all rights under contracts or agreements, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(xiv) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(xv) all licenses (including radio and similar licenses), permits, approvals and authorizations which have been issued by any Governmental Authority;

(xvi) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements; and

(xvii) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

Section 4.6 COACH AFFILIATE. "Coach Affiliate" means any corporation or other entity directly or indirectly Controlled by Coach.

Section 4.7 COACH ASSETS. "Coach Assets" has the meaning set forth in Section 1.2(a) of this Agreement.

Section 4.8 COACH BALANCE SHEET. "Coach Balance Sheet" means the audited balance sheet (including the notes thereto) of the Coach Business as of July 1, 2000 that is included in the IPO Registration Statement.

Section 4.9 COACH BUSINESS. "Coach Business" means the business and operations of the business of Coach as described in the IPO Registration Statement and, except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations that at the time of termination, divestiture or discontinuation primarily related to the Coach Business as then conducted.

Section 4.10 COACH CONTINGENT GAIN. "Coach Contingent Gain" means any claim or other right of a member of the Sara Lee Group or the Coach Group that substantially or exclusively relates to the Coach Business, whenever arising, against any Person other than a member of the Sara Lee Group or the Coach Group, if and to the extent that (i) such claim or right arises out of the events, acts or omissions occurring as of or before the Separation Date (based on then existing law) and (ii) the existence or scope of the obligation of such other Person as of the Separation Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such claim or other right to have been discovered or asserted as of the Separation Date. A claim or right meeting the foregoing definition shall be considered a Coach Contingent Gain regardless of whether there was any Action pending, threatened or contemplated as of the Separation Date with respect thereto. In the case of any claim or right a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date shall be considered a Coach Contingent Gain. For purposes of the foregoing, a claim or right shall be deemed to have accrued as of the Separation Date if all the elements of the claim necessary for its assertion shall have occurred on

or prior to the Separation Date, such that the claim or right, were it asserted in an Action on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, none of (i) any Insurance Proceeds, (ii) any Excluded Assets, (iii) any reversal of any litigation or other reserve, except to the extent that such reversal or reserve directly relates to Coach Liabilities, or (iv) any matters relating to Taxes (which are governed solely by the Tax Sharing Agreement) shall be deemed to be a Coach Contingent Gain.

Section 4.11 COACH CONTINGENT LIABILITY. "Coach Contingent Liability" means any Liability, other than Liabilities for Taxes (which are governed solely by the Tax Sharing Agreement), of a member of the Sara Lee Group or the Coach Group that substantially or exclusively relates to the Coach Business, whenever arising, to any Person other than a member of the Sara Lee Group or the Coach Group, if and to the extent that (i) such Liability arises out of the events, acts or omissions occurring as of or before the Separation Date and (ii) the existence or scope of the obligation of a member of the Sara Lee Group or the Coach Group as of the Separation Date with respect to such Liability was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such Liability to have been discovered or asserted as of the Separation Date (it being understood that the existence of a litigation or other reserve with respect to any Liability shall not be sufficient for such Liability to be considered acknowledged, fixed or determined). In the case of any Liability a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date shall be considered a Coach Contingent Liability. For purposes of the foregoing, a Liability shall be deemed to have arisen out of events, acts or omissions occurring prior to the Separation Date if all the elements necessary for the assertion of a claim with respect to such Liability shall have occurred on or prior to the Separation Date, such that the claim, were it asserted in an Action on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. For purposes of clarification of the foregoing, the parties agree that no Liability relating to, arising out of or resulting from any obligation of any Person to perform the executory portion of any contract or agreement existing as of the Separation Date, or to satisfy any obligation accrued under any Plan (as defined in the Employee Matters Agreement) as of the Separation Date, shall be deemed to be a Coach Contingent Liability.

Section 4.12 COACH CONTRACTS. "Coach Contracts" means the following contracts and agreements to which Sara Lee or any of its Subsidiaries is a party or by

which it or any of its Assets is bound, whether or not in writing, except for any such contract or agreement that is contemplated to be retained by Sara Lee or any member of the Sara Lee Group pursuant to any provision of this Agreement or any other Ancillary Agreement:

(i) any contract or agreement entered into in the name of, or expressly on behalf of, the Coach Business;

(ii) any contract or agreement that relates substan tially or exclusively to the Coach Business;

(iii) any contract or agreement that is otherwise expressly contemplated pursuant to this Agreement, the Separation Agreement or any of the other Ancillary Agreements to be assigned to Coach;

(iv) any guarantee, indemnity, representation, warranty or other Liability of any member of the Coach Group or the Sara Lee Group in respect of any other Coach Contract, any Coach Liability or the Coach Business (including guarantees of financing incurred by customers or other third parties in connection with purchases of products or services from the Coach Business); and

(v) any Other Financial Liability exclusively for or on behalf of the Coach Business.

Section 4.13 COACH GROUP. "Coach Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immediately after the Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 4.14 COACH LIABILITIES. "Coach Liabilities" has the meaning set forth in Section 1.3(a) of this Agreement.

Section 4.15 COACH PRO FORMA BALANCE SHEET. "Coach Pro Forma Balance Sheet" means the unaudited pro forma balance sheet (or, if applicable, the unaudited pro forma as adjusted balance sheet) for the fiscal year ending July 1, 2000 appearing in the IPO Registration Statement.

Section 4.16 CONSENTS. "Consents" means any consents, waivers or approvals from, or notification requirements to, any third parties.

Section 4.17 CONTRACTS. "Contracts" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

Section 4.18 DELAYED TRANSFER ASSETS. "Delayed Transfer Assets" means any Coach Assets that are expressly provided in this Agreement, the Separation Agreement or any other Ancillary Agreement to be transferred after the date of this Agreement.

Section 4.19 DELAYED TRANSFER LIABILITIES. "Delayed Transfer Liabilities" means any Coach Liabilities that are expressly provided in this Agreement, the Separation Agreement or any other Ancillary Agreement to be transferred after the date of this Agreement.

Section 4.20 DISPUTE. "Dispute" has the meaning set forth in Section 3.14(a) of this Agreement.

Section 4.21 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 3.14(a) of this Agreement.

Section 4.22 DISTRIBUTION. A "Distribution" means the divestiture by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee, which divestiture may be effected by Sara Lee as a dividend, an exchange with existing Sara Lee stockholders for shares of Sara Lee capital stock, a spin-off or otherwise, as a result of which Sara Lee is no longer required to consolidate Coach's results of operations and financial position (determined in accordance with generally accepted accounting principles consistently applied).

Section 4.23 DISTRIBUTION DATE. "Distribution Date" means the date on which a Distribution is consummated.

Section 4.24 EXCLUDED ASSETS. "Excluded Assets" has the meaning set forth in Section 1.2(b) of this Agreement.

Section 4.25 EXCLUDED LIABILITIES. "Excluded Liabilities" has the meaning set forth in Section 1.3(b) of this Agreement.

Section 4.26 GOVERNMENTAL APPROVALS. "Governmental Approvals" means any

notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

Section 4.27 GOVERNMENTAL AUTHORITY. "Governmental Authority" means any federal, state, local, foreign or international court, government, department, commis sion, board, bureau, agency, official or other regulatory, administrative or governmental authority.

Section 4.28 INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT. "Indemnifica tion and Insurance Matters Agreement" means the Indemnification and Insurance Matters Agreement attached as Exhibit J to the Separation Agreement.

Section 4.29 INSURANCE POLICIES. "Insurance Policies" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer.

Section 4.30 INSURANCE PROCEEDS. "Insurance Proceeds" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured;

(c) from Insurance Policies.

Section 4.31 INSURED COACH LIABILITIES. "Insured Coach Liabilities" means any Coach Liability to the extent that (i) it is covered under the terms of Sara Lee's Insurance Policies in effect prior to the Distribution Date and (ii) Coach is not a named insured under, or otherwise entitled to the benefits of, such Insurance Policies.

Section 4.32 INTELLECTUAL PROPERTY. "Intellectual Property" means all domestic and foreign patents and patent applications, together with any continuations, continuations-in-part or divisional applications thereof, and all patents issuing thereon (including reissues, renewals and re-examinations of the foregoing); design patents, invention disclosures; mask works; copyrights, and copyright applications and registrations; Web addresses, trademarks, service marks, trade names, and trade dress, in each case together with any applications and registrations therefor and all appurtenant goodwill relating thereto; trade secrets, commercial and technical information, know-how, proprietary or confidential information, including engineering, production and other designs, notebooks, processes, drawings, specifications, formulae, and technology; computer and electronic data processing programs and software (object and source

code), data bases and documentation thereof; inventions (whether patented or not); utility models; registered designs, certificates of invention and all other intellectual property under the laws of any country throughout the world.

Section 4.33 IPO. "IPO" means Coach's initial public offering of common stock.

Section 4.34 IPO CLOSING DATE. "IPO Closing Date" has the meaning set forth in the Separation Agreement.

Section 4.35 IPO REGISTRATION STATEMENT. "IPO Registration Statement" means the registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended, to be filed with the Securities and Exchange Commission registering the shares of common stock of Coach to be issued in the initial public offering, together with all amendments thereto.

Section 4.36 LIABILITIES. "Liabilities" means all debts, liabilities, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any Contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

Section 4.37 OTHER FINANCIAL LIABILITIES. "Other Financial Liabilities" means all liabilities, obligations, contingencies, instruments and other Liabilities of any member of the Sara Lee Group of a financial nature with third parties existing on the date hereof or entered into or established between the date hereof and the Separation Date, including any of the following:

(a) foreign exchange contracts;

(b) letters of credit;

(c) guarantees of third party loans to customers;

(d) surety bonds (excluding surety for workers' compensation self-insurance);

(e) interest support agreements on third party loans to customers;

(f) performance bonds or guarantees issued by third parties;

(g) swaps or other derivatives contracts; and

(h) recourse arrangements on the sale of receivables or notes.

Section 4.38 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

Section 4.39 REAL ESTATE MATTERS AGREEMENT. "Real Estate Matters Agree ment" means the Real Estate Matters Agreement, attached as Exhibit G to the Separation Agreement.

Section 4.40 SARA LEE AFFILIATE. "Sara Lee Affiliate" means any corporation or other entity directly or indirectly Controlled by Sara Lee, but excluding Coach and any Coach Affiliate.

Section 4.41 SARA LEE GROUP. "Sara Lee Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 4.42 SECURITY INTEREST. "Security Interest" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

Section 4.43 SEPARATION. "Separation" has the meaning set forth in the preamble to the Separation Agreement.

Section 4.44 SEPARATION AGREEMENT. "Separation Agreement" has the meaning set forth in the preamble to this Agreement.

Section 4.45 SEPARATION DATE. "Separation Date" means the effective date and time of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation, which shall be 12:01 a.m., Central Time, on the date that is two days prior to the date the IPO Registration Statement is declared effective or such date as may be fixed by the Board of Directors of Sara Lee.

Section 4.46 SHARED CONTRACT. "Shared Contract" means Contracts with third parties which directly benefit both Sara Lee or a member of the Sara Lee Group or Coach or a member of the Coach Group.

Section 4.47 SHARED CONTRACTUAL LIABILITIES. "Shared Contractual Liabilities" means Liabilities with respect to Shared Contracts.

Section 4.48 SUBSIDIARY. "Subsidiary" of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interest having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

Section 4.49 TAX SHARING AGREEMENT. "Tax Sharing Agreement" means the Tax Sharing Agreement, attached as Exhibit E to the Separation Agreement.

Section 4.50 TAXES. "Taxes" has the meaning set forth in the Tax Sharing Agreement.

* * *

WHEREFORE, the parties have signed this General Assignment and Assumption Agreement effective as of the date first set forth above.

SARA LEE CORPORATION

Name:
Title:

COACH, INC.

Name:
Title:

Schedule 1.1(c)
Delayed Transfer Assets and Liabilities

1. VAT receivable of $200,000.

2. All of the outstanding capital stock of Coach Europe Services S.r.l. and Coach U.K. Ltd.

Exhibit 2.5

REAL ESTATE MATTERS AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

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REAL ESTATE MATTERS AGREEMENT

This Real Estate Matters Agreement (this "Agreement") is dated as of August 24, 2000 between Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Coach, Inc., a Maryland corporation ("Coach"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in Article III hereof.

RECITALS

WHEREAS, Sara Lee has transferred or will transfer to Coach effective as of the Separation Date, substantially all of the business and assets of the Coach Business owned by Sara Lee in accordance with the Master Separation Agreement dated as of August 24, 2000 between Sara Lee and Coach (the "Separation Agreement").

WHEREAS, the parties desire to set forth certain agreements regard ing real estate matters.

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

ARTICLE I

PROPERTIES

Section 1.1 LEASED PROPERTY. Sara Lee shall assign or cause its applicable Subsidiary to assign, and Coach shall accept and assume, or cause its applicable Subsidiary to accept and assume, Sara Lee's or its Subsidiary's interest in the Leased Properties, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Ancillary Agreements. Such assignment shall be completed on the later of: (i) the Separation Date and (ii) the fifth business day after the relevant Lease Consent has been granted.

Section 1.2 OBTAINING THE LEASE CONSENTS.

(a) Coach confirms that, with respect to each Lease Requiring Consent, an application has been made or will be made by the Separation Date to the

relevant Landlord for the Lease Consents required with respect to the transactions contemplated by this Agreement.

(b) Coach will use its commercially reasonable efforts to obtain the Lease Consents required by each Lease Requiring Consent. Sara Lee shall cooperate as reasonably requested by Coach to obtain the Lease Consents; PROVIDED, HOWEVER, that Sara Lee shall not be required to commence judicial proceedings for a declaration that a Lease Consent has been improperly withheld or delayed, nor shall Sara Lee be required to pay any consideration to obtain the relevant Lease Consent.

(c) Coach and Sara Lee will promptly satisfy or cause their applicable Subsidiaries to satisfy the lawful and reasonable requirements of the Landlord in obtaining the Lease Consents required by each Lease Requiring Con sent. In addition, Coach and Sara Lee will take or cause their applicable Subsidiaries to take all reasonable and lawful steps to assist Coach in obtaining the Lease Consents required by each Lease Requiring Consent, including, without limitation:

(i) if required by the Landlord, Coach will enter into an agreement with the relevant Landlord to assume, observe and perform the tenant's obligations contained in the Lease Requiring Consent during the remainder of the term of the Lease Requiring Consent; and

(ii) if required by the Landlord, Coach shall pro vide or shall cause another Person (other than Sara Lee) to provide a guarantee, surety or other security (including, without limitation, a security deposit), in an amount comparable to existing security depos its on existing leases, for the obligations of Coach or its applicable Subsidiary as tenant under the Lease Requiring Consent, and other wise shall take all steps which are reasonably necessary and which Coach or its applicable Subsidiary is reasonably capable of doing to meet the lawful and reasonable requirements of the Landlord so as to ensure that the Lease Consents are obtained.

Section 1.3 PROPERTIES.

(a) Coach and Sara Lee shall use and continue to use all commer cially reasonable efforts to obtain a release by the Landlord of any and all of Sara Lee's obligations under all Relevant Leases, including, without limitation, any

guarantee, surety or other security which Sara Lee or its Subsidiary has provided to the Landlord with respect to any Properties and, if required, Coach offering the same or equivalent (but not greater) security to the Landlord in order to obtain such release, until all such releases are obtained, but excluding the provision of any incentive payment to the Landlord.

(b) If, with respect to any Properties, Sara Lee and Coach are unable to obtain a release by the Landlord of all of Sara Lee's obligations under any Relevant Lease, including, without limitation, any guarantee, surety or other security which Sara Lee or its Subsidiary has provided to the Landlord, Coach shall indem nify, defend, protect and hold harmless Sara Lee and its Subsidiary from and after the Separation Date against and shall reimburse Sara Lee for all losses, costs, claims, damages, or liabilities incurred by Sara Lee or its Subsidiary as a result of Coach's occupancy of the Property which arise after the Separation Date with respect to such Relevant Lease, guarantee, surety or other security pursuant to the terms of the Lease Indemnification and Reimbursement Agreement.

Section 1.4 OCCUPATION BY COACH

(a) Subject to compliance with Section 1.4(b) below, in the event that the Actual Completion Date for any Leased Property does not occur on the Separation Date, the parties agree to use their respective commercially reasonable efforts to allow Coach to occupy the relevant Leased Property upon the terms and conditions contained in the Relevant Lease and until the date for completion as provided in Section 1.1; PROVIDED, HOWEVER, that if an enforcement action or forfei ture by the relevant Landlord due to Coach's or its applicable Subsidiary's occupation of the Leased Property constituting a breach of a Relevant Lease cannot, in the reasonable opinion of Sara Lee, be avoided other than by requiring Coach or its applicable Subsidiary to promptly vacate the relevant Leased Property, Sara Lee may by notice to Coach promptly require Coach or its applicable Subsidiary to vacate the relevant Leased Property on not less than ten (10) days prior written notice. Coach will be responsible for all costs, expenses and liabilities incurred by Sara Lee or its applicable Subsidiary as a consequence of such occupation. Neither Coach nor its applicable Subsidiary shall be entitled to make any claim or demand against, or obtain reimbursement from, Sara Lee or its applicable Subsidiary with respect to any costs, losses, claims, liabilities or damages incurred by Coach or its applicable Subsidiary as a consequence of being obliged to vacate the Leased Property or in obtaining alternative premises, including, without limitation, any enforcement action

which a Landlord may take against Coach or its applicable Subsidiary, unless due to the gross negligence or wilful misconduct of Sara Lee.

(b) In the event that the Actual Completion Date for any Leased Property does not occur on the Separation Date, whether or not Coach or its applica ble Subsidiary occupies a Leased Property as provided in Section 1.4(a) above, Coach shall, effective as of the Separation Date, (i) pay or cause its applicable Subsidiary to pay all rents, service charges, insurance premiums and other sums payable by Sara Lee or its applicable Subsidiary under any Relevant Lease, (ii) observe or cause its applicable Subsidiary to observe the tenant's covenants, obliga tions and conditions contained in any Relevant Lease and (iii) indemnify, defend, protect and hold harmless Sara Lee and its applicable Subsidiary from and against all losses, costs, claims, damages and liabilities arising on account of any breach thereof by Coach or its applicable Subsidiary.

(c) Sara Lee shall use all reasonable efforts to promptly deliver to Coach copies of all invoices, demands, notices and other communications received by Sara Lee or its applicable Subsidiary or agents in connection with any of the matters applicable to the Properties or the Relevant Leases and shall, at Coach's cost and upon Coach's request, take any steps and pass on any objections which Coach or its applicable Subsidiary may have in connection with any such matters. Coach shall promptly deliver to Sara Lee copies of all notices and other communications received by Coach or its applicable Subsidiary or agents from any Landlord which allege any breach or default of any Relevant Lease, which breach or default could reasonably be expected to result in Sara Lee incurring any liabilities, losses or expenses under such Relevant Lease.

Section 1.5 OBLIGATION TO COMPLETE. If, at any time the relevant Lease Consent is formally and unconditionally refused in writing, Sara Lee may by written notice to Coach elect to apply to the relevant Landlord for consent to sublease all of the relevant Leased Property to Coach or its applicable Subsidiary for the remainder of the Lease Requiring Consent term at a rent equal to the rent from time to time under the Lease Requiring Consent, but otherwise on substantially the same terms and conditions as the Lease Requiring Consent. If Sara Lee makes such an election, until such time as the relevant Lease Consent is obtained and a sublease is com pleted, the provisions of Section 1.4 will apply and, on the grant of the Lease Consent required to sublease the Leased Property in question, Sara Lee shall sublease or cause its applicable Subsidiary to sublease to Coach or its applicable Subsidiary the relevant Leased Property which sublease shall be for the term and rent set forth in

the Lease Requiring Consent and otherwise on the terms of the Lease Requiring Consent.

Section 1.6 FORM OF TRANSFER. The assignment to Coach or its applicable Subsidiary of each relevant Leased Property shall be (a) in substantially the form attached as Schedule 2 hereto or (b) if any Landlord so requires, in the form of assignment reasonably proposed by the relevant Landlord, with such amendments which in the reasonable opinion of Sara Lee are necessary with respect to a particu lar Leased Property, including, without limitation, in all cases where a relevant Landlord has required a guarantor or surety to guarantee the obligations of Coach or its applicable Subsidiary contained in the relevant Lease Consent or any other document which Coach or its applicable Subsidiary is required to complete, the giving by Coach or its applicable Subsidiary and any guarantor or surety of Coach's or its applicable Subsidiary's obligations where required under the terms of any of the Lease Consent or any covenant, condition, restriction, easement, lease or other encumbrance to which the Leased Property is subject. Such amendments shall be submitted to Sara Lee for approval, which approval shall not be unreasonably withheld or delayed.

Section 1.7 CASUALTY; LEASE TERMINATION. The parties hereto shall grant and accept assignments, leases, subleases or licenses of the Leased Properties as described in this Agreement, regardless of any casualty damage or other change in the condition of the Leased Properties. In addition, in the event that any Relevant Lease with respect to a Leased Property is terminated prior to the Separation Date, (a) Sara Lee or its applicable Subsidiary shall not be required to assign, sublease or license such Leased Property, (b) Coach or its applicable Subsidiary shall not be required to accept an assignment, sublease or license of such Leased Property and (c) neither party shall have any further liability with respect to such Leased Property hereunder.

Section 1.8 TENANT'S FIXTURES AND FITTINGS. The provisions of the Separa tion Agreement and the other Ancillary Agreements shall apply to any trade fixtures and personal property located at each Leased Property.

Section 1.9 RELEVANT LEASE RENEWALS; NEW LEASES. Other than the Relevant Leases with respect to the Properties specifically set forth in Schedule 1.9 hereto, Sara Lee shall have no obligations under and shall be fully released from all liability under (a) any Relevant Lease that expires or is subject to renewal on or after the Separation Date, such release to be effective as of the date of such expiration or

renewal, and (b) any new real property lease entered into in connection with the Coach Business on or after the Separation Date, including, without limitation, any obligation to provide a guarantee, surety or other security in connection with such renewed Relevant Lease or any new lease. Coach will use all commercially reason able efforts to execute the Relevant Leases set forth in Schedule 1.9 hereto without any obligation on the part of or guaranty by Sara Lee; PROVIDED, HOWEVER, that in the event that Coach is unable to enter into such Relevant Lease without Sara Lee's guarantee or surety, Sara Lee agrees to provide a guarantee or surety with respect to each Relevant Lease listed on Schedule 1.9, so long as such guarantee or surety is comparable in scope and no less favorable to Sara Lee than any guarantee or surety of Sara Lee with respect to Relevant Leases in effect on the Separation Date. If, after the Separation Date, any Relevant Lease will automatically renew by its terms and will subject Sara Lee to any continuing obligations or liabilities upon such automatic renewal unless the Landlord receives prior written notice to terminate any obligations or liabilities of Sara Lee, Coach shall give such prior written notice in a timely fashion.

Section 1.10 COSTS AND EXPENSES. Coach shall pay all reasonable costs and expenses incurred in connection with obtaining the Lease Consents, including, without limitation, Landlord's consent fees and attorneys' fees and any costs and expenses relating to re-negotiation or renewal of any Relevant Lease. Coach and Sara Lee shall each be responsible for their own internal fees, costs and expenses (e.g., salaries of personnel) incurred in connection with this Agreement.

ARTICLE II

MISCELLANEOUS

Section 2.1 LIMITATION OF LIABILITY. IN NO EVENT SHALL ANY MEMBER OF THE SARA LEE GROUP OR COACH GROUP BE LIABLE TO ANY OTHER MEMBER OF THE SARA LEE GROUP OR COACH GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDEN TAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION

OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

Section 2.2 ENTIRE AGREEMENT. This Agreement, the Separation Agree ment, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 2.3 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Section 2.13 herein, and non exclusive jurisdiction over any action for enforcement of an arbitral award.

Section 2.4 TERMINATION. This Agreement, the Separation Agreement and all Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection therewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termina tion pursuant to this Section 2.4, no party shall have any liability of any kind to the other party.

Section 2.5 NOTICES. Notices, demands, offers requests or other communi cations required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses and facsimile numbers:

(a) if to Sara Lee:

Sara Lee Corporation
Three First National Plaza
70 West Madison
Chicago, Illinois 60602-4260

Attention: General Counsel
Facsimile No.: (312) 345-5706

(b) if to Coach:

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

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

Section 2.6 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 2.7 BINDING EFFECT; ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Sara Lee Group and each member of the Coach Group. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assign ment shall be void; PROVIDED, HOWEVER, either party may assign this Agreement to a successor entity in conjunction with such party's reincorporation.

Section 2.8 SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal sub stance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 2.9 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of either party hereto in the exercise of any right hereun der shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Exhibits or Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 2.10 AMENDMENT. No change or amendment will be made to this Agreement or the Exhibits or Schedules attached hereto except by an instrument in writing signed on behalf of each of the parties to such agreement.

Section 2.11 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accor dance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 2.12 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table or contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not

otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 2.13 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof ("Dispute") which arises between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and corre spondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through media tion within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitra tor is not appointed within the time limit provided herein, such arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired judge or a

practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the juris diction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

ARTICLE III

DEFINITIONS

Section 3.1 AAA. "AAA" has the meaning set forth in Section 2.13(a) of this Agreement.

Section 3.2 ACTUAL COMPLETION DATE. "Actual Completion Date" means, with respect to each Leased Property, the date upon which completion of the assignment, lease or sublease of that Leased Property to Coach actually takes place.

Section 3.3 AFFILIATED GROUP. "Affiliated Group" has the meaning set forth in the Tax Sharing Agreement.

Section 3.4 ANCILLARY AGREEMENTS. "Ancillary Agreements" shall have the meaning set forth in the Master Separation Agreement.

Section 3.5 COACH BUSINESS. "Coach Business" shall have the meaning set forth in the Separation Agreement.

Section 3.6 COACH GROUP. "Coach Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immedi ately after the Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 3.7 DISPUTE. "Dispute" has the meaning set forth in Section 2.13(a) of this Agreement.

Section 3.8 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 2.13(a) of this Agreement.

Section 3.9 DISTRIBUTION. A "Distribution" means the divestiture by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee, which divestiture may be effected by Sara Lee as a dividend, an exchange with existing Sara Lee stockholders for shares of Sara Lee capital stock, a spin-off or otherwise, as a result of which Sara Lee is no longer required to consolidate Coach's results of operations and financial position (determined in accordance with generally accepted accounting principles consistently applied).

Section 3.10 DISTRIBUTION DATE. "Distribution Date" means the date on which a Distribution is consummated.

Section 3.11 IPO. "IPO" means Coach's initial public offering of common stock.

Section 3.12 IPO CLOSING DATE. "IPO Closing Date" has the meaning set forth in the Separation Agreement.

Section 3.13 LANDLORD. "Landlord" means the landlord under any Relevant Lease, and its successors and assigns, and includes the holder of any other interest which is superior to the interest of the landlord under any Relevant Lease.

Section 3.14 LEASE CONSENTS. "Lease Consents" means all consents, waivers or amendments required from the Landlord or other third parties under the Relevant Leases to assign the Relevant Leases to Coach or its applicable Subsidiary.

Section 3.15 LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT. "Lease Indemnification and Reimbursement Agreement" shall mean that certain Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach dated as of the date hereof

Section 3.16 LEASE REQUIRING CONSENT. "Lease Requiring Consent" means, with respect to each Leased Property, those Relevant Leases with respect to which the Landlord's consent is required for assignment or sublease to a third party (including Coach) or which prohibit assignments or subleases.

Section 3.17 LEASED PROPERTY OR LEASED PROPERTIES. "Leased Property" or "Leased Properties" means those leased properties contained in Schedule 1.

Section 3.18 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

Section 3.19 PROPERTY OR PROPERTIES. "Property" or "Properties" means the Leased Properties and those properties contained in Schedule 1.9.

Section 3.20 RELEVANT LEASE. "Relevant Lease" means, with respect to each Property, the lease(s) or sublease(s) or license(s) under which Sara Lee or its applicable Subsidiary holds such Property and any other related supplemental document.

Section 3.21 SARA LEE GROUP. "Sara Lee Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 3.22 SEPARATION. "Separation" shall have the meaning set forth in the Separation Agreement.

Section 3.23 SEPARATION AGREEMENT. "Separation Agreement" has the meaning set forth in the preamble to this Agreement.

Section 3.24 SEPARATION DATE. Unless otherwise provided in this Agree ment, or in any agreement to be executed in connection with the Separation Agree ment, the effective time and date of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation shall be 12:01 a.m., Central Time, on the date that is two days prior to the date on which the Registration Statement on Form S-1 effecting the IPO is declared effective, or such other date as may be fixed by the Board of Directors of Sara Lee (the "Separation Date").

Section 3.25 SUBSIDIARY. "Subsidiary" of any Person means a corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsid iaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER, that no Person that is not directly or indirectly wholly- owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person. For purposes of this Agreement, Coach shall be deemed not to be a subsidiary of Sara Lee.

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

SARA LEE CORPORATION

By:

Name:
Title:

COACH, INC.

By:

Name:
Title:

SCHEDULE 1

LEASED PROPERTIES

SCHEDULE 1.9

EXCLUDED LEASED PROPERTIES

SCHEDULE 2
FORM ASSIGNMENT FOR LEASED PROPERTIES
ASSIGNMENT AND ASSUMPTION OF LEASES

THIS ASSIGNMENT AND ASSUMPTION OF LEASES (this "Agreement") made as of the ____ day of _____, 2000, between COACH STORES, a division of Sara Lee Corporation, a Maryland corporation ("Assignor"), and COACH, INC., a Maryland corporation ("Assignee").

WHEREAS, Assignor is the owner and holder of certain interests as tenant under certain leases, tenancies and occupancy agreements (collectively, the "Leases") encumbering various properties, including, without limitation, the properties listed on SCHEDULE A attached hereto; and

WHEREAS, in furtherance of and pursuant to the terms of that certain Real Estate Matters Agreement entered into as of October __, 2000, between Sara Lee Corporation ("Sara Lee"), a Maryland corporation, and Assignee, Assignor desires to assign and Assignee desires to assume the Leases.

NOW THEREFORE, in consideration of Ten ($10.00) Dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Assignor and Assignee agree as follows effective as of the date hereof (the "Effective Date"):

1. Assignor hereby assigns, sets over and transfers to Assignee, its successors and assigns, to have and to hold from and after the date hereof, any and all of As signor's right, title and interest as tenant in and to the Leases, including, without limitation, any and all of Assignor's right and interest in any security deposited under the Leases, to have and to hold unto Assignee, its successors and assigns.

2. Assignee hereby accepts the within assignment and assumes from Assignor all of Assignor's responsibilities and obligations as tenant, under and from the Leases, from and after the Effective Date, and agrees to perform and comply with and to be bound by all the terms, agreements, provisions and conditions of the Leases.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the date first above written.

COACH STORES, a Division of Sara Lee Corporation, a Maryland corporation	COACH, INC., a Maryland corporation
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Exhibit 2.6

MASTER TRANSITIONAL SERVICES AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

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SCHEDULES

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MASTER TRANSITIONAL SERVICES AGREEMENT

This Master Transitional Services Agreement (the "Agreement") dated as of August 24, 2000, between Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Coach, Inc., a Maryland corporation ("Coach"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article XIV hereof.

WHEREAS, the Board of Directors of Sara Lee and Coach have each determined that it would be appropriate and desirable for Sara Lee to contribute and transfer to Coach, and for Coach to receive and assume, directly or indirectly, assets and liabilities currently held by Sara Lee and associated with the Coach Business (the "Separation");

WHEREAS, prior to the Separation, Sara Lee has provided certain Services to Sara Lee's Coach division;

WHEREAS, Coach has requested from Sara Lee that the Services continue pursuant to this Agreement; and

WHEREAS, Sara Lee agrees to provide and Coach agrees to be provided with the Services on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and subject to the terms, conditions, covenants and provisions of this Agreement, Sara Lee and Coach mutually covenant and agree as follows:

ARTICLE I

SERVICES PROVIDED

Section 1.1 SERVICES GENERALLY. Except as otherwise provided herein, for the term determined pursuant to Article II hereof, Sara Lee shall provide or cause to be provided to Coach the service(s) described in the Transition Services Schedule attached hereto, which schedule constitutes part of this Agreement. Each service described on the Transition Services Schedule shall be referred to herein as a "Service." Collectively, all the services described on the Transition Services Sched ule (including Additional Services) shall be referred to herein as "Services." Coach

acknowledges that Sara Lee is providing the Services as an accommodation to Coach to allow Coach a period of time to obtain its own Services for the Coach Business. During the term of this Agreement, Coach agrees that it shall take all steps necessary to obtain its own Services prior to the expiration of the term of this Agreement.

Section 1.2 SERVICE BOUNDARIES. Except as provided in the Transition Services Schedule for a specific Service: (a) Sara Lee shall be required to provide the Services only to the extent and only at the locations such Services are being provided by Sara Lee for Coach immediately prior to the Effective Date; and (b) the Services will be available only for purposes of conducting the Coach Busi ness substantially in the manner it was conducted prior to the Effective Date.

Section 1.3 IMPRACTICABILITY. Sara Lee shall not be required to provide any Service to the extent the performance of such Service becomes commer cially impracticable as a result of a cause or causes outside the reasonable control of Sara Lee ("Impracticable" or "Impracticability"), including, without limitation, to the extent the performance of such Services would require Sara Lee to violate any applicable laws, rules or regulations or would result in the breach of any applicable contract.

Section 1.4 ADDITIONAL RESOURCES. Except as expressly provided in the Transition Services Schedule for a specific Service, if at all, in providing the Services, Sara Lee shall not be obligated to: (a) hire or train any additional employ ees; (b) maintain the employment of any specific employee; (c) purchase, lease or license any additional equipment; or (d) pay any costs related to the transfer or conversion of Coach's data to Coach or any alternate supplier of Services.

Section 1.5 ADDITIONAL SERVICES. From time to time after the Effective Date, if Coach would like Sara Lee to provide any services in addition to the Services provided in the Transition Services Schedule ("Additional Services"), Coach shall so notify Sara Lee in writing. During the thirty (30) days following the receipt of such notice, Sara Lee and Coach will mutually discuss such matter, including any additional charge relating to the provision of Additional Services, and negotiate in good faith with a view towards the provision of such Additional Services; PROVIDED, HOWEVER, that nothing in this Section 1.5 shall create the obliga tion for Sara Lee to provide any such Additional Services.

ARTICLE II

TERM

The term of this Agreement shall commence on the Effective Date and shall remain in effect until two (2) years after the Effective Date (the "Expira tion Date"), unless earlier terminated under Article V or as otherwise provided in the Transition Services Schedule. This Agreement may be extended beyond the Expiration Date by the mutual agreement of the parties in writing for a specified period, either in whole or with respect to one or more of the Services; PROVIDED, HOWEVER, that such extension shall only apply to the Services for which the Agree ment was extended. The parties shall be deemed to have extended this Agreement with respect to a specific Service if the Transition Services Schedule specifies a completion date beyond the aforementioned Expiration Date. The parties may agree on an earlier expiration date with respect to a specific Service by specifying such date on the Transition Services Schedule.

ARTICLE III

COMPENSATION

Section 3.1 CHARGES FOR SERVICES. As consideration for the Services, Coach shall pay Sara Lee a fee of $2,000,000 (the "Fee") for the services identified on the Transition Services Schedule on the Effective Date for the period commencing on the Effective Date and ending on the Expiration Date, unless an additional charge is otherwise provided in the Transition Services Schedule. Any additional charge contained in the Transition Services Schedule shall be in addition to the Fee. In the event that this entire Agreement is terminated in accordance with Article V of this Agreement before the Expiration Date, Coach shall pay Sara Lee an amount equal the product of (a) the Fee multiplied by (b) a fraction, the numerator of which is equal to the number of days that have elapsed from the Effective Date through the date of termination of this Agreement and the denominator of which is equal to 730, all in addition to any additional charges contained in the Transition Services Schedule incurred by Coach through the date of termination of this Agreement. If the term of this Agreement is extended beyond the Expiration Date as provided in Article II, Coach will pay Sara Lee a fee equal to the Fee pro rated according to the length of the additional term, plus ten percent (10%) of such Fee, in addition to any additional charges contained in the Transition Services Schedule for continued Services. If Additional Services are added as provided in Section 1.5, Coach shall pay Sara Lee any additional fee to be

negotiated by the parties at the time of the addition and the Fee shall be adjusted accordingly. Coach and Sara Lee shall each be responsible for their own internal fees, costs and expenses (e.g., salaries of personnel) incurred in connection with the provision of Services under this Agreement.

Section 3.2 PAYMENT TERMS. Sara Lee shall bill Coach monthly for one-twenty-fourth (1/24) of the Fee and monthly for any additional charges contained in the Transition Services Schedule incurred during that month. Coach shall pay Sara Lee for all Services provided hereunder within forty-five (45) days after receipt of an invoice therefor. Late payments shall bear interest at the lesser of 12% or the maximum rate allowed by law.

Section 3.3 PRICING ADJUSTMENTS. In the event of a Tax Audit adjustment relating to the pricing of any or all Services provided pursuant to this Agreement in which it is determined by a Taxing Authority that any of the charges, individually or in combination, did not result in an arm's-length payment, as determined under generally accepted arm's-length standards, then the parties, including any Sara Lee subcontractor providing Services hereunder, may agree to make corresponding adjustments to the charges in question for such period to the extent necessary to achieve arm's-length pricing. Any adjustment made pursuant to this Section 3.3 at any time during the term of this Agreement or after termination of this Agreement shall be reflected in the parties' legal books and records, and the resulting underpayment or overpayment shall create, respectively, an obligation to be paid in the manner specified in Section 3.2, or shall create a credit against amounts owed under this Agreement.

ARTICLE IV

STANDARD OF CARE; GENERAL OBLIGATIONS

Section 4.1 STANDARD OF CARE: SARA LEE. Subject to Section 1.4 and any other terms and conditions of this Agreement, Sara Lee shall maintain sufficient resources to perform its obligations hereunder. Sara Lee shall use reasonable efforts to provide Services in accordance with the policies, procedures and practices of Sara Lee in effect before the Effective Date and shall exercise the same care and skill as it exercises in performing the same or similar services for itself, with priority equal to that provided to its own businesses or those of any of its affiliates, Subsidiaries or divisions. Nothing in this Agreement shall require Sara Lee to favor Coach over Sara Lee's businesses or those of any of its affiliates, Subsidiaries or divisions.

Section 4.2 STANDARD OF CARE: COACH. Coach shall use reasonable efforts, in connection with receiving Services, to follow the policies, procedures and practices of Sara Lee in effect before the Effective Date, including (a) complying with Sara Lee's global business practice standards, (b) providing information and documenta tion sufficient for Sara Lee to perform the Services as they were performed before the Effective Date and (c) making available, as reasonably requested by Sara Lee, sufficient resources and timely decisions, approvals and acceptances so that Sara Lee may accomplish its obligations hereunder in a timely manner.

Section 4.3 TRANSITIONAL NATURE OF SERVICES; CHANGES. The parties acknowledge the transitional nature of the Services and that Sara Lee may make changes from time to time in the manner of performing the Services if Sara Lee is making similar changes in performing similar services for itself and if Sara Lee furnishes to Coach sixty (60) days prior written notice regarding such changes.

Section 4.4 RESPONSIBILITY FOR ERRORS; DELAYS. Sara Lee's sole responsibility to Coach:

(a) for errors or omissions in Services, shall be to furnish correct information and/or adjust the Services, at no additional cost or expense to Coach; PROVIDED, Coach must promptly advise Sara Lee of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions in accordance with the standard of care set forth in Section 4.2; and

(b) for failure to deliver any Service because of Impracticability, shall be to use reasonable efforts, subject to Section 1.4, to make the Services available and/or to resume performing the Services as promptly as reasonably practicable.

Section 4.5 GOOD FAITH COOPERATION; CONSENTS. The parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, performing adjustments, and obtaining all third party consents, licenses, sublicenses or approvals necessary to permit each party to perform its obligations hereunder. The costs of obtaining such third party consents, licenses, sublicenses or approvals shall be borne by Coach. The parties will maintain, in accordance with each of their standard document retention procedures, documentation supporting the information relevant to cost calculations and cooperate with each other in making such information available as needed in the event of a Tax Audit, whether in the United States or any other country.

Section 4.6 ALTERNATIVES. If Sara Lee reasonably believes it is unable to provide any Service because of a failure to obtain necessary consents, licenses, sublicenses or approvals pursuant to Section 4.5 or because of Impracticability, the parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem is otherwise resolved to the satisfaction of the parties, Sara Lee shall use reasonable efforts, subject to Section 1.3 and Section 1.4, to continue providing the Service. To the extent an agreed upon alternative approach incurs additional expense beyond which was incurred by the underlying Service, Coach shall be responsible to make payment to Sara Lee in the amount of the additional expense unless the parties otherwise agree in writing.

ARTICLE V

TERMINATION

Section 5.1 (a) Except as otherwise specifically provided in the Transitional Services Schedule, this Agreement will automatically terminate with respect to all Services on the date that Sara Lee is no longer required or allowed to consolidate Coach's results of operations and financial position (determined in accordance with generally accepted accounting principles consistently applied); PROVIDED, HOWEVER, that the term of this Agreement may be extended by the mutual agreement of the parties in writing for a specified period beyond such date, either in whole or with respect or one or more of the Services. Sara Lee shall provide at least sixty (60) days prior written notice to Coach before the consummation of any transaction resulting in Sara Lee ceasing to be required or allowed to consolidate Coach's results of operations and financial position.

(b) Coach may terminate this Agreement, either with respect to all or with respect to any one or more of the Services provided to Coach hereunder, for any reason or for no reason, at any time upon sixty (60) days prior written notice to Sara Lee; PROVIDED, HOWEVER, that the termination of this Agreement with respect to one or more Services will not diminish or otherwise affect Coach's obligation to pay the Fee except as set forth in Article III or Section 5.1(d); PROVIDED FURTHER, that Coach does not have the right to unilaterally reinstitute any such Service.

(c) Either party may terminate this Agreement with respect to a specific Service if the other party materially breaches a material provision with regard to that particular Service and does not cure such breach (or does not take reasonable

steps required under the circumstances to cure such breach going forward) within sixty (60) days after being given notice of the breach; PROVIDED, HOWEVER, that if such breach relates to a good faith dispute by the non-terminating party, the non-terminating party may request that the parties engage in a dispute resolution negotiation as specified in Article XI below prior to termination for breach.

(d) This Agreement, the Master Separation Agreement and all other Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection therewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termination pursuant to this Section 5.2(d), no party shall have any liability of any kind to the other party.

Section 5.2 SURVIVAL. Without prejudice to the survival of the Ancillary Agreements, the following obligations shall survive the termination of this Agreement: (a) for the period set forth therein, the obligations of each party under Articles VIII and XII and (b) Sara Lee's right to receive the compensation for the Services provided. Notwithstanding the foregoing, in the event of any termination with respect to one or more, but less than all Services, this Agreement shall continue in full force and effect with respect to any Services not terminated hereby.

Section 5.3 USER IDS; PASSWORDS. The parties shall use good faith efforts at the termination or expiration of this Agreement or any specific Service hereto to ensure that all applicable user IDs and passwords are canceled.

ARTICLE VI

RELATIONSHIP BETWEEN THE PARTIES

The relationship between the parties established under this Agreement is that of independent contractors and neither party is an employee, agent, partner, or joint venturer of or with the other. Sara Lee will be solely responsible for any employment-related taxes, insurance premiums or other employment benefits with respect to its personnel's performance of Services under this Agreement. Coach agrees to grant Sara Lee personnel access to locations, systems and information (subject to the provisions of confidentiality in Article VIII below) as necessary for Sara Lee to perform its obligations hereunder. Sara Lee personnel agree to obey any and all security regulations and other published policies of Coach.

ARTICLE VII

SUBCONTRACTORS

Sara Lee may engage a Subcontractor to perform all or any portion of Sara Lee's duties under this Agreement, provided that any such Subcontractor agrees in writing to be bound by confidentiality obligations at least as protective as the terms of Article VIII regarding confidentiality below, and provided further that Sara Lee remains responsible for the performance of such Subcontractor.

ARTICLE VIII

CONFIDENTIALITY

Section 4.5 of the Master Separation Agreement between the parties shall apply to any Confidential Information, Confidential Operational Information and Confidential Business Information (as each are defined therein) which are the subject matter of this Agreement.

ARTICLE IX

LIMITATION OF LIABILITY AND WARRANTY

Section 9.1 SARA LEE'S LIABILITY. In the absence of gross negligence or willful misconduct on Sara Lee's part, and whether or not it is negligent, Sara Lee shall not be liable for any claims, liabilities, damages, losses, costs, expenses (including, but not limited to, settlements, judgments, court costs and reasonable attorneys' fees), fines and penalties, arising out of any actual or alleged injury, loss or damage of any nature in providing or failing to provide the Services to Coach. Sara Lee's liability for damages to Coach for any cause, and regardless of the form of action, whether in contract or in tort, including negligence, but excluding gross negligence or willful misconduct, shall be limited to the payments made under this Agreement for the specified Service that allegedly caused the damage during the period in which the alleged damage was incurred by Coach. In no event shall Sara Lee be liable for any damages caused by Coach's failure to perform Coach's responsibilities under this Agreement. Sara Lee will not be liable to Coach for any act or omission of any other entity (other than due to a default by Sara Lee in any agreement between Sara Lee and such other entity) furnishing any Service.

Section 9.2 LIMITATION OF LIABILITY. NOTWITHSTAND ING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR AT LAW OR IN EQUITY, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR PUNITIVE, SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS, LOSS OF DATA, LOSS OF USE, BUSINESS INTERRUPTION OR ANY OTHER LOSS) HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY, ARISING FROM OR RELATING TO ANY CLAIM MADE UNDER THIS AGREEMENT OR REGARDING THE PROVISION OF OR THE FAILURE TO PROVIDE THE SERVICES. THE FOREGOING LIMITATION WILL NOT LIMIT EITHER PARTY'S OBLIGATIONS WITH RESPECT TO PAYMENT OF DAMAGES OF ANY KIND INCLUDED IN AN AWARD OR SETTLEMENT OF A THIRD PARTY CLAIM UNDER ANY INDEMNITY PROVISIONS SPECIFIED HEREIN. SARA LEE SHALL HAVE NO LIABILITY OF ANY KIND OR NATURE WHATSOEVER FOR SARA LEE'S CEASING TO PROVIDE (OR HAVE A THIRD PARTY PROVIDE) ANY SERVICE UPON THE EXPIRATION DATE OR OTHER TERMINATION PURSUANT TO THIS AGREEMENT.

Section 9.3 NO WARRANTY. Coach hereby acknowledges that Sara Lee does not regularly provide to third parties services such as the Services as part of its business and, except as set forth in Section 4.1 hereof, Sara Lee does not otherwise warrant or assume responsibility for its provision of Services. The covenant in Section 4.1 hereof is in lieu of and exclusive of all other representations and warranties of any kind whatsoever. THERE ARE NO WARRANTIES RELATING TO THE SERVICES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE X

FORCE MAJEURE

Each party will be excused for any failure or delay in performing any of its obligations under this Agreement, other than the obligations of Coach to make certain payments to Sara Lee pursuant to Article III hereof for services rendered, if such failure or delay is caused by Force Majeure. "Force Majeure" means any act of God or the public enemy, any accident, explosion, fire, storm, earthquake, flood, or any other

circumstance or event beyond the reasonable control of the party relying upon such circumstance or event.

ARTICLE XI

DISPUTE RESOLUTION

Section 11.1 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof ("Dispute") which arises between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through mediation within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be

appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) CONTINUITY OF SERVICE AND PERFORMANCE. Unless otherwise agreed in writing or specifically provided in this Agreement, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article XII with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE XII

INDEMNIFICATION

Section 12.1 INDEMNIFICATION OF SARA LEE BY COACH. Coach agrees to indemnify and hold harmless Sara Lee and its directors, officer, agents and employees (each, a "Sara Lee Indemnified Person") from and against any damages, and to reimburse each Sara Lee Indemnified Person for all reasonable expenses as they are incurred in investigating, preparing, pursuing, or defending any claim, action, proceeding or investigation, whether or not in connection with pending or threatened litigation and whether or not any Sara Lee Indemnified Person is a party (collectively, "Actions"), arising out of or in connection with Services rendered or to be rendered by

any Sara Lee Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any Sara Lee Indemnified Person's action or inactions in connection with any such Services or transactions; PROVIDED that Coach will not be responsible for any damages of any Sara Lee Indemnified Person that have resulted from such Sara Lee Indemnified Person's gross negligence or willful misconduct in connection with any of the advice, actions, inactions, or Services referred to above.

Section 12.2 INDEMNIFICATION OF COACH BY SARA LEE. Sara Lee agrees to indemnify and hold harmless Coach and its directors, officer, agents and employees (each, a "Coach Indemnified Person") from and against any damages, and will reimburse each Coach Indemnified Person for all reasonable expenses as they are incurred in investigating, preparing, pursuing, or defending any Action, arising out of the gross negligence or willful misconduct of any Sara Lee Indemnified Person in connection with the Services rendered or to be rendered pursuant to this Agreement.

Section 12.3 TERM OF INDEMNITY AND FILING OF ACTIONS. The indemnities contained in this Article XII shall survive for a period of three (3) years after the termination of this Agreement for any reason, and any claim for indemnity under this Article must be made by written notice to the indemnifying party within one (1) year after the discovery thereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 ENTIRE AGREEMENT. This Agreement, the Master Separation Agreement and the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof and thereof.

Section 13.2 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Article XI herein, and non exclusive jurisdiction over any action for enforcement of an arbitral award.

Section 13.3 DESCRIPTIVE HEADINGS. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 13.4 NOTICES. Notices, offers, requests or other communica tions required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses or facsimile numbers:

if to Sara Lee:

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

if to Coach:

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

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

overnight courier; and three days after it is postmarked, if mailed first class mail or certified mail, return receipt requested, with postage prepaid.

Section 13.5 NONASSIGNABILITY. Subject to Article VII, neither party may, directly or indirectly, in whole or in part, whether by operation of law or otherwise, assign or transfer this Agreement, without the other party's prior written consent, and any attempted assignment, transfer or delegation without such prior written consent shall be voidable at the sole option of such other party. Notwithstanding the foregoing, each party (or its permitted successive assignees or transferees hereunder) may assign or transfer this Agreement as a whole without consent to an entity that succeeds to all or substantially all of the business or assets of such party. Without limiting the foregoing, this Agreement will be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

Section 13.6 SEVERABILITY. If any term or other provision of this Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 13.7 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. If any term or other provision of this Agreement or the Exhibits or Schedules attached hereto is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 13.8 AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the

parties to such agreement.

ARTICLE XIV

DEFINITIONS

For the purpose of this Agreement, the following capitalized terms shall have the following meanings:

Section 14.1 ADDITIONAL SERVICES. "Additional Services" shall have the meaning set forth in Section 1.5.

Section 14.2 ANCILLARY AGREEMENTS. "Ancillary Agreements" shall have the meaning set forth in the Master Separation Agreement.

Section 14.3 AUDIT. "Audit" shall have the meaning set forth in the Tax Sharing Agreement.

Section 14.4 COACH BUSINESS. "Coach Business" shall have the meaning set forth in the Master Separation Agreement.

Section 14.5 DISTRIBUTION DATE. "Distribution Date" shall have the meaning set forth in the Master Separation Agreement.

Section 14.5A EFFECTIVE DATE. "Effective Date" shall be the date that is two days prior to the date on which the IPO Registration Statement (as defined in the Master Separation Agreement) is declared effective.

Section 14.6 EXPIRATION DATE. "Expiration Date" shall have the meaning set forth in Article II.

Section 14.7 IMPRACTICABLE or IMPRACTICABILITY. "Impracticable" and "Impracticability" shall have the meanings set forth in Section 1.3.

Section 14.8 IPO CLOSING DATE. "IPO Closing Date" shall have the meaning set forth in the Master Separation Agreement.

Section 14.9 MASTER SEPARATION AGREEMENT. "Master Separation Agreement" shall mean that certain Master Separation Agreement between Sara Lee and Coach dated as of the date hereof.

Section 14.10 PERSON. "Person" means an individual, a partnership, a corporation a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

Section 14.11 SERVICE(S). "Service(s)" shall have the meaning set forth in Section 1.1.

Section 14.12 SUBCONTRACTOR. "Subcontractor" means any individual, partnership, corporation, firm, association, unincorporated organization, joint venture, trust or other entity engaged to perform hereunder.

Section 14.13 SUBSIDIARY. "Subsidiary" of any Person means a corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER, that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of

such other Person unless such other Person controls, or has the right, power or ability to control, that Person. For purposes of this Agreement, Coach shall be deemed not to be a subsidiary of Sara Lee.

Section 14.14 TAX AND TAXES. "Tax" and "Taxes" shall have the meanings set forth in the Tax Sharing Agreement.

Section 14.15 TAX SHARING AGREEMENT. "Tax Sharing Agreement" means the Tax Sharing Agreement, attached as Exhibit E to the Master Separation Agreement.

Section 14.16 TAXING AUTHORITY. "Taxing Authority" shall have the meaning set forth in the Tax Sharing Agreement.

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

SARA LEE CORPORATION

By:

Name:
Title:

COACH, INC.

By:

Name:
Title:

TRANSITION SERVICES SCHEDULE

ACCOUNTING

- - Accounting advice for specific transactions, as determined by Coach
- - Administration of Employee Stock Purchase Plan for Sara Lee stock, as needed by Coach
- - Review of filings to be made with the Securities and Exchange Commission, as prepared by Coach
- - Clearinghouse for all inter-company billings in all areas, as needed by Coach

TREASURY

- - Initial cash management, including working capital financing and the use of the note account
- - Assistance with the establishment of Coach bank credit facility
- - Assistance with initial capital raising
- - Assistance with lease analysis
- - Assistance with foreign exchange/commodity hedging, as needed by Coach

INTERNAL AUDIT

- - Coordination and performance of retail and factory store audits

ENVIRONMENTAL

- - Right to participate in annual environment update training and periodic environmental council meetings and training programs
- - Access to BNA Environmental, Health and Safety

TAXATION

- - Preparation and filing of all Tax Returns (as defined in the Tax Sharing Agreement) described in Section 1.1(b) of the Tax Sharing Agreement, for so long as Sara Lee shall be required to prepare and file such Tax Returns pursuant to the Tax Sharing Agreement; PROVIDED, that if Sara Lee is required, pursuant to the Tax Sharing Agreement, to prepare and file such Tax Returns after the Expiration Date, then Sara Lee and Coach shall be deemed to have extended the term of this Agreement pursuant to Article II with respect to Sara Lee's provision of such services, and Coach shall compensate Sara Lee pursuant to Article III.
- - Tax planning to minimize federal, Puerto Rico, foreign and state income taxes

LEGAL

- - Advice and assistance on transactions out of the ordinary course
- - Advice and assistance regarding filing requirements, communications limitations and other matters relating to status as a public company
- - Advice and assistance relating to the transition of trademark registration and maintenance of database, and maintenance of such database until the transition has been completed
- - Advice and assistance with respect to international legal matters

INSURANCE

- - Perform risk management and risk assessment services
- - Pursuant to Indemnification and Insurance Matters Agreement, perform and assist Coach in performing its own risk financing, including a full range of property and liability insurance coverage
- - Claims handling support
- - Property conservation and loss control engineering

INFORMATION SERVICES

Until the Distribution Date, Coach shall continue to be entitled to receive the following benefits with respect to information services pursuant to Sara Lee's agreements with the following information service providers, PROVIDED, HOWEVER, that (i) Sara Lee's agreements with such providers remain in effect and (ii) Coach's receipt of benefits under such agreements do not violate the terms or provisions of such agreements:

Vendor	Description
MCI	Long distance service: Coach shall be entitled to be charged the same rates by the vendor as other comparable Sara Lee Subsidiaries enjoy under the agreement (to the extent practicable)
Bell South	Local Jax and Medley service: Coach shall be entitled to be charged the same rates by the vendor as other comparable Sara Lee Subsidiaries enjoy under the agreement (to the extent practicable)
Dell	Personal computers and supplies: Coach shall be entitled to be charged the same rates by the vendor as other comparable Sara Lee Subsidiaries enjoy under the agreement (to the extent practicable)

QRS	Electronic Interchange Network ("EDI") network: Coach shall be entitled to be charged the same rates by the vendor as other comparable Sara Lee Subsidiaries enjoy under the agreement (to the extent practica ble)
GE Information Services	EDI network: Coach shall be entitled to receive its pro rata portion of benefits under this agreement, which is funded by Sara Lee
Sterling Commerce	EDI software (on Sara Lee mainframe): Coach shall be entitled to receive its pro rata portion of benefits under this agreement, which is funded by Sara Lee
Logility	Planning software: Coach shall be entitled to receive its pro rata portion of benefits under the agreement
SAP	Enterprise Resource Planning system: Coach shall continue to be a licensee of the vendor under the agreement

Coach will also be entitled to use Sara Lee's mainframe under the same method of cost allocation used by Sara Lee with respect to its other consolidated Subsidiaries for mail order, EDI and retail POS.

MISCELLANEOUS SERVICES

- - Information technology services, maintenance and support, comparable to services provided to Coach by Sara Lee on the Effective Date
- - Assistance with transitioning to stand-alone computer networking systems
- - Right to participate in travel, purchasing, car leasing and relocation services, comparable to such services available to Coach from Sara Lee on the Effective Date
- - Assistance with investor relations services

To the extent that Sara Lee ceases to provide the Miscellaneous Services listed above to its own employees, Sara Lee's obligation to provide such services to Coach under this Agreement shall terminate.

SARA LEE DIRECT CALL CENTER SERVICES

Call center services comparable to the services provided by Sara Lee to Coach as of the Effective Date, including:

- - Record product orders and catalog requests for the direct marketing business
- - Provide product care information
- - Respond to questions regarding (magazine) advertised products
- - Respond to questions regarding web site usage
- - Provide store locator service
- - Accept overflow calls transferred from Jacksonville, Florida consumer service

The charge for the Sara Lee Direct Call Center Services shall initially be $0.83 per minute for labor and phone usage. Such charges shall be in addition to the Fee as provided in the Agreement. Such charge may be increased from time to time in the sole discretion of Sara Lee, PROVIDED that any such increase in the charge shall be comparable to rate increases or rates charged to other recipients of such Sara Lee services.

The provision of the Sara Lee Direct Call Center Services shall only terminate upon either Coach or Sara Lee providing sixty (60) days prior written notice of termination of such services to the other party.

NIHON SARA LEE KK CORPORATION EMPLOYEES

Nihon Sara Lee KK Corporation shall pay the salaries and expenses of the employees of Coach, as of the date of this Agreement, located in Japan. Sara Lee shall send an invoice to Coach for such salaries and expenses on a monthly basis, and Coach shall pay Sara Lee in the amounts contained in such invoices in accordance with the payment provisions contained in the Agreement. Such charges shall be in addition to the Fee as provided in the Agreement.

SARA LEE OCEAN SERVICES AGREEMENT

Coach to continue to participate in the Sara Lee Puerto Rico Ocean Freight Committee which pools ocean freight volume to obtain better ocean freight rates, including the new rates in effect as of the Effective Date. Coach will receive invoices directly from the carrier, at Sara Lee's rate, for Coach's portion of such ocean freight charges and Coach shall pay such carrier in the amounts contained in such invoices in accordance with the payment provisions contained in the invoice.

Exhibit 2.7

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

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INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

This Indemnification and Insurance Matters Agreement (this "Agreement") is dated as of August 24, 2000 between Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Coach, Inc., a Maryland corporation ("Coach"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in Article IV below.

RECITALS

WHEREAS, Sara Lee has transferred or will transfer to Coach effective as of the Separation Date, substantially all of the Assets of the Coach Business in accordance with the Master Separation Agreement dated as of August 24, 2000 between Sara Lee and Coach (the "Separation Agreement").

WHEREAS, the parties desire to set forth certain agreements regarding indemnification and insurance.

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

ARTICLE I

MUTUAL RELEASES; INDEMNIFICATION

Section 1.1 RELEASE OF PRE-SEPARATION DATE CLAIMS.

(a) COACH RELEASE. Except as provided in Section 1.1(c), effective as of the Separation Date, Coach does hereby, for itself and as agent for each member of the Coach Group, remise, release and forever discharge the Sara Lee Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any past acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO and any Distribution.

(b) SARA LEE RELEASE. Except as provided in Section 1.1(c), effective as of the Separation Date, Sara Lee does hereby, for itself and as agent for each member of the Sara Lee Group, remise, release and forever discharge the Coach Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any past acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO and any Distribution.

(c) NO IMPAIRMENT. Nothing contained in Section 1.1(a) or Section 1.1(b) shall limit or otherwise affect any party's rights or obligations pursuant to or contemplated by the Separation Agreement or any other Ancillary Agreement (including this Agreement), in each case in accordance with its terms, including, without limitation, any obligations relating to indemnification, Coach's assumption of the Coach Liabilities and any Insurance Proceeds under any Sara Lee Insurance Policies relating to the Coach Business which Coach is entitled to be paid.

(d) NO ACTIONS AS TO RELEASED PRE-SEPARATION DATE CLAIMS. Coach agrees, for itself and as agent for each member of the Coach Group, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Sara Lee or any member of the Sara Lee Group, or any other Person released pursuant to Section 1.1(a), with respect to any Liabilities released pursuant to Section 1.1(a). Sara Lee agrees, for itself and as agent for each member of the Sara Lee Group, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Coach or any member of the Coach Group, or any other Person released pursuant to Section 1.1(b), with respect to any Liabilities released pursuant to Section 1.1(b).

(e) FURTHER INSTRUMENTS. At any time, at the request of any other party, each party shall cause each member of its respective Sara Lee Group or Coach Group, as applicable, to execute and deliver releases reflecting the provisions hereof.

Section 1.2 INDEMNIFICATION BY COACH. Except as otherwise provided in this Agreement, Coach shall, for itself and as agent for each member of the Coach Group, indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the Sara Lee Indemnitees from and against, and shall reimburse such Sara Lee Indemnitees with respect to, any and all Losses that any third party seeks to

impose upon the Sara Lee Indemnitees, or which are imposed upon the Sara Lee Indemnitees, and that result from, relate to or arise, whether prior to or following the Separation Date, out of or in connection with any of the following items (without duplication):

(i) any Coach Liability;

(ii) any breach by Coach or any member of the Coach Group of the Separation Agreement or any of the Ancillary Agreements (including this Agreement); and

(iii) any IPO Liabilities, other than the Sara Lee Portions.

In the event that any member of the Coach Group makes a payment to the Sara Lee Indemnitees hereunder, and any of the Sara Lee Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery (other than a recovery indirectly from Sara Lee), Sara Lee will promptly repay (or will procure a Sara Lee Indemnitee to promptly repay) such member of the Coach Group the amount by which the payment made by such member of the Coach Group exceeds the actual cost of the associated indemnified Liability. This Section 1.2 shall not apply to any Liability indemnified under Section 1.4.

Section 1.3 INDEMNIFICATION BY SARA LEE. Except as otherwise provided in this Agreement, Sara Lee shall, for itself and as agent for each member of the Sara Lee Group, indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the Coach Indemnitees from and against, and shall reimburse such Coach Indemnitee with respect to, any and all Losses that any third party seeks to impose upon the Coach Indemnitees, or which are imposed upon the Coach Indemnitees, and that result from, relate to or arise, whether prior to or following the Separation Date, out of or in connection with any of the following items (without duplication):

(i) any Liability of the Sara Lee Group other than the Coach Liabilities, any Liability for Taxes (which are governed solely by the Tax Sharing Agreement) and all Liabilities arising out of the operation or conduct of the Sara Lee Business;

(ii) any breach by Sara Lee or any member of the Sara Lee Group of the Separation Agreement or any of the Ancillary Agreements (including this Agreement); and

(iii) any IPO Liabilities with respect to the Sara Lee Portions only.

In the event that any member of the Sara Lee Group makes a payment to the Coach Indemnitees hereunder, and any of the Coach Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery (other than a recovery indirectly from Coach), Coach will promptly repay (or will procure a Coach Indemnitee to promptly repay) such member of the Sara Lee Group the amount by which the payment made by such member of the Sara Lee Group exceeds the actual cost of the indemnified Liability. This Section 1.3 shall not apply to any Liability indemnified under Section 1.4.

Section 1.4 INDEMNIFICATION WITH RESPECT TO ENVIRONMENTAL ACTIONS AND CONDITIONS.

(a) INDEMNIFICATION BY COACH. Coach shall, for itself and as agent for each member of the Coach Group, indemnify, defend and hold harmless the Sara Lee Indemnitees from and against any and all Environmental Actions relating to, arising out of or resulting from any of the following items:

(i) Environmental Conditions arising out of operations occurring on or after the Separation Date at any of the Coach Facilities;

(ii) Except to the extent arising out of the operations of the Sara Lee Group on and after the Separation Date, Environmental Conditions existing on, under, about or in the vicinity of any of the Coach Facilities arising from an event causing contamination to the extent occurring on or after the Separation Date (including any Release of Hazardous Materials occurring after the Separation Date that migrates to any of the Coach Facilities);

(iii) the violation of Environmental Law as a result of the operation of any of the Coach Facilities on or after the Separation Date; and

(iv) Environmental Conditions at any third-party site to the extent liability arises from Hazardous Materials generated at any Coach Facility on or after the Separation Date.

(b) INDEMNIFICATION BY SARA LEE. Sara Lee shall, for itself and as agent for each member of the Sara Lee Group, indemnify, defend and hold harmless the Coach Indemnitees from and against any and all Environmental Actions relating to, arising out of or resulting from any of the following items:

(i) Environmental Conditions (x) existing on, under, about or in the vicinity of any of the Coach Facilities prior to the Separation Date, or (y) arising out of operations occurring before the Separation Date at any of the Coach Facilities;

(ii) Except as arising out of the operations of the Coach Group on and after the Separation Date, Environmental Conditions on, under, about or arising out of operations occurring at any time, whether before or after the Separation Date, at any of the Sara Lee Facilities;

(iii) the violation of Environmental Law as a result of the operation of any of the Coach Facilities prior to the Separation Date; and

(iv) Environmental Conditions at any third- party site to the extent liability arises from Hazardous Materials generated at any Coach Facility prior to the Separation Date.

(c) AGREEMENT REGARDING PAYMENTS TO INDEMNITEE. In the event an Indemnifying Party makes any payment to or on behalf of an Indemnitee with respect to an Environmental Action for which the Indemnifying Party is obligated to indemnify under this Section 1.4, and the Indemnitee subsequently receives any payment from a third party on account of the same financial obligation covered by the payment made by the Indemnifying Party for that Environmental Action or otherwise diminishes the financial obligation, the Indemnitee will promptly pay the Indemnifying Party the amount by which the payment made by the Indemnifying Party exceeds the actual cost of the financial obligation.

Section 1.5 REDUCTIONS FOR INSURANCE PROCEEDS AND OTHER RECOVERIES.

(a) INSURANCE PROCEEDS. The amount that any Indemnifying Party is or may be required to provide indemnification to or on behalf of any Indemnitee pursuant to Sections 1.2, 1.3 or 1.4, as applicable, shall be reduced (retroactively or prospectively) by any Insurance Proceeds or other amounts actually recovered from third parties by or on behalf of such Indemnitee in respect of the related Loss. The existence of a claim by an Indemnitee for monies from an insurer or against a third party in respect of any indemnifiable Loss shall not, however, delay any payment pursuant to the indemnification provisions contained herein and otherwise determined to be due and owing by an Indemnifying Party. Rather, the Indemnifying Party shall make payment in full of the amount determined to be due and owing by it against an assignment by the Indemnitee to the Indemnifying Party of the entire claim of the Indemnitee for Insurance Proceeds or against such third party. Notwithstanding any other provisions of this Agreement, it is the intention of the parties that no insurer or any other third party shall be (i) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions, or (ii) relieved of the responsibility to pay any claims for which it is obligated. If an Indemnitee has received the payment required by this Agreement from an Indemnifying Party in respect of any indemnifiable Loss and later receives Insurance Proceeds or other amounts in respect of such indemnifiable Loss, then such Indemnitee shall hold such Insurance Proceeds or other amounts in trust for the benefit of the Indemnifying Party (or Indemnifying Parties) and shall pay to the Indemnifying Party, as promptly as practicable after receipt, a sum equal to the amount of such Insurance Proceeds or other amounts received, up to the aggregate amount of any payments received from the Indemnifying Party pursuant to this Agreement in respect of such indemnifiable Loss (or, if there is more than one Indemnifying Party, the Indemnitee shall pay each Indemnifying Party, its proportionate share (based on payments received from the Indemnifying Parties) of such Insurance Proceeds).

(b) TAX COST/TAX BENEFIT. The amount that any Indemnifying Party is or may be required to provide indemnification to or on behalf of any Indemnitee pursuant to Sections 1.2, 1.3 or 1.4, as applicable, shall be (i) increased to take account of any net Tax cost incurred by the Indemnitee arising from the receipt or accrual of an indemnification payment hereunder (grossed up for such increase) and (ii) reduced to take account of any net Tax benefit realized by the Indemnitee arising from incurring or paying such loss or other liability. In computing the amount of any such Tax cost or Tax benefit, the Indemnitee shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt or accrual of any indemnification payment hereunder or incurring or paying any indemnified Loss. Any indemnification

payment hereunder shall initially be made without regard to this Section 1.5(b) and shall be increased or reduced to reflect any such net Tax cost (including gross-up) or net Tax benefit only after the Indemnitee has actually realized such cost or benefit. For purposes of this Agreement, an Indemnitee shall be deemed to have "actually realized" a net Tax cost or a net Tax benefit to the extent that, and at such time as, the amount of Taxes payable by such Indemnitee is increased above or reduced below, as the case may be, the amount of Taxes that such Indemnitee would be required to pay but for the receipt or accrual of the indemnification payment or the incurrence or payment of such Loss, as the case may be. The amount of any increase or reduction hereunder shall be adjusted to reflect any Final Determination with respect to the Indemnitee's liability for Taxes, and payments between such indemnified parties to reflect such adjustment shall be made if necessary.

Section 1.6 PROCEDURES FOR DEFENSE, SETTLEMENT AND INDEMNIFICATION OF THIRD PARTY CLAIMS.

(a) NOTICE OF CLAIMS. If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Sara Lee Group or the Coach Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification, Sara Lee and Coach (as applicable) will ensure that such Indemnitee shall give such Indemnifying Party written notice thereof within 30 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the delay or failure of any Indemnitee or other Person to give notice as provided in this Section 1.6(a) shall not relieve the related Indemnifying Party of its obligations under this Article I, except to the extent that such Indemnifying Party is actually and substantially prejudiced by such delay or failure to give notice.

(b) DEFENSE BY INDEMNIFYING PARTY. An Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim, to the extent that it wishes, at its cost, risk and expense, to assume the defense thereof, with counsel reasonably satisfactory to the party seeking indemnification. After timely notice from the Indemnifying Party to the Indemnitee of such election to so assume the defense thereof, the Indemnifying Party shall not be liable to the party seeking indemnification for any legal expenses of other counsel or any other expenses subsequently incurred by Indemnitee in connection with the defense thereof. The Indemnitee agrees to cooperate in all reasonable respects with the Indemnifying Party and its counsel in the defense against any Third Party Claim. The Indemnifying Party

shall be entitled to compromise or settle any Third Party Claim as to which it is providing indemnification, which compromise or settlement shall be made only with the written consent of the Indemnitee, such consent not to be unreasonably withheld.

(c) DEFENSE BY INDEMNITEE. If an Indemnifying Party fails to assume the defense of a Third Party Claim within 30 calendar days after receipt of notice of such claim, Indemnitee will, upon delivering notice to such effect to the Indemnifying Party, have the right to undertake the defense, compromise or settlement of such Third Party Claim on behalf of and for the account of the Indemnifying Party subject to the limitations as set forth in this Section 1.6; PROVIDED, HOWEVER, that such Third Party Claim shall not be compromised or settled without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. If the Indemnitee assumes the defense of any Third Party Claim, it shall keep the Indemnifying Party reasonably informed of the progress of any such defense, compromise or settlement. The Indemnifying Party shall reimburse all such costs and expenses of the Indemnitee in the event it is ultimately determined that the Indemnifying Party is obligated to indemnify the Indemnitee with respect to such Third Party Claim. In no event shall an Indemnifying Party be liable for any settlement effected without its consent, which consent will not be unreasonably withheld.

Section 1.7 ADDITIONAL MATTERS.

(a) COOPERATION IN DEFENSE AND SETTLEMENT. With respect to any Third Party Claim that implicates both Coach and Sara Lee in a material fashion due to the allocation of Liabilities, responsibilities for management of defense and related indemnities set forth in the Separation Agreement, this Agreement or any of the Ancillary Agreements, the parties agree to cooperate fully and maintain a joint defense (in a manner that will preserve the attorney-client privilege, joint defense or other privilege with respect thereto) so as to minimize such Liabilities and defense costs associated therewith. The party that is not responsible for managing the defense of such Third Party Claims shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, associate counsel to assist in the defense of such claims.

(b) PRE-SEPARATION ACTIONS. Sara Lee may, in its sole discretion have exclusive authority and control over the investigation, prosecution, defense and appeal of all Actions pending at the Separation Date relating to or arising in connection with, in any manner (other then solely with respect to or solely in connection with) the Coach Business, the Coach Assets or the Coach Liabilities if

Sara Lee or a member of the Sara Lee Group is named as a party thereto; PROVIDED, HOWEVER, that Sara Lee must obtain the written consent of Coach, such consent not to be unreasonably withheld, to settle or compromise or consent to the entry of judgment with respect to such Action. After any such compromise, settlement, consent to entry of judgment or entry of judgment, Sara Lee shall reasonably and fairly allocate to Coach and Coach shall be responsible for Coach's proportionate share of any such compromise, settlement, consent or judgment attributable to the Coach Business, the Coach Assets or the Coach Liabilities, including its proportionate share of the costs and expenses associated with defending same. Notwithstanding the foregoing, Sara Lee shall have exclusive authority and control over the investigation, prosecution, defense and appeal of the Lemelson Litigation and hereby indemnifies and holds harmless the Coach Indemnitees from and against, and shall reimburse such Coach Indemnitees with respect to, any and all Losses that any third party seeks to impose upon the Coach Indemnitees, or which are imposed upon the Coach Indemnitees, and that result from, relate to or arise, whether prior to or following the Separation Date, out of or in connection with the Lemelson Litigation, including any and all costs and expenses relating to the investigation, prosecution, defense and appeal of the Lemelson Litigation.

(c) SUBSTITUTION. In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or the Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the rights and obligations of the parties regarding indemnification and the management of the defense of claims as set forth in this Article I shall not be altered.

(d) SUBROGATION. In the event of payment by or on behalf of any Indemnifying Party to or on behalf of any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee, in whole or in part based upon whether the Indemnifying Party has paid all or only part of the Indemnitee's Liability, as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(e) NOT APPLICABLE TO TAXES. This Agreement shall not apply to Taxes (which are solely covered by the Tax Sharing Agreement).

Section 1.8 SURVIVAL OF INDEMNITIES. Subject to Section 3.7, the rights and obligations of the members of the Sara Lee Group and the Coach Group under this Article I shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities or the sale by any member of the Sara Lee Group or the Coach Group of the capital stock or other equity interests of any Subsidiary to any Person.

ARTICLE II

INSURANCE MATTERS

Section 2.1 COACH INSURANCE COVERAGE DURING THE INSURANCE TRANSITION PERIOD.

(a) MAINTAIN COMPARABLE INSURANCE. As of the Separation Date, Sara Lee maintains insurance coverage under the Insurance Policies listed in Schedule 2.1(a) hereto. Throughout the period beginning on the Separation Date and ending on the Distribution Date (the "Insurance Transition Period"), Sara Lee shall, subject to insurance market conditions and other factors beyond its control, maintain policies of insurance, including for the benefit of Coach or any of its Subsidiaries, directors, officers, employees or other covered parties (collectively, the "Coach Covered Parties") which are comparable to those maintained generally by Sara Lee; PROVIDED, HOWEVER, that if Sara Lee determines that (i) the amount or scope of such coverage will be reduced to a level materially inferior to the level of coverage in existence immediately prior to the Insurance Transition Period or (ii) the retention or deductible level applicable to such coverage, if any, will be increased to a level materially greater than the levels in existence immediately prior to the Insurance Transition Period (excluding the increases effective October , 2000 of which Coach is aware), each other than as a result of the Separation, Sara Lee shall give Coach notice of such determination as promptly as practicable. Upon notice of such determination, Coach shall be entitled to no less than 60 days to evaluate its options regarding continuance of coverage hereunder and may cancel its interest in all or any portion of such coverage as of any day within such 60 day period.

(b) REIMBURSEMENT FOR PREMIUMS, DEDUCTIBLES AND RETENTION AMOUNTS. Coach shall promptly pay or reimburse Sara Lee, as the case may be, for premium expenses, deductibles or retention amounts and Coach Covered Parties shall promptly pay or reimburse Sara Lee for any costs and expenses which Sara Lee may incur in connection with the insurance coverages maintained pursuant to this Section 2.1, including but not limited to any subsequent premium adjustments.

Section 2.2 COOPERATION; PAYMENT OF INSURANCE PROCEEDS TO COACH; AGREEMENT NOT TO RELEASE CARRIERS. Each of Sara Lee and Coach will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion. Sara Lee, at the request of Coach, shall cooperate with and use commercially reasonable efforts to assist Coach

in recovering Insurance Proceeds under Sara Lee Insurance Policies for claims relating to the Coach Business, the Coach Assets or the Coach Liabilities, whether such claims arise under any contract or agreement, by operation of law or otherwise, existing or arising from any past acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed before the Separation Date, on the Separation Date or during the Insurance Transition Period, and shall promptly pay any such recovered Insurance Proceeds to Coach. Neither Sara Lee nor Coach, nor any of their Subsidiaries, shall take any action which would intentionally jeopardize or otherwise interfere with either party's ability to collect any proceeds payable pursuant to any insurance policy. Except as otherwise contemplated by the Separation Agreement, this Agreement or any Ancillary Agreement, after the Separation Date, neither Sara Lee nor Coach shall (and each party shall ensure that no member of the such party's Group shall), without the consent of the other, provide any insurance carrier with a release, or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver would adversely affect any rights or potential rights of any member of the Sara Lee Group or the Coach Group thereunder. However, nothing in this Section 2.2 shall (A) preclude any member of the Sara Lee Group or the Coach Group from presenting any claim or from exhausting any policy limit, (B) require any member of the Sara Lee Group or the Coach Group to pay any premium or other amount or to incur any Liability, or (C) require any member of the Sara Lee Group or the Coach Group to renew, extend or continue any policy in force.

Section 2.3 COACH INSURANCE COVERAGE AFTER THE INSURANCE TRANSITION PERIOD.

(a) GENERALLY. From and after expiration of the Insurance Transition Period, Coach shall be responsible for obtaining and maintaining insurance programs for its risk of loss and such insurance arrangements shall be separate and apart from Sara Lee's insurance programs. Notwithstanding the foregoing, Sara Lee, upon the request of Coach, shall use all commercially reasonable efforts to assist Coach in the transition to its own separate insurance programs from and after the Insurance Transition Period, and shall provide Coach with any information that is in the possession of Sara Lee and is reasonably available and necessary to either obtain insurance coverages for Coach or to assist Coach in preventing unintended self-insurance, in whatever form.

(b) SARA LEE GUARANTEES. Coach agrees that from and after the expiration of the Insurance Transition Period and for so long as there is a Sara Lee

Guarantee obligation outstanding, Coach (i) will take all actions necessary and consistent with Sara Lee's current insurance practices, to purchase and maintain insurance coverage of substantially the same types and amounts so as to not reduce insurance coverage, if any, on any liability that is the subject of any Sara Lee Guarantee then in effect and (ii) provide that Sara Lee be a "named insured" under those liability policies of Coach which are solely controlled by Coach in respect of Liabilities that Sara Lee may incur as a result of any Sara Lee Guarantee obligation with respect to the Coach Business, the Coach Assets or the Coach Liabilities, at no premium cost to Sara Lee therefor, such that Sara Lee has rights to coverage thereunder no less than the rights conferred on any other insured to the extent of its interest therein. During the applicable period set forth in the first sentence of this Section 2.3(b), Coach will use all commercially reasonable efforts to ensure that all of Coach's liability policies to which the preceding sentence applies provide that Sara Lee will be given at least 60 days advance written notice by the insurer of any cancellation of such policies, a reduction in coverage thereunder, or any deletion of Sara Lee as a "named insured," and Coach shall not cancel any such policy or reduce the coverage available thereunder in any manner detrimental to Sara Lee, without Sara Lee's prior written consent, not to be unreasonably withheld. Sara Lee agrees to promptly release Coach from its obligations under this Section 2.3(b) following the date on which there are no Sara Lee Guarantee obligations outstanding.

Section 2.4 RESPONSIBILITIES FOR DEDUCTIBLES AND/OR SELF-INSURED OBLIGATIONS. Coach will reimburse Sara Lee for all amounts necessary to exhaust or otherwise satisfy all applicable self-insured retentions, amounts for fronted policies, deductibles and retrospective premium adjustments and similar amounts not covered by Insurance Policies in connection with Coach Liabilities and Insured Coach Liabilities to the extent that Sara Lee is required to pay any such amounts.

Section 2.5 PROCEDURES WITH RESPECT TO INSURED COACH LIABILITIES.

(a) REIMBURSEMENT. Coach will reimburse Sara Lee for all amounts incurred to pursue insurance recoveries from Insurance Policies for Insured Coach Liabilities.

(b) MANAGEMENT OF CLAIMS. The defense of claims, suits or actions giving rise to potential or actual Insured Coach Liabilities will be managed (in conjunction with Sara Lee's insurers, as appropriate) by the party that would have had responsibility for managing such claims, suits or actions had such Insured Coach Liabilities been Coach Liabilities.

Section 2.6 INSUFFICIENT LIMITS OF LIABILITY FOR SARA LEE LIABILITIES AND COACH LIABILITIES.

(a) INSUFFICIENT LIMITS OF LIABILITY. In the event that there are insufficient limits of liability available under Sara Lee's Insurance Policies in effect prior to the Distribution Date to cover the Liabilities of Sara Lee and/or Coach that would otherwise be covered by such Insurance Policies, then to the extent that other insurance is not available to Sara Lee and/or Coach for such Liabilities an adjustment will be made in accordance with the following procedures:

(i) To the extent the parties are able to specifically quantify and verify the actual Liabilities incurred by each party to the exclusion of the other party, such Liabilities shall be allocated to each party;

(ii) To the extent that the parties are unable to specifically quantify and verify any such Liabilities or any part of such Liabilities to each party (to the exclusion of the other party), each party will be allocated an amount equal to their Shared Percentage of the lesser of (A) the available limits of liability available under Sara Lee's Insurance Policies in effect prior to the Distribution Date net of uncollectible amounts attributable to insurer insolvencies, and (B) the proceeds received from Sara Lee's Insurance Policies if the Liabilities are the subject of disputed coverage claims and, following consultation with each other, Sara Lee and/or Coach agree to accept less than full policy limits from Sara Lee's and Coach's insurers (the "Coverage Amount").

(iii) A party who receives more than its share of the Coverage Amount (the "Overallocated Party") agrees to reimburse the other party (the "Underallocated Party") to the extent that the Liabilities of the Underallocated Party that would have been covered under such Insurance Policies is less than the Underallocated Party's share of the Coverage Amount.

(iv) This Section 2.6(a) shall terminate ten years following the Distribution Date.

(b) ILLUSTRATIONS. The following illustrations are intended to provide guidance concerning how this Section 2.6 is intended to apply to claims implicating insurance policies issued prior to the Distribution Date.

(i) Illustration No.1. Ten separate claims are brought arising from ten separate "occurrences," each resulting in Coach Liability of $10 million. The self-insured retention is $10 million "per occurrence." Result: This Section 2.6 is inapplicable. Coach may pursue self-insurance, to the extent it is permitted to do so by law, subject to reimbursement of Sara Lee under Section 2.4 of this Agreement.

(ii) Illustration No. 2. Ten separate claims are brought arising from ten separate "occurrences," each resulting in a Coach Liability of $40 million, for a total of $400 million. Fifteen separate claims are brought arising from fifteen separate "occurrences," each resulting in a Sara Lee Liability of $40 million, for a total of $600 million. The limits of liability in the Insurance Policies applicable to the claims is $200 million. The self-insured retention is $10 million "per occurrence," leaving a remaining liability (after the payment of self-insured retentions) of $30 million "per occurrence," or $300 million in the aggregate for Coach and $450 million in the aggregate for Sara Lee. The Coach Liabilities are incurred prior to the Sara Lee Liabilities, and paid for by Sara Lee's Insurance Policies in effect prior to the Distribution Date, which are exhausted by these payments. This leaves Coach with an additional liability of $100 million (plus its self-insured retentions of $100 million). Result: The $200 million from the Insurance Policies is split 95/5: $190 million is allocated to Sara Lee and $10 million is allocated to Coach. Coach should pay Sara Lee $190 million, Sara Lee's share of the Coverage Amount.

(iii) Illustration No. 3. Same as Illustration No. 2, except that Sara Lee's claims ($200 million) were paid for by Sara Lee's Insurance Policies in effect prior to the Distribution Date, which are exhausted by these payments. This leaves Coach with a liability of $300 million (plus its self-insured retentions of $100 million). Sara Lee should pay Coach $10 million.

Section 2.7 COOPERATION. Sara Lee and Coach will cooperate with each other in all respects, and they shall execute any additional documents which are reasonably necessary, to effectuate the provisions of this Article II.

Section 2.8 NO ASSIGNMENT OR WAIVER. This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the Sara Lee Group in respect of any Insurance Policy or any other contract or policy of insurance.

Section 2.9 NO LIABILITY. Coach does hereby, for itself and as agent for each other member of the Coach Group, agree that no member of the Sara Lee Group or any Sara Lee Indemnitee shall have any Liability whatsoever as a result of the insurance policies and practices of Sara Lee and its Subsidiaries as in effect at any time prior to the end of the Insurance Transition Period, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

Section 2.10 ADDITIONAL OR ALTERNATE INSURANCE. Notwithstanding any provision of this Agreement, during the Insurance Transition Period Sara Lee and Coach shall work together to evaluate insurance options and secure additional or alternate insurance for Coach and/or Sara Lee if desired by and cost effective for Coach and Sara Lee. Nothing in this Agreement shall be deemed to restrict any member of the Coach Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.

Section 2.11 FURTHER AGREEMENTS. The parties acknowledge that they intend to allocate financial obligations without violating any laws regarding insurance, self-insurance or other financial responsibility. If it is determined that any action undertake pursuant to the Separation Agreement, this Agreement or any Ancillary Agreement is violative of any insurance, self-insurance or related financial responsibility law or regulation, the parties agree to work together to do whatever is necessary to comply with such law or regulation while trying to accomplish, as much as possible, the allocation of financial obligations as intended in the Separation Agreement, this Agreement and any Ancillary Agreement.

Section 2.12 MATTERS GOVERNED BY EMPLOYEE MATTERS AGREEMENT. This Article II shall not apply to any insurance policies that are the subject of the Employee Matters Agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1 ENTIRE AGREEMENT. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all

contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 3.2 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Section 3.4 herein, and non exclusive jurisdiction over any action for enforcement of an arbitral award.

Section 3.3 TERMINATION. This Agreement, the Separation Agreement and all Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Sara Lee without the approval of Coach and, if so terminated, all transactions taken in connection therewith shall be void. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of Sara Lee and Coach. In the event of termination pursuant to this Section 3.3, no party shall have any liability of any kind to the other party.

Section 3.4 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof ("Dispute") which arises between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs

and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through mediation within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the juris diction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

Section 3.5 NOTICES. Notices, offers, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses or facsimile numbers:

if to Sara Lee :

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

if to Coach:

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

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

Section 3.6 PARTIES IN INTEREST. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon Sara Lee, Sara Lee's Subsidiaries, Coach and Coach's Subsidiaries and inure solely to the benefit of the Coach Indemnitees and the Sara Lee Indemnitees and their respective permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 3.7 OTHER AGREEMENTS EVIDENCING INDEMNIFICATION OBLIGATIONS. Sara Lee hereby agrees to execute, for the benefit of any Coach Indemnitee, such documents as may be reasonably requested by such Coach Indemnitee, evidencing Sara Lee's agreement that the indemnification obligations of Sara Lee set forth in this Agreement inure to the benefit of and are enforceable by such Coach Indemnitee.

Coach hereby agrees to execute, for the benefit of any Sara Lee Indemnitee, such documents as may be reasonably requested by such Sara Lee Indemnitee, evidencing Coach's agreement that the indemnification obligations of Coach set forth in this Agreement inure to the benefit of and are enforceable by such Sara Lee Indemnitee.

Section 3.8 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 3.9 ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Sara Lee Group and each member of the Coach Group. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assignment shall be void; provided, however, either party may assign this Agreement to a successor entity in conjunction with such party's reincorporation.

Section 3.10 SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 3.11 FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 3.12 AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to this Agreement.

Section 3.13 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 3.14 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table or contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

ARTICLE IV

DEFINITIONS

Section 4.1 AAA. "AAA" has the meaning set forth in Section 3.4(a) of this Agreement.

Section 4.2 ACTION. "Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal, other than any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation relating to Taxes.

Section 4.3 AFFILIATED COMPANY. "Affiliated Company" of any Person means any entity that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such

entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 4.4 ANCILLARY AGREEMENTS. "Ancillary Agreements" has the meaning set forth in the Separation Agreement.

Section 4.5 ASSETS. "Assets" has the meaning set forth in the Assignment Agreement.

Section 4.6 ASSIGNMENT AGREEMENT. "Assignment Agreement" means the General Assignment and Assumption Agreement attached as Exhibit C to the Separation Agreement.

Section 4.7 COACH AFFILIATE. "Coach Affiliate" means any corporation or other entity directly or indirectly controlled by Coach.

Section 4.8 COACH ASSETS. "Coach Assets" has the meaning set forth in the Assignment Agreement.

Section 4.9 COACH BUSINESS. "Coach Business" means the business and operations of Coach, as described in the IPO Registration Statement and except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations that at the time of termination, divestiture or discontinuation primarily related to the Coach Business as then conducted.

Section 4.10 COACH COVERED PARTIES. "Coach Covered Parties" has the meaning set forth in Section 2.1(a) of this Agreement.

Section 4.11 COACH FACILITIES. "Coach Facilities" means all of those interests in real estate to be transferred to Coach on or after the Separation Date as set forth on Schedule 1 to the Real Estate Matters Agreement.

Section 4.12 COACH GROUP. "Coach Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immediately after the Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 4.13 COACH INDEMNITEES. "Coach Indemnitees" means Coach, each member of the Coach Group and each of their respective directors, officers and employees.

Section 4.14 COACH LIABILITIES. "Coach Liabilities" has the meaning set forth in the Assignment Agreement.

Section 4.15 CONTRACT. "Contract" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

Section 4.16 DISPUTE. "Dispute" has the meaning set forth in Section 3.4(a) of this Agreement.

Section 4.17 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 3.4(a) of this Agreement.

Section 4.18 DISTRIBUTION. A "Distribution" means the divestiture by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee, which divestiture may be effected by Sara Lee as a dividend, an exchange with existing Sara Lee stockholders for shares of Sara Lee capital stock, a spin-off or otherwise, as a result of which Sara Lee is no longer required to consolidate Coach's results of operations and financial position (determined in accordance with generally accepted accounting principles consistently applied).

Section 4.19 DISTRIBUTION DATE. "Distribution Date" means the date on which a Distribution is consummated.

Section 4.20 EMPLOYEE MATTERS AGREEMENT. "Employee Matters Agreement" means the Employee Matters Agreement attached as Exhibit E to the Separation Agreement.

Section 4.21 ENVIRONMENTAL ACTIONS. "Environmental Actions" means any notice or disclosure to or any, claim, act, cause of action, order, decree or investigation by any third party (including, without limitation, any Governmental Authority) alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, damage to flora or fauna caused by Environmental Conditions, real property damages, personal injuries or penalties) arising out of, based on or resulting from the

Release of or exposure of any individual to any Hazardous Materials or any violation of Environmental Laws.

Section 4.22 ENVIRONMENTAL CONDITIONS. "Environmental Conditions" means the presence in the environment, including the soil, groundwater, surface water or ambient air, of any Hazardous Materials at a level which exceeds any applicable standard or threshold under any Environmental Law or otherwise requires investigation or remediation (including, without limitation, investigation, study, health or risk assessment, monitoring, removal, treatment or transport) under any applicable Environmental Laws.

Section 4.23 ENVIRONMENTAL LAWS. "Environmental Laws" means all laws and regulations of any Governmental Authority with jurisdiction that relate to the protection of the environment (including ambient air, surface water, ground water, land surface or subsurface strata) including laws, regulations, ordinances, permits, licenses or any other binding legal obligation in effect now or in the future relating to the Release of Hazardous Materials, or otherwise relating to the treatment, storage, disposal, transport or handling of Hazardous Materials, or to the exposure of any individual to a Release of Hazardous Materials.

Section 4.24 FINAL DETERMINATION. "Final Determination" has the meaning set forth in the Tax Sharing Agreement.

Section 4.25 GOVERNMENTAL AUTHORITY. "Governmental Authority" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

Section 4.26 HAZARDOUS MATERIALS. "Hazardous Materials" means chemicals, pollutants, contaminants, wastes, toxic substances, radioactive and biological materials, hazardous substances, petroleum and petroleum products or any fraction thereof, including, without limitation, such substances referred to by such terms as defined in any Environmental Laws.

Section 4.27 INDEMNIFYING PARTY. "Indemnifying Party" means any party which may be obligated to provide indemnification to an Indemnitee pursuant to Sections 1.2, 1.3 or 1.4 hereof or any other section of the Separation Agreement or any Ancillary Agreement.

Section 4.28 INDEMNITEE. "Indemnitee" means any party which may be entitled to indemnification from an Indemnifying Party pursuant to Sections 1.2, 1.3 or 1.4 hereof or any other section of the Separation Agreement or any Ancillary Agreement.

Section 4.29 INSURANCE POLICIES. "Insurance Policies" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer.

Section 4.30 INSURANCE PROCEEDS. "Insurance Proceeds" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured;

(c) from Insurance Policies.

Section 4.31 INSURANCE TRANSITION PERIOD. "Insurance Transition Period" has the meaning set forth in Section 2.1(a) of this Agreement.

Section 4.32 INSURED COACH LIABILITY. "Insured Coach Liability" means any Coach Liability to the extent that (i) it is covered under the terms of Sara Lee's Insurance Policies in effect prior to the end of the Insurance Transition Period, and (ii) Coach is not a named insured under, or otherwise entitled to the benefits of, such Insurance Policies.

Section 4.33 IPO. "IPO" means Coach's initial public offering of common stock.

Section 4.34 IPO CLOSING DATE. "IPO Closing Date" has the meaning set forth in the Separation Agreement.

Section 4.35 IPO LIABILITIES. "IPO Liabilities" means any Liabilities relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the IPO Registration Statement or any preliminary, final or supplemental prospectus forming a part of a IPO Registration Statement.

Section 4.36 IPO REGISTRATION STATEMENT. "IPO Registration Statement" means the registration statement on Form S-1 pursuant to the Securities Act to be filed with the SEC registering the shares of common stock of Coach to be issued in the IPO, together with all amendments thereto.

Section 4.37 LEMELSON LITIGATION. "Lemelson Litigation" means Lemelson Medical, Research & Education Foundation Limited Partnership v. Sara Lee Corporation.

Section 4.38 LIABILITIES. "Liabilities" means all debts, liabilities, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any Contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

Section 4.39 LOSS AND LOSSES. "Loss and Losses" mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), including direct and consequential damages, but excluding punitive damages (other than punitive damages awarded to any third party against an indemnified party).

Section 4.40 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

Section 4.41 RELEASE. "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata.

Section 4.42 SARA LEE AFFILIATE. "Sara Lee Affiliate" means any corporation or other entity directly or indirectly Controlled by Sara Lee, but excluding Coach and any Coach Affiliate.

Section 4.43 SARA LEE BUSINESS. "Sara Lee Business" means any business of Sara Lee other than the Coach Business.

Section 4.44 SARA LEE FACILITIES. "Sara Lee Facilities" means all of the real property and improvements thereon owned or occupied at any time on or before the Separation Date by any member of the Sara Lee Group, whether for the Sara Lee Business or the Coach Business, excluding the Coach Facilities.

Section 4.45 SARA LEE GROUP. "Sara Lee Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 4.46 SARA LEE GUARANTEE. "Sara Lee Guarantee" means any loan, financing, lease, contract or other obligation in existence as of the Separation Date pertaining to the Coach Business, Coach Assets or Coach Liabilities for which Sara Lee is or may be liable, as guarantor, original tenant, primary obligor or otherwise.

Section 4.47 SARA LEE INDEMNITEES. "Sara Lee Indemnitees" means Sara Lee, each member of the Sara Lee Group and each of their respective directors, officers and employees.

Section 4.48 SARA LEE PORTIONS. "Sara Lee Portions" means all information set forth in, or incorporated by reference into, the IPO Registration Statement, to the extent such information relates exclusively to (a) Sara Lee and the Sara Lee Group, (b) the Sara Lee Business, (c) Sara Lee's intentions with respect to the Distribution or (d) the terms of the Distribution, including, without limitation, the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution.

Section 4.49 SECURITIES ACT. "Securities Act" means the Securities Act of 1933, as amended.

Section 4.50 SEPARATION. "Separation" has the meaning set forth in the Separation Agreement.

Section 4.51 SEPARATION AGREEMENT. "Separation Agreement" has the meaning set forth in the preamble of this Agreement.

Section 4.52 SEPARATION DATE. "Separation Date" means the effective date and time of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation, which shall be 12:01 a.m., Central Time, the date two days prior to the date the IPO Registration Statement is declared effective, or such date as may be fixed by the Board of Directors of Sara Lee.

Section 4.53 SHARED COACH PERCENTAGE. "Shared Coach Percentage" means 5%.

Section 4.54 SHARED PERCENTAGE. "Shared Percentage" means the Shared Coach Percentage or the Shared Sara Lee Percentage, as the case may be.

Section 4.55 SHARED SARA LEE PERCENTAGE. "Shared Sara Lee Percentage" means 95%.

Section 4.56 SUBSIDIARY. "Subsidiary" of any Person means a corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

Section 4.57 TAX SHARING AGREEMENT. "Tax Sharing Agreement" means the Tax Sharing Agreement, attached as Exhibit E to the Separation Agreement.

Section 4.58 TAX AND TAXES. "Tax and Taxes" have the meaning set forth in the Tax Sharing Agreement.

Section 4.59 THIRD PARTY CLAIM. "Third Party Claim" has the meaning set forth in Section 1.6(a) of this Agreement.

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

SARA LEE CORPORATION

By:

Name:
Title:

COACH, INC.

By:

Name:
Title:

Schedule 2.1(a)

Insurance Policies

Exhibit 2.8

REVOLVING NOTE

$75,000,000 Chicago, Illinois
Dated as of: July 2, 2000

FOR VALUE RECEIVED, the undersigned, COACH INC., a Maryland corporation (the "BORROWER"), promises to pay to the order of SARA LEE CORPORATION, a Maryland corporation (the "LENDER"), (i) on the "Maturity Date" (as defined below), the principal amount of SEVENTY-FIVE MILLION DOLLARS ($75,000,000) or, if less, the aggregate unpaid principal amount of the advances made hereunder by the Lender to the Borrower prior to the Maturity Date, (ii) interest on said principal amount at the rate or rates herein specified, and (iii) any and all other sums which may be owing to the Lender by the Borrower pursuant to this Note (this "NOTE"). All payments of principal and interest in respect of this Note shall be made to the Lender in lawful money of the United States of America in same day funds to the Lender's account at such place as shall be designated in writing by the Lender for such purpose from time to time.

The "MATURITY DATE" shall mean the date on which Sara Lee Corporation no longer owns greater than fifty percent (50%) of the outstanding capital stock of the Borrower.

1. ADVANCES. From time to time, until the Maturity Date, the Lender will make advances to the Borrower upon the Borrower's request; provided (i) that no Event of Default or event that but for notice or the passage of time would constitute an Event of Default has occurred and is continuing and all representations and warranties contained in Section 7 hereof are true and correct as of the date of such advance, and (ii) the requested advance does not cause the aggregate of all the advances outstanding under this Note to exceed the Commitment (as defined in Section 10 below) then in effect. Each request for an advance shall be made on notice received by the Lender not later than 12:00 noon (Wilmington, Delaware time) three Business Days (as defined in Section 2 below) prior to the date the undersigned requests the Lender to make such advance. Each request for an advance shall specify the date of the requested advance, the amount thereof, and shall be irrevocable and binding on the undersigned.

2. INTEREST. (a) The Borrower agrees to pay interest on the unpaid principal amount of each advance made hereunder, from the date such advance is made until such amount shall be paid in full, at a rate per annum equal to the Applicable Margin (as defined below) PLUS the Stated Rate (as defined below).

"APPLICABLE MARGIN" shall mean three-tenths of one percent (0.3%) per annum.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized to close in Wilmington, Delaware, and if the applicable Business Day relates to a determination of the Stated Rate applicable to an advance under this Note, it also means a day on which dealings are carried on in the London interbank market.

"STATED RATE" as used herein means for each successive one month period during which amounts are outstanding hereunder, the rate of interest per annum in effect on the Business Day immediately prior to the first day of such one month period equal to the higher of (a) the average rate at which one month dollar deposits are offered in the London interbank market by prime banks as announced by Bloomberg on the date of determination or, if Bloomberg News, Inc. or any successor shall cease to announce such rates, the average of the rates at which one month dollar deposits are offered on the page containing the London interbank offered rates in US Dollars on the Reuters screen on the date of determination, and (b) the Federal Reserve Statistics one month non-financial H15 rate.

The Stated Rate and the interest rate payable hereunder shall be determined by the Lender and invoiced to the Borrower on a monthly basis.

3. CALCULATION OF INTEREST. Interest on the indebtedness evidenced by this Note shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days.

4. PAYMENT OF INTEREST. Accrued and unpaid interest on the unpaid principal balance of this Note shall be due and payable monthly in arrears, commencing on the fifteenth day of period four (4) of fiscal year 2001 and on the fifteenth day of each fiscal period thereafter, as well as on the Maturity Date.

5. INTEREST AFTER MATURITY. The Borrower agrees to pay interest on any amount of principal which is not paid when due (whether at the Maturity Date, by acceleration or otherwise), from the due date thereof until such amount is paid in full, payable on demand, at a rate per annum equal to 1% plus the rate per annum otherwise applicable as set forth in Section 2 above.

6. Payments.

(a) DEPOSITS INTO COLLECTION ACCOUNTS. All account debtors of the Borrower and its subsidiaries have been or will be directed, and the Borrower agrees to continue to direct, or otherwise cause all such account debtors to remit payments on accounts to an account controlled by the Lender (each, a "COLLECTION ACCOUNT"). All amounts deposited in a Collection Account shall be applied to the Obligations in accordance with the following paragraph. Pending any direct deposit

to a Collection Account or if the Borrower otherwise comes into possession of any Item of Payment (as defined below), the Borrower will not commingle any Items of Payment with any of its other funds or property, but will hold them separate and apart therefrom in trust and for the account of the Lender. The Lender is not, however, required to credit any Collection Account for the amount attributable to any Item of Payment which is unsatisfactory to the Lender in its commercially reasonable discretion. Borrower hereby acknowledges that notwithstanding anything to the contrary herein after the occurrence of an Event of Default, all amounts deposited in any Collection Account may be applied to outstanding Obligations of the Borrower in any manner the Lender elects.

(b) PAYMENTS BY THE BORROWER. Except as specifically provided herein, all payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. All payments by the Borrower shall be made to the Lender at the Lender's payment office in Wilmington, Delaware, and shall be made in U.S. dollars and in immediately available funds no later than noon (Wilmington, Delaware time) on the dates specified herein. The Lender may, and the Borrower hereby authorizes the Lender to, provide for payment of any interest, fees or other Obligations by advancing the amount thereof to Borrower as an advance hereunder. In addition, Borrower authorizes the Lender, and the Lender will, subject to the provisions of this Subsection 6(b), apply the whole or any part of any amounts deposited to the Collection Account and any other amounts received by the Lender from the collections of items of payment owing to the Borrower ("Items of Payment"), against the principal and/or interest of the advances outstanding hereunder from time to time and/or any other Obligations in the following order of application: FIRST, to payment of amounts then due with respect to fees (including attorneys' costs), charges and expenses for which Borrower is liable pursuant to this Note; SECOND, to payments of amounts then due with respect to interest on the advances outstanding hereunder; THIRD, to payments of amounts then due with respect to principal of the advances outstanding hereunder, and FOURTH, to the account maintained by the Lender as designated in writing by the Lender (the "FUNDING ACCOUNT"), to the extent of any such excess, PROVIDED, FURTHER, that no checks, drafts or other instruments received by the Lender shall constitute final payment to the Lender unless and until such Item of Payment has actually been collected. All items or amounts which are delivered to the Lender by or on behalf of Borrower or any account debtor of Borrower or any of its subsidiaries on account of partial or full payment (including any items or amounts which may have been deposited into any Collection Account may from time to time in the Lender's discretion), be released to Borrower or may be applied by the Lender towards payment of the Obligations, whether or not then due as provided in the preceding sentence. Notwithstanding anything to the contrary herein, (i) all Items of Payment, solely for the purposes of determining the occurrence of an Event of Default, shall be deemed received upon actual receipt by the Lender unless the same is subsequently dishonored for any reason whatsoever, (ii) for purposes of determining whether there is availability for advances, all Items of Payment shall be applied against the Obligations on the first Business Day after receipt thereof by the Lender in the Collection Account and (iii) solely for purposes of interest calculation

hereunder, all Items of Payment shall be deemed to have been applied against the Obligations on the same Business Day as receipt by the Lender of available funds with respect thereto in any Collection Account. All amounts on deposit in the Funding Account shall accrue interest at a rate per annum equal to the Stated Rate MINUS two-tenths of one percent (0.2%) and be payable as an offset against obligations of the Borrower hereunder or within 30 days of demand. All accounting terms shall have the meanings as determined in accordance with generally accepted accounting principles consistently applied.

(c) REQUIRED PREPAYMENTS. The Borrower shall pay the outstanding principal of this Note, if any is outstanding, on the fifteenth day of each fiscal period commencing in the first fiscal period occurring after the fiscal period in which the Borrower consummates an initial public offering of its securities pursuant to an underwritten offering registered under the Securities Act of 1993, as amended, (an "IPO"), in an amount equal to the lesser of (i) the "EXCESS CASH FLOW" (defined below) for the month most recently ended and (ii) the outstanding principal amount of the advances at such time. "EXCESS CASH FLOW" as used herein shall mean for any month of determination for the Borrower and its subsidiaries on a consolidated basis, the net income for such month PLUS amortization expenses for such month PLUS without duplication, depreciation expense of the Borrower for such month PLUS any decrease in working capital (excluding cash, cash equivalents and interest-bearing debt), if any, as at the end of such month MINUS any increase in working capital (excluding cash, cash equivalents and interest-bearing debt), if any, as at the end of such month and MINUS any non-financed capital expenditures incurred during such month to the extent such capital expenditures do not exceed $35,000,000 in the aggregate for the twelve consecutive months then ended. If at any time the aggregate principal amount of the advances outstanding under this Note exceeds the Commitment (as defined in Section 10 below) as then in effect, the Borrower shall immediately pay to the Lender such excess.

(d) VOLUNTARY PREPAYMENTS. The Borrower shall have the right, at any time and from time to time, upon three (3) Business Days' prior written notice to the Lender to prepay the indebtedness evidenced by this Note in whole or in part without premium or penalty but with accrued interest to the date of prepayment on the amount prepaid.

(e) REVOLVING NATURE. Amounts repaid may be re-borrowed subject to the terms and conditions hereof.

7. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants to the Lender as follows:

(a) AUTHORIZATION, VALIDITY, AND ENFORCEABILITY OF THIS NOTE. The Borrower has the corporate power and authority to execute, deliver and perform this Note. Borrower has taken all

necessary corporate action (including, without limitation, obtaining approval of its stockholders, if necessary) to authorize its execution, delivery, and performance of this Note. No consent, approval, or authorization of, or declaration or filing with, any governmental authority, and no consent of any other person, is required in connection with the Borrower's execution, delivery and performance of this Note, except for those already duly obtained. This Note has been duly executed and delivered by Borrower, and constitutes the legal, valid and binding obligation of Borrower, enforceable against it in accordance with its terms. Borrower's execution, delivery, and performance of this Note does not and will not conflict with, or constitute a violation or breach of, or constitute a default under, or result in the creation or imposition of any Lien upon the property of Borrower or any of its subsidiaries by reason of the terms of (i) any contract, mortgage, Lien, lease, agreement, indenture, or instrument to which Borrower or any of its subsidiaries is a party or which is binding upon it or its property, (ii) any judgment, law, statute, rule or governmental regulation applicable to Borrower or any of its subsidiaries, or (iii) the Certificate of Incorporation or By-laws of Borrower or any of its subsidiaries.

(b) ORGANIZATION AND QUALIFICATION. As of the date hereof, each of the Borrower and its subsidiaries (i) is duly incorporated and organized and validly existing in good standing under the laws of the jurisdiction of its incorporation, (ii) is qualified to do business as a foreign corporation and is in good standing in all jurisdictions where the failure to so qualify to do business would have a material adverse effect on Borrower's ability to collect its accounts or otherwise conduct its business or own or lease property in such jurisdiction, and (iii) has all requisite power and authority to conduct its business and to own its property.

8. COVENANTS OF BORROWER. So long as any of the obligations hereunder shall remain unpaid (all such obligations, including without limitation, principal, interest and expenses, collectively "Obligations"), the Borrower will, and will cause each of its subsidiaries to, unless the Lender shall otherwise consent in writing:

(a) Comply with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon the Borrower or any of its subsidiaries or the Borrower's or its subsidiaries' property, except to the extent contested in good faith and by appropriate proceedings or would not have a material adverse effect on the results of operations and financial condition of Borrower.

(b) Maintain as of the end of each fiscal quarter, with respect to the Borrower and its subsidiaries on a consolidated basis and in accordance with generally accepted accounting principles, a ratio that is greater than 1.75 to 1.0 of (i) the sum of, without duplication, for the four consecutive fiscal quarters then ended (1) net income, PLUS (2) interest expense for such period,

including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements net of interest income, if any, PLUS (3) provision for income taxes, PLUS (4) depreciation and amortization expense and any non-cash extraordinary gains and losses and non-cash restructuring charges, PLUS (5) aggregate minimum annual rental payments payable during such period, over (ii) the sum of, without duplication, for the four consecutive fiscal quarters then ended (1) interest expense for such period, including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements, net of interest income, if any, PLUS (2) aggregate minimum annual rental payments payable during such period.

(c) Not directly or indirectly, make, create, incur, assume or suffer to exist any Lien (defined below) upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("PERMITTED LIENS"):

(i) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, provided that no notice of lien has been filed or recorded under the Uniform Commercial Code;

(ii) Carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(iii) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(iv) Easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Borrower and its subsidiaries;

(v) Liens securing capital lease obligations on the assets so acquired;

(vi) Liens on property existing when such property was acquired by the Borrower or when the owner of such property became a subsidiary of the Borrower,

provided that such Liens were in existence prior to the contemplation of the acquisition of such property or such owner becoming a subsidiary of the Borrower;

(vii) Liens existing at the time of the IPO; and

(viii) Liens incurred in the ordinary course of business of the Borrower with respect to security deposits, lease deposits or other obligations that are not incurred in connection with the borrowing of money.

"LIEN" as used herein means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing.

(d) Not incur or permit to exist any Lease Obligations (defined below) except (i) the aggregate amount of Lease Obligations reflected in or contemplated by Borrower's Annual Operating Plan for fiscal years 2001 and 2002 as approved by the Sara Lee Corporation's Board of Directors (or committee thereof), as the same may be amended with approval of the Sara Lee Corporation's Board of Directors (or committee thereof) or (ii) otherwise as agreed to in writing by the Lender from time to time in its sole discretion.

"LEASE OBLIGATIONS" of a person, as used herein, means for any period of determination the rental commitments of such person for such period under leases for real and/or personal property (net of rent from subleases thereof, but including taxes, insurance, maintenance and similar expenses which the lessee is obligated to pay under the terms of said leases, except to the extent that such taxes, insurance, maintenance and similar expenses are payable by sublessee), whether or not the related lease obligations have been or should be, in accordance with generally accepted accounting principles consistently applied, capitalized on the balance sheet.

(e) Use the proceeds of the advances under this Note only for general corporate purposes.

(f) Not enter into any transaction of merger, reorganization, or consolidation, or transfer, sell, assign, lease, or otherwise dispose of all or any material part of its property, or wind up, liquidate or dissolve, or agree to do any of the foregoing, except for sales of inventory in the ordinary course of its business.

(g) Not (i) directly or indirectly declare or make, or incur any liability to make, (A) any dividend or other distribution on account of any class of stock of the Borrower, except a dividend solely payable in other capital stock of the Borrower, or (B) any redemption, sinking fund or similar payment for the acquisition of capital stock of the Borrower, except as may be required to enable Sara Lee Corporation to maintain its greater than 80% ownership interest in Borrower prior to Borrower's spin-off from Sara Lee Corporation, or (ii) make any change in its capital structure which could adversely affect the repayment of the obligations under this Note.

(h) Except as set forth below, not sell, transfer, distribute, or pay any money or its property, including, but not limited to, any fees or expenses of any nature (including, but not limited to, any fees or expenses for management services), to any affiliate of the Borrower, or lend or advance money or its property to any affiliate of the Borrower, or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or indebtedness, or any of its property, of any affiliate of the Borrower, or become liable on any guaranty of the indebtedness, dividends, or other obligations of any affiliate of the Borrower except (i) reimbursement of actual and reasonable out-of-pocket expenses incurred by employees or directors of the Borrower in the ordinary course of the Borrower's business; (ii) guaranties in favor of the Lender; and (iii) payments pursuant to any of the agreements with Sara Lee, effective as of July 2, 2000, relating to the separation of the Coach business from the Sara Lee business.

(i) Not directly or indirectly, enter into any arrangement with any person providing for the Borrower to lease or rent property that the Borrower has or will sell or otherwise transfer to such person.

9. REPORTING REQUIREMENTS. The Borrower shall provide the Lender with the following:

(a) As soon as available, but not later than ninety (90) days after the end of each fiscal year of Borrower, a copy of the audited consolidated balance sheet of the Borrower and its subsidiaries as at the end of such year and the related consolidated statements of income or operations, stockholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("INDEPENDENT AUDITOR") which report shall state that such financial statements present fairly the financial position and the results of operations of the Borrower and its subsidiaries for the periods indicated in conformity with generally

accepted accounting principles applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Borrower's records;

(b) As soon as available, but not later than forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of Borrower commencing with the first fiscal quarter ending after consummation of the Borrower's IPO, a copy of the unaudited consolidated balance sheet of the Borrower as of the end of such quarter and the related consolidated statements of income, stockholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by either the President, Chief Financial Officer or Treasurer of the Borrower (each a "RESPONSIBLE OFFICER") as fairly presenting, in accordance with generally accepted accounting principles (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Borrower and its subsidiaries;

(c) Concurrently with the delivery of the financial statements referred to above, a Compliance Certificate executed by a Responsible Officer demonstrating in sufficient detail compliance with the financial covenant contained in Section 8(b) hereof, a calculation of Excess Cash Flow for each month during the fiscal quarter most recently ended and a representation that no Event of Default or event that upon either notice or the passage would constitute an Event of Default hereunder has occurred and is continuing; and

(d) Promptly, such additional information regarding the business, financial or corporate affairs of the Borrower and its subsidiaries as the Lender may from time to time reasonably request.

10. COMMITMENT AND FEES. The Borrower shall pay a facility fee to the Lender that shall accrue from the date hereof until the Maturity Date and shall be due and payable quarterly, in arrears, on the first Business Day of each fiscal period commencing hereafter which fee shall be calculated on the basis of a three hundred sixty-five (365) or three hundred and sixty-six (366) day year (as applicable) for actual days elapsed and shall be equal to ten-hundredths of one percent (0.10%) multiplied by the average daily amount of the unused Commitment (as defined below) during the quarter just ended. "COMMITMENT" as used herein means $75,000,000 or such lesser amount as adjusted from time to time, at the Borrower's election pursuant to the procedures specified below which amount represents the amount which the Lender is willing to advance, subject to the terms and conditions of this Note. The Borrower shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the amount of the Commitment in excess of the then outstanding principal amount of all advances hereunder. The Borrower shall give written notice to the Lender designating the date of such termination or reduction not less than three (3) Business Days' prior to the date such termination or reduction is to

take effect, and the amount of any partial reduction of the Commitment shall be in an aggregate minimum amount of One Million Dollars ($1,000,000) or integral multiples of One Million Dollars ($1,000,000) in excess of that amount.

11. EVENTS OF DEFAULT AND REMEDIES. If any one or more of the following events ("EVENTS OF DEFAULT") shall occur and be continuing, to wit:

(a) The Borrower shall fail to pay when due any amount of principal owing in respect of any of the indebtedness evidenced by this Note or any other note or notes which may be given in renewal, substitution or extension of all or any part of such indebtedness (each of which being an "OTHER NOTE"); or

(b) The Borrower shall fail to pay any part of the interest on this Note or any Other Note when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, within five (5) business days after receipt of written notice from Lender of such failure; or

(c) The Borrower shall fail to comply with any covenants, agreement or condition contained in this Note within thirty (30) days after receipt of written notice from Lender of such failure; or

(d) Any representation or warranty made by the Borrower to the Lender hereunder or in any information provided hereunder shall be inaccurate or incomplete in any material respect when made; or

(e) The Borrower or any of its subsidiaries shall fail to pay any principal of or premium or interest on any of their indebtedness (but excluding indebtedness evidenced by this Note or by any Other Note), whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such indebtedness; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; and, in each case above, the principal amount of such indebtedness is at least $5,000,000;

(f) The Borrower or any of its subsidiaries shall generally not pay its debts as the same become due, or shall admit in writing its inability to pay such debts generally, or shall make

a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against it seeking to adjudicate it as a bankrupt or an insolvent, or seeking liquidation, winding up, reorganization arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; and in the event of any proceeding being instituted against it, such proceeding shall remain undismissed or unstayed for a period of sixty (60) days or shall result in the entry of an order for relief, the appointment of a trustee or receiver or other adverse result to it or it shall take any action to authorized any of the actions set forth above in this case; or

(g) One or more judgments or orders for the payment of money in an amount in excess of $5,000,000 in the aggregate shall be rendered against the Borrower or any of its subsidiaries and such judgments or orders shall continue unsatisfied and in effect for a period of sixty (60) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal; or

then, and in any such event, the Lender may, by notice to the Borrower, (1) declare the Lender's obligation, if any, to make additional advances, if any, under this Note to be terminated, whereupon the same shall forthwith terminate; and (2) declare the Obligations to be forthwith due and payable in full, whereupon the Obligations shall become and be forthwith due and payable in full, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, PROVIDED, HOWEVER, that upon the occurrence of any Event of Default of the kind described in CLAUSE (f) above, the Lender's obligation, if any, to make additional advances, if any, under this Note shall automatically be terminated and the Obligations shall automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

12. EXPENSES; INDEMNIFICATION. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses incurred by the Lender in connection with the enforcement (whether through legal proceeding, negotiations or otherwise) of this Note, any Other Note and any other documents executed and delivered by the Borrower in connection with this Note (such costs and expenses to include, without limitation, the reasonable fees and expenses of the Lender's outside legal counsel). The Borrower agrees to indemnify and hold harmless the Lender and its directors, officers, employees, agents, affiliates and advisors from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements or counsel) which may be incurred by or asserted against the Lender, or any such director, officer, employee, agent, affiliate or advisor in connection with or arising out of any investigation, litigation or proceeding related to or arising out of this Note, any Other Note, or any other documents to be delivered or any transaction contemplated hereby or thereby (but in any case excluding any such

claims, damages, losses, liabilities or expenses incurred by reason of the gross negligence or willful misconduct of the indemnitee). The obligations of the Borrower under this paragraph shall survive the payment in full of the indebtedness evidenced by this Note or by any Other Note.

13. AMENDMENTS, ETC. No amendment or waiver of any provision of this Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

14. WAIVER OF PRESENTMENT, ETC. The Borrower hereby waives presentment for payment, demand, notice of dishonor, notice of intent to accelerate and protest of this Note.

15. GOVERNING LAW. This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed within such State, without giving effect to its conflicts of laws principles or rules.

16. CONSENT TO JURISDICTION; WAIVER OF VENUE OBJECTION; SERVICE OF PROCESS. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR AGAINST PROPERTY OF THE BORROWER ARISING OUT OF OR RELATING TO THIS NOTE (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, THE BORROWER HEREBY IRREVOCABLY SUBMITS TO AND ACCEPTS THE NONEXCLUSIVE JURISDICTION OF ANY DELAWARE STATE COURT OR ANY FEDERAL COURT SITTING IN WILMINGTON, DELAWARE, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH ILLINOIS STATE COURT OR IN SUCH FEDERAL COURT. THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO, ANY DEFENSE OR OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY DEFENSE OR OBJECTION TO VENUE BASED ON THE GROUNDS OF FORUM NONCONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE MAINTENANCE ANY ACTION IN ANY SUCH JURISDICTION. THE BORROWER HEREBY IRREVOCABLY AGREES THAT THE SUMMONS AND COMPLAINT OR ANY OTHER PROCESS IN ANY ACTION IN ANY JURISDICTION MAY BE SERVED BY MAILING (USING CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID) TO THE NOTICE ADDRESS FOR THE BORROWER SPECIFIED BELOW OR BY HAND DELIVERY TO A PERSON OF SUITABLE AGE AND DISCRETION AT SUCH ADDRESS. SUCH SERVICE WILL BE COMPLETE ON THE DATE SUCH PROCESS IS SO MAILED OR DELIVERED, AND THE BORROWER WILL HAVE THIRTY DAYS FROM SUCH COMPLETION OF SERVICE IN WHICH TO RESPOND IN THE MANNER PROVIDED BY LAW. THE BORROWER MAY ALSO BE SERVED IN ANY OTHER MANNER PERMITTED BY LAW,

IN WHICH EVENT THE BORROWER'S TIME TO RESPOND SHALL BE THE TIME PROVIDED BY LAW.

17. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, AND AS SEPARATELY BARGAINED-FOR CONSIDERATION TO THE LENDER, THE BORROWER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY (WHICH THE LENDER ALSO WAIVES) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATING TO THIS NOTE, ANY OTHER NOTE, THE OBLIGATIONS, OR THE LENDER'S CONDUCT IN RESPECT OF ANY OF THE FOREGO ING.

18. MISCELLANEOUS. No failure on the part of the Lender to exercise, and no delay in exercising, any right under this Note shall operate as a waiver thereof; nor shall any partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

19. MAXIMUM INTEREST. Notwithstanding the foregoing paragraphs and all other provisions of this Note, none of the terms and provisions of this Note shall ever be construed to create a contract to pay to the Lender, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by the Lender to the Borrower under applicable state or federal law from time to time in effect, and the Borrower shall never be required to pay interest in excess of such maximum amount. If, for any reason interest is paid hereon in excess of such maximum amount, then promptly upon any determination that such excess has been paid the Lender will, at its option, either refund such excess to the undersigned or apply such excess to the principal owing hereunder.

20. ENTIRE AGREEMENT. This Note constitutes the entire agreement of the parties relative to its subject matter, and shall not be waived, modified or supplemented, in whole or in part, except in a writing signed by the parties. If any provision of this Note is held invalid or unenforceable by any court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

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IN WITNESS WHEREOF, the Borrower has executed this Note as of the date first above written.

COACH, INC.

By: /s/ Keith Monda

Name: Keith Monda

Title: Executive Vice President, Chief Operating Officer

Notice Address:

Coach, Inc.
516 W. 34th Street
New York, New York 10001
Attention: Chief Financial Officer or Chief Operating Officer with copies to General Counsel
Telecopy: 212-629-2205
Telephone: 212-594-1850

Agreed and Accepted:

SARA LEE CORPORATION

By: /s/ Mark J. McCarville

Name: Mark J. McCarville
Title: Senior Vice President

Notice Address:

Sara Lee Corporation
Three First National Plaza
Chicago, Illinois 60602
Attn: General Counsel

Telecopy:
Telephone:

SCHEDULE I

PERMITTED LEASE OBLIGATIONS

Exhibit 2.9

FORM OF SUBSTITUTE NOTE

$190,000,000 Chicago, Illinois
Dated as of: October __, 2000

FOR VALUE RECEIVED, the undersigned, COACH, INC., a Maryland corporation (the "BORROWER"), promises to pay to the order of INTERNATIONAL AFFILIATES & INVESTMENT INC., a Delaware corporation (the "LENDER"), (i) the principal amount of ONE HUNDRED AND NINETY MILLION DOLLARS ($190,000,000), in accordance with the terms of this Substitute Note (this "NOTE") and, in any event by September 30, 2002 (the "MATURITY DATE"), (ii) interest on said principal amount at the rates and times herein specified, and (iii) any and all other sums which may be owing to the Lender by the Borrower pursuant to the terms of this Note. All payments of principal and interest in respect of this Note shall be made to the Lender in lawful money of the United States of America in same day funds to the Lender's account at Wilmington Trust Company, to the account specified by the Lender in writing, for the account of Lender or at such other place as shall be designated in writing by the Lender for such purpose.

1. INTEREST. The Borrower agrees to pay interest on the unpaid principal amount of this Note outstanding from time to time, from the date hereof until such amount shall be paid in full, at a rate per annum equal to the Applicable Margin (as defined below) PLUS the Stated Rate (as defined below).

"APPLICABLE MARGIN" as used herein shall mean (a) for so long as Sara Lee Corporation owns greater than eighty percent (80%) of the outstanding voting stock of the Borrower, three-tenths of one percent (0.3%) per annum and (b) at all other times when the preceding clause (a) does not apply, two and one-half percent (2.5%) per annum.

"BUSINESS DAY" as used herein shall mean a day of the year on which banks are not required or authorized to close in Wilmington, Delaware, and if the applicable Business Day relates to a determination of the Stated Rate applicable to an advance under this Note, it also means a day on which dealings are carried on in the London interbank market.

"STATED RATE" as used herein means, for each one month period during which amounts are outstanding hereunder, the rate per annum in effect on the Business Day immediately prior to the first day of each such one month period equal to the average rate at which one month U.S. dollar deposits are offered in the London interbank market by prime banks as announced by Bloomberg News, Inc. on the date of determination or, if Bloomberg News, Inc. or any successor shall cease to announce such rates, the average of the rates at

which one month U.S. dollar deposits are offered on the page containing the London interbank offered rates on the Reuters screen on the date of determination.

The Stated Rate and the interest payable hereunder shall be determined by the Lender and invoiced to the Borrower on a monthly basis.

2. CALCULATION OF INTEREST. Interest on the indebtedness evidenced by this Note shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days.

3. PAYMENT OF INTEREST. Accrued and unpaid interest on the unpaid principal balance of this Note shall be due and payable monthly in arrears, commencing on the fifteenth day of period five (5) of fiscal year 2001 and on the fifteenth day of each fiscal period thereafter, as well as on the Maturity Date.

4. INTEREST AFTER MATURITY. The Borrower agrees to pay interest on any amount of principal which is not paid when due (whether at the Maturity Date, by required prepayment, acceleration or otherwise), from the due date thereof until such amount is paid in full, payable on demand, at a rate per annum equal to one percent (1%) PLUS the rate otherwise applicable as set forth in Section 1 above.

5. PAYMENTS.

(a) In the event the Borrower consummates any underwritten public offering of securities registered under the Securities Act of 1933, as amended (an "IPO"), the Borrower shall pay the principal amount of this Note in an amount equal to the total gross cash proceeds received by the Borrower on account of such offering of securities (less customary underwriting fees and discounts and reasonable expenses directly related to such offering), such payment to be made within two (2) Business Days of the receipt of such proceeds.

(b) The Borrower shall pay on the fifteenth day of each fiscal period commencing in the first fiscal period occurring after the fiscal period in which the Borrower's IPO is consummated, a principal amount of this Note equal to the "EXCESS CASH FLOW" (defined below) for the month most recently ended. "EXCESS CASH FLOW" as used herein shall mean for any month of determination, for the Borrower and its subsidiaries on a consolidated basis, net income for such month PLUS amortization expenses for such month PLUS depreciation expense for such month PLUS any decrease in working capital (excluding cash, cash equivalents and interest-bearing debt), if any, as at the end of such month MINUS any increase in working capital (excluding cash, cash equivalents and interest-bearing debt), if any, as at the end of such month MINUS any non-financed capital

expenditures incurred during such month to the extent such capital expenditures do not exceed $35,000,000 in the aggregate for the twelve consecutive months then ended and MINUS any amounts outstanding under that certain Revolving Note dated as of July 2, 2000 in the original principal amount of $75,000,000 made by the Borrower in favor of Sara Lee Corporation (as amended, extended, substituted or replaced from time to time) at such time, which amounts are required to be repaid with "EXCESS CASH FLOW" as defined therein. All accounting terms shall have the meanings as determined in accordance with generally accepted accounting principles consistently applied.

6. VOLUNTARY PREPAYMENTS. The Borrower shall have the right at any time and from time to time, upon three (3) Business Days' prior written notice to the Lender to prepay the indebtedness evidenced by this Note in whole or in part without premium or penalty but with accrued interest to the date of prepayment on the amount prepaid.

7. COVENANTS OF BORROWER. So long as any of the obligations hereunder (all such obligations, including, without limitation, principal, interest and expenses collectively referred to herein as the "OBLIGATIONS") shall remain unpaid, the Borrower will and will cause its subsidiaries to, unless the Lender shall otherwise consent in writing:

(a) Comply with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon the Borrower or its subsidiaries or their respective property, except to the extent contested in good faith and by appropriate proceedings or would not have a material adverse effect on the results of operations or financial position of Borrower.

(b) Maintain as of the end of each fiscal quarter, with respect to the Borrower and its subsidiaries on a consolidated basis and in accordance with generally accepted accounting principles, a ratio that is greater than 1.75 to 1.0 of (i) the sum of, without duplication, for the four consecutive fiscal quarters then ended (1) net income, PLUS (2) interest expense for such period, including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements net of interest income, if any, PLUS (3) provision for income taxes, PLUS (4) depreciation and amortization expense and any non-cash extraordinary gains and losses and non-cash restructuring charges, PLUS (5) aggregate minimum annual rental payments payable during such period, over (ii) the sum of, without duplication, for the four consecutive fiscal quarters then ended (1) interest expense for such period, including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements, net of interest income, if any, PLUS (2) aggregate minimum annual rental payments for such period.

(c) Not directly or indirectly, make, create, incur, assume or suffer to exist any "Liens" (as defined below) upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("PERMITTED LIENS"):

(i) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, provided that no notice of lien has been filed or recorded under the Uniform Commercial Code;

(ii) Carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(iii) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(iv) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Borrower and its subsidiaries;

(v) Liens securing capital lease obligations on the assets so acquired;

(vi) Liens on property existing when such property was acquired by the Borrower or when the owner of such property became a subsidiary of the Borrower, provided that such Liens were in existence prior to the contemplation of the acquisition of such property or such owner becoming a subsidiary of the Borrower;

(vii) Liens existing at the time of the IPO; and

(viii) Liens incurred in the ordinary course of business of the Borrower with respect to security deposits, lease deposits or other obligations that are not incurred in connection with the borrowing of money.

"LIEN" as used herein means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing.

(d) Not incur or permit to exist any Lease Obligations (defined below) except (i) the aggregate amount of Lease Obligations reflected in or contemplated by Borrower's Annual Operating Plans for fiscal years 2001 and 2002, as approved by Sara Lee Corporation's Board of Directors (or committee thereof), as the same may be amended with approval of Sara Lee Corporation's Board of Directors (or committee thereof) or (ii) otherwise as agreed to in writing by the Lender from time to time in its sole discretion.

"LEASE OBLIGATIONS" of a person as used herein means for any period of determina tion the rental commitments of such person for such period under leases for real and/or personal property (net of rent from subleases thereof, but including taxes, insurance, maintenance and similar expenses which the lessee is obligated to pay under the terms of said leases, except to the extent that such taxes, insurance, maintenance and similar expenses are payable by any sublessee), whether or not the related lease obligations have been or should be, in accordance with generally accepted accounting principles consistently applied, capitalized on the balance sheet.

(e) Not enter into any transaction of merger, reorganization, or consolidation, or transfer, sell, assign, lease, or otherwise dispose of all or any material part of its property, or wind up, liquidate or dissolve, or agree to do any of the foregoing, except for sales of inventory in the ordinary course of its business.

(f) Not (i) directly or indirectly declare or make, or incur any liability to make, (A) any dividend or other distribution on account of any class of stock of the Borrower, except a dividend solely payable in other capital stock of the Borrower or (B) any redemption, sinking fund or similar payment for the acquisition of capital stock of the Borrower, except as may be required to enable Sara Lee Corporation to maintain its greater than 80% ownership interest in Borrower prior to the date on which Sara Lee Corporation is no longer required to consolidate Borrower's results of operations and financial position (determined in accordance with generally accepted accounting

principles consistently applied) or (ii) make any change in its capital structure which could adversely affect the repayment of the obligations under this Note.

(g) Except as set forth below, not sell, transfer, distribute, or pay any money or its property, including, but not limited to, any fees or expenses of any nature (including, but not limited to, any fees or expenses for management services), to any affiliate of the Borrower, or lend or advance money or its property to any affiliate of the Borrower, or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or indebtedness, or any of its property, of any affiliate of the Borrower, or become liable on any guaranty of the indebtedness, dividends, or other obligations of any affiliate of the Borrower except (i) reimbursement of actual and reasonable out-of-pocket expenses incurred by employees or directors of the Borrower in the ordinary course of the Borrower's business; (ii) guaranties in favor of the Lender; and (iii) payments pursuant to any of the agreements with Sara Lee Corporation relating to the separation of the Borrower's business from the Sara Lee Corporation business.

(h) Not directly or indirectly, enter into any arrangement with any person providing for the Borrower to lease or rent property that the Borrower has or will sell or otherwise transfer to such person.

8. REPORTING REQUIREMENTS. The Borrower shall provide the Lender with the following:

(a) As soon as available, but not later than ninety (90) days after the end of each fiscal year of Borrower, a copy of the audited consolidated balance sheet of the Borrower as at the end of such year and the related consolidated statements of income or operations, stockholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("INDEPENDENT AUDITOR") which report shall state that such financial statements present fairly the financial position and the results of operations of the Borrower and its subsidiaries for the periods indicated in conformity with generally accepted accounting principles applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Borrower's records;

(b) As soon as available, but not later than forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of Borrower commencing with the first fiscal quarter ending after consummation of Borrower's IPO, a copy of the unaudited consolidated balance sheet of the Borrower as of the end of such quarter and the related consolidated statements of income, stockholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by either the President, Chief Financial Officer or

Treasurer of the Borrower (each a "RESPONSIBLE OFFICER") as fairly presenting, in accordance with generally accepted accounting principles (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Borrower and its subsidiaries;

(c) Concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a Compliance Certificate executed by a Responsible Officer demonstrat ing in sufficient detail compliance with the financial covenant contained in Section 7(b) hereof, a calculation of Excess Cash Flow for each month included in the fiscal quarter most recently ended and a representation that no Event of Default or event that upon either notice or the passage of time would constitute an Event of Default hereunder has occurred and is continuing; and

(d) Promptly, such additional information regarding the business, financial or corporate affairs of the Borrower and its subsidiaries as the Lender may from time to time reasonably request.

9. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants to the Lender as follows:

(a) AUTHORIZATION, VALIDITY, AND ENFORCEABILITY OF THIS NOTE. The Borrower has the corporate power and authority to execute, deliver and perform this Note. Borrower has taken all necessary corporate action (including, without limitation, obtaining approval of its stockholders, if necessary) to authorize its execution, delivery, and performance of this Note. No consent, approval, or authorization of, or declaration or filing with, any governmental authority, and no consent of any other person, is required in connection with the Borrower's execution, delivery, and performance of this Note, except for those already duly obtained. This Note has been duly executed and delivered by Borrower, and constitutes the legal, valid and binding obligation of Borrower, enforceable against it in accordance with its terms. Borrower's execution, delivery, and performance of this Note does not and will not conflict with, or constitute a violation or breach of, or constitute a default under, or result in the creation or imposition of any Lien upon the property of Borrower or any of its subsidiaries by reason of the terms of (i) any contract, mortgage, Lien, lease, agreement, indenture, or instrument to which Borrower or any of its subsidiaries is a party or which is binding upon it or its property, (ii) any judgment, law, statute, rule or governmental regulation applicable to Borrower or any of its subsidiaries, or (iii) the Certificate of Incorporation or By-laws of Borrower or any of its subsidiaries.

(b) ORGANIZATION AND QUALIFICATION. As of the date hereof, Borrower (i) is duly incorporated and organized and validly existing in good standing under the laws of the jurisdiction of its incorporation, (ii) is qualified to do business as a foreign corporation and is in good standing in all jurisdictions where the failure of such Borrower to qualify to do business would have a

material adverse effect on Borrower's ability to collect its accounts or otherwise conduct its business or own or lease property in such jurisdiction, and (iii) has all requisite power and authority to conduct its business and to own its property.

10. EVENTS OF DEFAULT AND REMEDIES. If any one or more of the following events ("EVENTS OF DEFAULT") shall occur and be continuing, to wit:

(a) The Borrower shall fail to pay when due any amount of principal owing in respect of any of the indebtedness evidenced by this Note or any other note or notes which may be given in renewal, substitution or extension of all or any part of such indebtedness (each of which being an "OTHER NOTE"); or

(b) The Borrower shall fail to pay any part of the interest on this Note or any Other Note when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, within five (5) Business Days after receipt of written notice from Lender of such failure; or

(c) The Borrower shall fail to comply with any covenants, agreement or condition contained in this Note within thirty (30) days after receipt of written notice from Lender of such failure; or

(d) Any representation or warranty made by the Borrower to the Lender herein or in any information provided hereunder shall be inaccurate or incomplete in any material respect when made; or

(e) The Borrower or any of its subsidiaries shall fail to pay any principal of or premium or interest on any of their indebtedness (but excluding indebtedness evidenced by this Note or by any Other Note), whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such indebtedness; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; and, in each of the cases above, the principal amount of such indebtedness is at least $5,000,000; or

(f) The Borrower or any of its subsidiaries shall generally not pay its debts as the same become due, or shall admit in writing its inability to pay such debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against it seeking to adjudicate it as a bankrupt or an insolvent, or seeking liquidation, winding up, reorganization arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; and in the event of any proceeding being instituted against it, such proceeding shall remain undismissed or unstayed for a period of sixty (60) days or shall result in the entry of an order for relief, the appointment of a trustee or receiver or other adverse result to it or it shall take any action to authorized any of the actions set forth above; or

(g) One or more judgments or orders for the payment of money in an amount in excess of $5,000,000 in the aggregate shall be rendered against the Borrower or any of its subsidiaries and such judgments or orders shall continue unsatisfied and in effect for a period of sixty (60) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal;

then, and in any such event, the Lender may, by notice to the Borrower, declare the Obligations to be forthwith due and payable in full, whereupon the Obligations shall become and be forthwith due and payable in full, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, PROVIDED, HOWEVER, that upon the occurrence of any Event of Default of the kind described in clause (f) above, the Obligations shall automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

11. EXPENSES; INDEMNIFICATION. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses incurred by the Lender in connection with the enforcement (whether through legal proceeding, negotiations or otherwise) of this Note, any Other Note and any other documents executed and delivered by the Borrower in connection with this Note (such costs and expenses to include, without limitation, the reasonable fees and expenses of the Lender's outside legal counsel). The Borrower agrees to indemnify and hold harmless the Lender and its directors, officers, employees, agents, affiliates (other than the Borrower) and advisors from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements or counsel) which may be incurred by or asserted against the Lender, or any such director, officer, employee, agent, affiliate (other than the Borrower) or advisor in connection with or arising out of any investigation, litigation or proceeding related to or arising out of this Note, any Other Note, or any other documents to be delivered or any transaction contemplated hereby or thereby (but in any case excluding any such claims, damages, losses, liabilities or expenses incurred

by reason of the gross negligence or willful misconduct of the indemnitee). The obligations of the Borrower under this paragraph shall survive the payment in full of the indebtedness evidenced by this Note and any Other Note.

12. AMENDMENTS, ETC. No amendment or waiver of any provision of this Note, nor consent to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13. WAIVER OF PRESENTMENT, ETC. The Borrower hereby waives presentment for payment, demand, notice of dishonor, notice of intent to accelerate and protest of this Note.

14. GOVERNING LAW. This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed within such State, without giving effect to its conflicts of laws principles or rules.

15. CONSENT TO JURISDICTION; WAIVER OF VENUE OBJECTION; SERVICE OF PROCESS. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR AGAINST PROPERTY OF THE BORROWER ARISING OUT OF OR RELATING TO THIS NOTE (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, THE BORROWER HEREBY IRREVOCABLY SUBMITS TO AND ACCEPTS THE NONEXCLUSIVE JURISDICTION OF ANY DELAWARE STATE COURT OR ANY FEDERAL COURT SITTING IN WILMINGTON, DELAWARE, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH DELAWARE STATE COURT OR IN SUCH FEDERAL COURT. THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO, ANY DEFENSE OR OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY DEFENSE OR OBJECTION TO VENUE BASED ON THE GROUNDS OF FORUM NONCONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE MAINTENANCE ANY ACTION IN ANY SUCH JURISDICTION. THE BORROWER HEREBY IRREVOCABLY AGREES THAT THE SUMMONS AND COMPLAINT OR ANY OTHER PROCESS IN ANY ACTION IN ANY JURISDICTION MAY BE SERVED BY MAILING (USING CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID) TO THE NOTICE ADDRESS FOR THE BORROWER SPECIFIED BELOW OR BY HAND DELIVERY TO A PERSON OF SUITABLE AGE AND DISCRETION AT SUCH ADDRESS. SUCH SERVICE WILL BE COMPLETE ON THE DATE SUCH PROCESS IS SO MAILED OR DELIVERED, AND THE BORROWER WILL HAVE THIRTY DAYS FROM SUCH COMPLETION OF SERVICE IN WHICH TO RESPOND IN THE MANNER PROVIDED BY LAW. THE BORROWER MAY ALSO BE SERVED IN ANY OTHER MANNER PERMITTED BY LAW,

IN WHICH EVENT THE BORROWER'S TIME TO RESPOND SHALL BE THE TIME PROVIDED BY LAW.

16. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, AND AS SEPARATELY BARGAINED-FOR CONSIDERATION TO THE LENDER, THE BORROWER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY (WHICH THE LENDER ALSO WAIVES) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATING TO THIS NOTE, ANY OTHER NOTE, THE OBLIGATIONS, OR THE LENDER'S CONDUCT IN RESPECT OF ANY OF THE FOREGO ING.

17. MISCELLANEOUS. No failure on the part of the Lender to exercise, and no delay in exercising, any right under this Note shall operate as a waiver thereof; nor shall any partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

18. STATUS. As of the date hereof, the indebtedness evidenced by that certain Term Note dated as of _____, 2000 in the original principal amount of $190,000,000 made payable by Sara Lee Corporation to the Lender (the "ORIGINAL NOTE") continues to be outstanding. Pursuant to the terms of that certain Assumption and Assignment Agreement of even date herewith executed among the Borrower, the Lender and Sara Lee Corporation, (i) this Note is intended to re-evidence the indebtedness outstanding under the Original Note, is not a novation or repayment thereof and shall replace and supersede the Original Note and (ii) Sara Lee Corporation is released from all obligations under or related to the Original Note or the letter agreement executed in connection therewith.

19. MAXIMUM INTEREST. Notwithstanding the foregoing paragraphs and all other provisions of this Note, none of the terms and provisions of this Note shall ever be construed to create a contract to pay to the Lender, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by the Lender to the Borrower under applicable state or federal law from time to time in effect, and the Borrower shall never be required to pay interest in excess of such maximum amount. If, for any reason interest is paid hereon in excess of such maximum amount, then promptly upon any determination that such excess has been paid the Lender will, at its option, either refund such excess to the undersigned or apply such excess to the principal owing hereunder.

20. ENTIRE AGREEMENT. This Note constitutes the entire agreement of the parties relative to its subject matter, and shall not be waived, modified or supplemented, in whole or in part, except

in a writing signed by the parties. If any provision of this Note is held invalid or unenforceable by any court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

IN WITNESS WHEREOF, the Borrower has executed this Note as of the date first above written.

COACH, INC.

By:

Name:

Title:

Notice Address:

Coach, Inc.
516 W. 34th Street
New York, New York 10001
Attention: Chief Financial Officer
or Chief Operating Officer with
copies to General Counsel
Telecopy: 212-629-2205
Telephone: 212-594-1850

Agreed and Accepted:

INTERNATIONAL AFFILIATED INVESTMENT INC.

By:

Name: Joseph A. Pedrotty
Title: President

Notice Address:

Playtex Apparel, Inc.
Ridgely Street
Dover, Delaware 19903
Attn: Joseph A. Pedrotty
Telecopy: 302-674-6938
Telephone: 302-674-6498

Exhibit 2.10

LEASE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT

between

SARA LEE CORPORATION

and

COACH, INC.

LEASE INDEMNIFICATION AND
REIMBURSEMENT AGREEMENT

This Lease Indemnification and Reimbursement Agreement (this "Agreement"), is dated as of August 24, 2000, between Sara Lee Corporation ("Sara Lee"), a Maryland corporation, and Coach, Inc. ("Coach"), a Maryland corporation. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article VI hereof.

RECITALS

WHEREAS, Sara Lee currently owns all of the issued and outstanding common stock of Coach;

WHEREAS, the Boards of Directors of Sara Lee and Coach have each determined that it would be appropriate and desirable for Sara Lee to contribute and transfer to Coach, and for Coach to receive and assume, directly or indirectly, assets and liabilities currently held by Sara Lee and associated with the Coach Business (the "Separation");

WHEREAS, in connection with the Separation, Sara Lee shall assign, or cause its applicable Subsidiary to assign, and Coach shall accept and assume, or cause its applicable Subsidiary to accept and assume, Sara Lee's or its Subsidiary's interest in certain leased properties used in connection with the Coach Business (the "Leased Properties") pursuant to that certain Real Estate Matters Agreement;

WHEREAS, after the Separation, Sara Lee will continue to have Obligations under the leases relating to certain Leased Properties and will have Obligations under the leases relating to certain leased properties listed in Schedule 1.9 of the Real Estate Matters Agreement (the leases under which Sara Lee shall have Obligations after the Separation, the "Guaranteed Leases," and the properties to which the Guaranteed Leases relate individually, a "Property," and collectively, the "Properties"); and

WHEREAS, due to such Sara Lee Obligations, Coach has agreed to maintain after the Distribution Date (as defined herein), for the benefit of Sara Lee, a Letter of Credit.

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

ARTICLE I

LETTER OF CREDIT

Section 1.1 INITIAL LETTER OF CREDIT. Coach agrees that it shall maintain, effective commencing on the Distribution Date, a Letter of Credit in favor of Sara Lee for the benefit of Sara Lee in an available amount (the "Required Amount") which is initially equal to the sum of:

(a) the total of:

(i) the Base Rent payable under all of the Guaranteed Leases (excluding the lease for the property at 516 W. 34th Street, New York (the "Executive Offices Lease")) on the Distri bution Date PLUS the Base Rent payable under all of the Guaranteed Leases (excluding the Executive Offices Lease) on the last day of the fiscal year in which the Distribution occurs; DIVIDED by

(ii) two (2); PLUS

(b) six (6) multiplied by the average monthly rent payment under the Executive Office Lease for the six (6) month period commencing with the Distribution Date; PLUS

(c) the Additional Expenses.

The Required Amount shall be adjusted each fiscal year of Coach, as applicable, pursuant to Section 1.2.

Section 1.2 ADJUSTMENT OF REQUIRED AMOUNT. (a) At least forty-five (45) days prior to the beginning of each Coach fiscal year, Coach shall provide to Sara Lee a certificate (the "Certificate") of Coach's Chief Operating Officer or Chief Financial Officer certifying (i) the amount of Coach's Base Rent payable under the Guaranteed Leases with respect to which Sara Lee has Obligations for the next succeeding Coach fiscal year, calculated by adding the Base Rent payable under

such Guaranteed Leases on the first day of such fiscal year and the Base Rent payable under such Guaranteed Leases on the last day of such fiscal year, and dividing such sum by two (2) and (ii) the amount of six (6) times Coach's average monthly rent payment under the Executive Offices Lease for such fiscal year, in each case calculated consistently with Section 1.1 and previous calculations, if any, under this Section 1.2. The Certificate shall include a summary of the foregoing calculations. Sara Lee shall be entitled to review and copy relevant documentation of Coach to substantiate such calculations. If Coach excludes from the amounts certified in the Certificate the Executive Offices Lease or any lease that is or previously was a Guaranteed Lease, Coach shall provide to Sara Lee appropriate documentation confirming Coach's assertion that Sara Lee has no Obligations or further liability for such leases, which may include a certificate from Coach's Chief Executive Officer or the Chief Operating Officer.

(b) At the beginning of each Coach fiscal year, either (i) Sara Lee shall reduce the amount available under the Letter of Credit or (ii) Coach shall increase the amount available under the Letter of Credit, as appropriate, to equal the sum of the equation set for in Section 1.1 (adjusted per Section 1.2) to arrive at a new Required Amount using the appropriate amounts as set forth in the Certificate for such fiscal year; PROVIDED that Sara Lee shall not have delivered a written notice of objection to Coach within ten (10) days of receipt of the Certificate from Coach.

(c) If Sara Lee delivers a notice of objection to Coach within ten (10) days of receipt of the Certificate from Coach and for so long as a Dispute exists between the parties with respect to the Required Amount available under the Letter of Credit, Coach shall renew or continue the Letter of Credit not later than the first day of such fiscal year in an amount equal to the Required Amount of the Letter of Credit for the most recently completed Coach fiscal year. If Sara Lee delivers a written notice of objection to Coach within ten (10) days of receipt of the Certificate from Coach, the parties agree to resolve such Dispute in accordance with the procedures set forth in Section 5.17 hereof.

Section 1.3 TERM. Coach shall be obligated to maintain the Letter of Credit (the "Letter of Credit Term") in the Required Amount until the earlier of (a) the unconditional release, expiration of termination of all of Sara Lee's Obligations with respect to all Guaranteed Leases or (b) the date on which the Required Amount falls below $2,000,000.

ARTICLE II

NOTICE OF DEFAULT

Section 2.1 NOTICE OF DEFAULT UNDER THE GUARANTEED LEASES; INDEMNIFICATION AND REIMBURSEMENT. (a) Coach hereby agrees to provide Sara Lee with a copy of any written notice of default, notice of alleged default or other notice from a Landlord that may result in a material event of default that Coach receives with respect to any Guaranteed Lease, which copy or copies shall be given to Sara Lee as soon as practicable and in any event no later than five (5) business days after Coach's receipt of any such notice. Sara Lee hereby agrees to provide Coach with a copy of any written notice of default, notice of alleged default or other notice from a Landlord that Sara Lee receives with respect to any Guaranteed Lease, which copy or copies shall be given to Coach as soon as practicable and in any event no later than five (5) business days after Sara Lee's receipt of any such notice.

(b) Coach shall deliver to Sara Lee, as soon as practicable and in any event no later than five (5) business days after Coach's receipt of any notice described in Section 2.1(a) hereof, a statement from Coach concerning Coach's intentions with respect to said default or alleged default. If Coach indicates its intent to cure such default, Coach shall cure said default within the time period set forth in the

applicable Guaranteed Lease, or if said default is of a character which does not permit the curing of said default within the time period set forth in the applicable Guaranteed Lease, Coach shall eliminate, cure, obtain a waiver or otherwise con structively address such default and proceed diligently with respect to said default until cured, waived or eliminated, but, in any event, in the manner required under the terms and conditions of the applicable Guaranteed Lease. So long as Coach is working diligently to cure such default in accordance with the foregoing, Sara Lee agrees that it shall refrain from taking actions to cure such default and shall cooper ate with Coach with respect to curing such breach or settling such dispute with the landlord; PROVIDED, HOWEVER, that (i) if Sara Lee incurs any Losses as a result of Coach's breach and Coach does not pay to Sara Lee the full amount of the Losses incurred by Sara Lee promptly after receipt of notice from Sara Lee, or (ii) Sara Lee reasonably believes that it will suffer adverse consequences as a result of such breach if it is not cured promptly, then, notwithstanding the foregoing, Sara Lee shall be entitled to exercise any and all remedies available to it hereunder, including without limitation, drawing on the Letter of Credit pursuant to Section 3.1. If Coach (i) indicates to Sara Lee its intention not to cure said default, (ii) fails to send any notice of its intentions, or (iii) fails to cure a default in accordance with its previous notice to Sara Lee, then, in any such event, Sara Lee will (unless it reasonably believes that it will suffer adverse consequences as a result) give Coach written notice of Sara Lee's intention to cure the default under such Guaranteed Lease. If Coach has not cured such default within five (5) days after Coach's receipt of Sara Lee's written notice to Coach (or, if such default cannot be cured within such five (5) day period, Coach has not commenced to cure and continued to diligently pursue such cure to completion in accordance with the terms of the applicable Guaranteed Lease), then, regardless of any stated intention of Coach, Sara Lee may (without any obligation to do so) elect to cure such default on behalf of Coach in accordance with the terms of the applicable Guaranteed Lease at Coach's sole cost and expense.

(c) Coach, for itself and as agent for each member of the Coach Group, hereby agrees to indemnify, defend (or, where applicable, pay the defense costs for)

and hold harmless Sara Lee Indemnitees from and against and shall reimburse such Sara Lee Indemnitees with respect to, Losses (excluding contingent liabilities) actually incurred by the Sara Lee Indemnitees, in excess of any amounts drawn by Sara Lee under the Letter of Credit, by reason of (i) the incurrence by Sara Lee Indemnitees of reasonable out-of-pocket costs of enforcement (excluding any internal Sara Lee administrative costs) of any terms, covenants or agreements contained in this Agreement, (ii) any and all payments or performance required of Sara Lee Indemnitees with respect to any Obligation, and (iii) any default by Coach under any Guaranteed Lease, except to the extent any such Losses (A) arise solely from the acts or omissions of Sara Lee occurring after the date, if ever, that Sara Lee takes possession of, or acquires Coach's right, title and interest to, any Property pursuant to the exercise of the remedies set forth in Sections 2.2(b) or 2.2(c) below or (B) have been finally judicially determined to have resulted directly from the gross negligence or willful misconduct of any Sara Lee Indemnitee. Should Sara Lee incur any such Losses, Coach shall reimburse Sara Lee for the full amount thereof, such reimbursement to be due and payable within fifteen (15) days after written demand therefor by Sara Lee; PROVIDED, that each demand for reimbursement by Sara Lee shall be accompa nied by copies of supporting invoices and copies of paid receipts, cancelled checks or other proof of payment or incurrence of liability by Sara Lee. In the event Coach shall assume the defense of Sara Lee (only with the consent of Sara Lee) with respect to any Action arising pursuant to this Section 2.1(c), such defense shall include the employment of counsel reasonably satisfactory to Coach and Sara Lee and the payment by Coach of all of such counsel's fees and expenses. Sara Lee shall not be liable for the payment of any settlement of any such Action effected by Coach without the written consent of Sara Lee. Coach shall not, without the prior written consent of Sara Lee (not to be unreasonably withheld or delayed), effect any settle ment of any Action in respect of which Sara Lee is a party and indemnification could have been sought hereunder by Sara Lee, unless such settlement is paid, in the first instance, by Coach and includes an unconditional release of Sara Lee from all liability on all claims that are the subject matter of such Action.

In the event of any claim against Coach or Sara Lee by a third party for which Sara Lee could seek indemnification hereunder, Sara Lee agrees to reasonably cooperate with Coach's defense thereof or actions taken in connection therewith.

Section 2.2 TERMINATION OF ASSIGNMENT UPON BREACH OR EVENT OF DEFAULT. If (i) a breach or default occurs under any of the Guaranteed Leases due to Coach's failure to pay rent thereunder and such default goes uncured for a period of at least twelve (12) months or (ii) Coach ceases the operation of its business as a Coach retail operation at any of the Properties underlying any Guaranteed Lease for a period of at least twelve (12) months, then Sara Lee, at its election, shall have the following non-exclusive remedies:

(a) Sara Lee shall be entitled to all of the rights and remedies which Sara Lee may have under this Agreement, each Obligation or at law or in equity;

(b) the assignment to Coach of Sara Lee's right, title and interest in and to the Property or Properties with respect to which such breach or event of default exists pursuant to the Real Estate Matters Agreement shall automati cally terminate without any further action required on the part of Sara Lee, and such assignment shall be of no further force and effect, and Sara Lee may require that Coach assign, convey, grant or otherwise transfer to Sara Lee all of its right, title and interest in and to any related improvements and fixtures (as defined in the Uniform Commercial Code) (but excluding any furnishings, trade fixtures and business equipment), used in connection with the Property or Properties with respect to which such breach or event of default exists (collectively, the "Related Property"), and in furtherance of such remedy Coach hereby irrevocably constitutes and appoints Sara Lee its true and lawful attorney-in-fact for the purpose of carrying out the terms and provisions of this Agreement, in Coach's name and stead (A) to secure and maintain the use and possession of any or all of the Property or Properties with respect to which such breach or event of default exists and such Related Property; and (B) to take any and all actions which Sara Lee deems

necessary to protect, maintain and secure its interest in any or all of the Property or Properties with respect to which such breach or event of default exists and such Related Property. Coach hereby further grants to Sara Lee the full power and authority as the attorney-in-fact of Coach for the purpose of carrying out the terms and provisions of this Agreement, to constitute, appoint and authorize for Coach and in its place and stead to put and substitute, one or more agents or attorneys for Coach, and as its attorney or attorneys-in-fact, to do, execute, perform and finish for Coach those matters which shall be reasonably necessary or advisable or which Coach's attorney-in-fact or its substitute shall deem reasonably necessary or advisable touching or concerning any or all of the Property or Properties with respect to which such breach or event of default exists or the Related Property, including, without limitation, executing on behalf of Coach any instrument deemed necessary by Sara Lee to evidence the termination of assignment, as thoroughly, amply and fully as Coach could do concerning the same being personally present. Coach further agrees that the various powers of attorney granted herein shall be deemed coupled with an interest and shall be irrevocable; and

(c) Sara Lee shall have the immediate right to possession and use of the Property or Properties with respect to which such breach or event of default exists and Related Property, after delivering written notice to vacate to Coach or the current party or parties in possession, such that Coach or the current party or parties in possession of the Property or Properties with respect to which such breach or event of default exists shall yield up and deliver up the Property or Properties with respect to which such breach or event of default exists and Related Property to Sara Lee, broom clean, with all rubbish, debris and personal property belonging to Coach or the current party or parties in possession (other than the Related Property) having been removed from the Property or Properties with respect to which such breach or event of default exists; PROVIDED, HOWEVER, that Coach shall be entitled to a ten (10) day license from the receipt of such vacation notice for the purpose of and in order to comply with the terms of this Section 2.2, and that during the

period Coach occupies any Property or Properties with respect to which such breach or event of default exists after the occurrence of such breach or event of default it shall indemnify and hold harmless Sara Lee from and against any Losses incurred by Sara Lee as a result of the actions or omissions of Coach during such possession.

(d) In the event that Sara Lee shall exercise its remedies under clauses 2.2(b) or (c) above with respect to any Properties, Sara Lee shall have the obligation to mitigate any Losses resulting therefrom, including the obligation to relet said Properties at the best market rent readily obtainable (making commercially reasonable efforts therefor) and the right to receive the rent therefrom; PROVIDED, HOWEVER, Coach shall remain liable for the equivalent of the amount of all rent reserved under the applicable Guaranteed Lease less the avails of reletting, if any, after deducting therefrom the reasonable cost of obtaining possession of the Property and the reasonable cost of any repairs and alterations necessary to prepare same for reletting. Any and all deficiencies so payable by Coach shall be paid monthly on the date provided for the payment of rent under the applicable Guaranteed Lease.

ARTICLE III

DRAWING UNDER THE LETTER OF CREDIT

Section 3.1 DRAWING EVENTS. The occurrence of any of the following events shall be deemed a drawing event (a "Drawing Event") hereunder and shall entitle Sara Lee to draw under the Letter of Credit in the amounts specified with respect to each Drawing Event:

(a) If any of the Sara Lee Indemnitees actually incur any Losses (excluding contingent liabilities) resulting from any payment or performance required of the Sara Lee Indemnitees with respect to any Guaranteed Lease, Sara Lee, subject to Section 2.1(b), shall be entitled to draw under the Letter of Credit in an amount equal to such Losses and Coach shall promptly restore any amounts so drawn pursuant to this Section 3.1(a).

(b) Upon acceleration of Coach's bank indebtedness in an amount exceeding $5,000,000, Sara Lee shall be entitled to draw under the Letter of Credit in an amount equal to the Required Amount under the Letter of Credit; PROVIDED, HOWEVER, that Sara Lee shall not be entitled to draw on the Letter of Credit if Coach is able to replace such bank indebtedness with a facility from substitute Qualified Bank in an amount at least equal to Coach's existing bank indebtedness within fifteen (15) days of such acceleration, or if such acceleration is withdrawn within such 15-day period.

(c) If:

(i) Coach shall commence any Action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors (A) seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, or Coach shall make a general assignment for the benefit of its creditors;

(ii) there shall be commenced against Coach, any Action of a nature referred to in clause (i) above or seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property, which Action (X) results in the entry of an order for relief or (Y) remains undismissed, undischarged and unbonded for a period of sixty (60) days; or

(iii) Coach shall take any action indicating its consent to, approval of, or acquiescence in, or in furtherance of, any of

the acts set forth in clause (i) or (ii) above; or

(iv) Coach shall generally not, or shall be unable to, pay its debts as they become due or shall admit in writing its inability to pay its debts; then

Sara Lee shall be entitled to draw under the Letter of Credit in an amount equal to the Required Amount under the Letter of Credit.

(d) If Coach is obligated to restore any Required Amounts under the Letter of Credit due to any amounts being drawn under the Letter of Credit pursuant to Section 3.1(a) above and Coach fails to effect such restoration within fifteen (15) days, Sara Lee shall be entitled to draw under the Letter of Credit in an amount equal to the Required Amount under the Letter of Credit.

(e) If, during the Letter of Credit Term, the Letter of Credit is scheduled to expire and Coach does not obtain, at least thirty (30) days prior to the scheduled expiration date of the Letter of Credit, an irrevocable written commitment to renew the Letter of Credit or a replacement Letter of Credit, then Sara Lee shall be entitled to draw under the Letter of Credit in an amount equal to the Required Amount under the Letter of Credit.

(f) If, during the Letter of Credit Term, the financial institution issuing the Letter of Credit is not a Qualified Bank and Coach does not obtain, within at least thirty (30) days of the issuing institution's failure to qualify as a Qualified Bank, a replacement Letter of Credit from another Qualified Bank, then Sara Lee shall be entitled to draw under the Letter of Credit in an amount equal to the Required Amount under the Letter of Credit.

ARTICLE IV

COVENANTS

Section 4.1 MERGER. As long as Coach is required to maintain a Letter of Credit pursuant to Section 1.3, Coach shall not consolidate with or merge into any Person or permit any Person to consolidate with or merge into Coach unless:

(a) the surviving Person of such merger or consolidation (the "Surviving Person") (i) is rated at least BBB- by Standard & Poor's or at least Baa3 by Moody's Investors Services or, if the Surviving Person is not rated, then the Surviving Person's ratio of EBITDAR to Fixed Charges immediately after such Merger or consolidation is greater than 2.5 and (ii) the Surviving Person assumes all of Coach's obligations under this Agreement and the Letter of Credit and (iii) the Letter of Credit remains in full effect in the Required Amount after such transaction; or

(b) Coach obtains Sara Lee's prior written consent, not to be unreasonably withheld, and (i) the Surviving Person's ratio of EBITDAR to Fixed Charges immediately after such merger or consolidation is greater than 1.75, and (ii) the Surviving Person assumes all of Coach's obligations under this Agreement and the Letter of Credit and (iii) the Letter of Credit remains in full effect in the Required Amount after such transaction; or

(c) Coach obtains the prior written consent of Sara Lee.

Section 4.2 SECURITY INTERESTS. As long as Sara Lee's duties under any Obligation remain outstanding, Coach shall not, in connection with any Indebt edness, pledge, hypothecate, collaterally assign, mortgage or otherwise encumber, or permit any lien or encumbrance upon or grant any security interest in, any of Coach's right title or interest, as lessee or assignee, in or to any of the Properties or any rents thereunder, except to the extent any such lien, encumbrance or security interest is subordinate to and would not otherwise interfere with the interests, rights or reme dies of Sara Lee with respect to such Property under the terms of this Agreement; PROVIDED, that this Section 4.2 shall not apply to any liens against the

Properties for real estate taxes which Coach has no obligation to pay or mechanics' liens based upon claims for work, labor or materials supplied to or for the benefit of parties other than Coach. Notwithstanding the foregoing, Coach may mortgage or permit a lien upon any of the Guaranteed Leases to the provider or providers of any senior working capital facility and/or any senior term loan facility established for the purpose of funding the growth or expansion of the Coach Business; PROVIDED, HOWEVER, that at the time such mortgage or lien is granted, Coach's ratio of Adjusted Debt (as this term is defined by Moody's Investors Services) to EBITAR is less than 4.0. Sara Lee shall have the right to obtain a mortgage or lien upon any of the Guaranteed Leases; PROVIDED, HOWEVER, that Sara Lee agrees to subordinate any such mortgage or lien to rank second in priority to any liens or mortgages of the provider or providers of any senior working capital facility and/or senior term loan facility described in this Section 4.2.

Section 4.3 SHARING OF INFORMATION. As long as any Sara Lee Obligations remain outstanding, Coach shall deliver to Sara Lee, upon request, copies of all documents filed with the Securities and Exchange Commission or required to be delivered to Coach's shareholders, and such other documentation or information as Sara Lee may reasonably request with respect to Coach's compliance with the financial ratios set forth in this Agreement (but not more often than four times per annum). Coach also will provide to Sara Lee, no later than 15 days after the end of each fiscal quarter of Coach, a certificate of Coach's Chief Operating Officer or Chief Financial Officer that (a) certifies the accuracy of an attached schedule listing each Guaranteed Lease and, with respect thereto, (i) the location of the Property covered by, and the parties to, such Guaranteed Lease, (ii) the expira tion date of each Guaranteed Lease, and (iii) the current monthly lease payment payable by Coach and the date of any contractual escalation in the monthly lease payment of each Guaranteed Lease, and (b) certifies that Coach is not in breach or default under any of the Guaranteed Leases and that no event exists which, with the passage of time, would become an event of breach or default.

Section 4.4 LIMITATION ON ASSIGNMENT. As long as any Sara Lee Obligations remain outstanding, Coach may assign or otherwise convey or transfer all of its interest under any such Property, or sublease all or substantially all of any such Property covered by such Guaranteed Lease, to a third party assignee, sublessee or transferee (any such proposed assignee, sublessee or transferee hereinafter referred to as the "Proposed Transferee," and any such proposed assignment, sublease or transfer hereinafter referred to as the "Proposed Transfer"); PROVIDED, HOWEVER, that (a) Sara Lee consents to such Proposed Transfer, which consent shall not be unrea sonably withheld or (b) effective upon or before such Proposed Transfer, Sara Lee is fully and unconditionally released from any and all Obligations under such Guaran teed Lease. Without limiting any other rights or remedies available to Sara Lee at law or equity, any transfer in violation of this Section 4.4 is voidable at the option of Sara Lee. Notwithstanding anything to the contrary contained in this Section 4.4, the provisions of this Section shall not apply to any Proposed Transfer to a Proposed Transferee that is a direct or indirect wholly-owned subsidiary of Coach at all times; PROVIDED Coach remains primarily liable for the payment and performance of the duties of Coach hereunder as if Coach were still tenant or assignee under the applicable Guaranteed Lease or Guaranteed Leases.

ARTICLE V

MISCELLANEOUS

Section 5.1 REMEDIES CUMULATIVE. The rights and remedies of Sara Lee hereunder are cumulative and not in lieu of, but are in addition to, any rights of remedies which Sara Lee shall have under each Obligation or at law or in equity, including, without limitation, Sara Lee's subrogation rights, if any, under each Obligation, which rights and remedies may be exercised by Sara Lee either prior to, simultaneously with, or subsequent to, any action taken hereunder. The rights and remedies of Sara Lee may be exercised from time

to time and as often as such exercise is deemed expedient, and the failure of Sara Lee to avail itself of any of the terms, provisions, and conditions of this Agreement for any period of time, at any time or times, shall not be construed or deemed to be a waiver of any rights under the terms hereof.

Section 5.2 TERMINATION. Notwithstanding anything to the contrary contained in this Agreement, Sara Lee acknowledges and agrees that the rights and remedies set forth in this Agreement shall not be exercisable against a Property underlying any Guaranteed Lease if the duties of Sara Lee under the Obligation corresponding to such Guaranteed Lease have been unconditionally released or otherwise expired or terminated without Sara Lee having incurred any liability under this Agreement or such Obligation for which it is entitled to reimbursement hereun der and for which it has been so reimbursed.

Section 5.3 BINDING EFFECT. All of the covenants herein contained shall inure to the benefit of Sara Lee and its successors and assigns. This Agreement shall be binding upon Coach and any successor or assign of Coach that, through sale of stock, merger, consolidation or otherwise, acquires or succeeds to all or substan tially all of the assets of Coach or all or substantially all of Coach's interest in the Guaranteed Leases or the Properties. Any references in this Agreement to "Coach" or "Sara Lee" also shall be deemed references to their respective corporate succes sors or assigns.

Section 5.4 REFERENCE TO DAYS. Any reference to "days" herein which is not specifically referenced as "business" days shall be deemed to refer to calendar days.

Section 5.5 GOVERNING LAW AND JURISDICTION. This Agreement shall be construed in accordance with and all Disputes hereunder shall be governed by the laws of the State of Illinois, excluding its conflict of law rules. The parties agree that the Circuit Court of Cook County, Illinois and/or the United States District Court for the Northern District of Illinois shall have

exclusive jurisdiction over all actions between the parties for preliminary relief in aid of arbitration pursuant to Section herein, and non exclusive jurisdiction over any Action for enforcement of an arbitral award.

Section 5.6 PARTIES IN INTEREST. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon Sara Lee, Sara Lee's Subsidiaries, Coach and Coach's Subsidiaries and inure solely to the benefit of Coach and Sara Lee and their respective permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 5.7 ENTIRE AGREEMENT. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 5.8 AMENDMENTS. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to this Agreement.

Section 5.9 INTERPRETATION. The headings contained in this Agree ment, in any exhibit or schedule hereto and in the table or contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 5.10 NOTICES. Notices, offers, requests or other communica tions required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses or facsimile numbers:

If to Sara Lee, at:

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

If to Coach, at:

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

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

Section 5.11 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an

original but all of which shall constitute one and the same agreement.

Section 5.12 SEVERABILITY. If any term or other provision of this Agreement or the schedules or exhibits attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contem plated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 5.13 EFFECTIVENESS. This Agreement shall become effective upon execution by the parties hereto.

Section 5.14 ESTOPPEL CERTIFICATE. Upon the written request of Coach, Sara Lee shall deliver to Coach an estoppel certificate containing such matters as may be reasonably requested by Coach in connection with this Agreement.

Section 5.15 FURTHER ASSURANCES. Coach and Sara Lee agree that at any time and from time to time, upon the request of the other party, each of Coach and Sara Lee shall execute and deliver such further instruments and documents, and do such further acts and things, as such other party may reasonably request in order to effectuate fully the purposes of this Agreement.

Section 5.16 RECORDABLE INSTRUMENT. Sara Lee and Coach agree to execute, at any time at the request of either party, a short form of this Agreement in recordable form, which short form shall refer to a

particular Property by separate legal description for recording purposes. Such short form shall be limited to reciting that Coach's interest under the particular Guaranteed Lease may be subject in certain circumstances to certain rights of Sara Lee as guarantor of Coach's duties under the Guaranteed Lease to regain possession of the Property and/or to sublease or take an assignment of Coach's interest in the Guaranteed Lease, all of which rights are subject to the terms of the Guaranteed Lease and any rights of the Landlord with respect to such Guaranteed Lease. The party recording such short form of this Agreement shall deliver to the other party a copy of the recorded short form within thirty (30) days after the same has been recorded. At such time as Sara Lee shall have no further duties under the Obligation relating to a particular Property and shall have no further rights or claims under this Agreement as to such Property, Sara Lee shall, at the request of Coach, execute, record and deliver to Coach a written instru ment, substantially in the form of Exhibit A annexed hereto and made a part hereof, terminating of record the short form of this Agreement and acknowledging that this Agreement is no longer applicable to the Property or Coach's interest therein.

Section 5.17 DISPUTE RESOLUTION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements or the breach, termination or validity thereof ("Dispute") which arises between the parties shall first be negotiated between appropriate senior executives of each party who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within 10 days of receipt by a party of notice of a dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and corre spondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in any subsequent proceeding between

the parties. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, then, on the request of any party, the Dispute will be mediated by a mediator appointed pursuant to the mediation rules of the American Arbitration Association ("AAA"). Both parties will share the administrative costs of the mediation and the mediator's fees and expenses equally, and each party shall bear all of its other costs and expenses related to the mediation, including but not limited to attorney's fees, witness fees, and travel expenses. The mediation shall take place in Cook County Illinois or in whatever alternative forum on which the parties may agree.

(b) Any Dispute which the parties cannot resolve through mediation within forty-five days of the appointment of the mediator, shall at the request of any party be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the AAA in Cook County, Illinois. There shall be three (3) neutral arbitrators of whom Sara Lee shall appoint one and Coach shall appoint one within 30 days of the receipt by the respondent of the demand for arbitration. The two arbitrators so appointed shall select the chair of the arbitral tribunal within 30 days of the appointment of the second arbitrator. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be appointed by the American Arbitration Association by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator. The prevailing party in such arbitration shall be entitled to be awarded its expenses, including its share of administrative and arbitrator fees and expenses and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associ ated with prior negotiation or mediation). The decision of the arbitrators shall be final and binding on the parties and may be enforced in any court of competent jurisdiction.

(c) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-

arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies or modify or vacate any temporary or preliminary relief issued by a court, to issue an award for temporary or permanent injunctive relief (including specific performance) and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

Section 5.18 NO OBLIGATION TO PAY RENT. The parties hereto acknowl edge that nothing in the instruments assigning the Guaranteed Leases to Coach, this Agreement or any other agreement between Coach and Sara Lee creates any obliga tion on the part of Sara Lee to pay any amounts due or owing under any of the Guaranteed Leases.

ARTICLE VI

DEFINITIONS

Section 6.1 AAA. "AAA" has the meaning set forth in Section 5.17(a).

Section 6.2 ACTION. "Action" means any demand, action, case, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal.

Section 6.3 ADDITIONAL EXPENSES. "Additional Expenses" initially means $500,000 and, in each subsequent fiscal year, shall equal $500,000 multiplied by the total of (a) Base Rent under the Guaranteed Leases as of the Distribution Date divided by (b) Base Rent under the Guaranteed Leases as of a x date, where "x date" is the first day of the fiscal year for which such calculation is being performed.

Section 6.4 ANCILLARY AGREEMENTS. "Ancillary Agreements" has the meaning set forth in the Separation Agreement.

Section 6.5 BASE RENT. "Base Rent" means the minimum aggregate annual rent that Coach, or any member of the Coach Group is required to pay under the Guaranteed Leases, regardless of such Person's volume of business.

Section 6.6 CERTIFICATE. "Certificate"has the meaning set forth in Section 1.2.

Section 6.7 COACH BUSINESS. "Coach Business" means the business of producing, marketing and selling handbags, accessories, business cases, luggage and travel accessories, time management products, outerwear, gloves, scarves, watches, footwear, eyewear, home furnishings and furniture.

Section 6.8 COACH GROUP. "Coach Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Coach will be the common parent corporation immediately after the Distribution, and any corporation or other entity which may become a member of such group from time to time.

Section 6.9 DISPUTE. "Dispute" has the meaning set forth in Section 5.17(a).

Section 6.10 DISPUTE RESOLUTION COMMENCEMENT DATE. "Dispute Resolution Commencement Date" has the meaning set forth in Section 5.17(a).

Section 6.11 DISTRIBUTION. A "Distribution" means the divestiture by Sara Lee of all or a significant portion of the shares of capital stock of Coach owned by Sara Lee which divestiture may be effected by Sara Lee as a dividend, an ex change with existing Sara Lee stockholders for shares of Sara Lee capital stock, a spin-off or otherwise, as a result of which Sara Lee is no longer required to consoli date Coach's results of operations and financial position

(determined in accordance with generally accepted accounting principles consistently applied).

Section 6.12 DISTRIBUTION DATE. "Distribution Date" means the date on which a Distribution is consummated.

Section 6.13 DRAWING EVENT. "Drawing Event" has the meaning set forth in Section 3.1.

Section 6.14 EBITDAR. "EBITDAR" means the sum of, without duplication, for the twelve (12) consecutive fiscal months then ended (a) net income, PLUS (b) interest expense, including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements net of interest income, if any, PLUS (c) provision for income taxes, PLUS (d) depreciation and amortization expense and any non-cash extraordinary gains and losses and non-cash restructuring charges, plus (e) Base Rent payable during such periods, all as determined in accordance with generally accepted accounting principles.

Section 6.15 EXECUTIVE OFFICES LEASE. "Executive Offices Lease" has the meaning set forth in Section 1.1(a)(i).

Section 6.16 FIXED CHARGES. "Fixed Charges" mean the sum of, without duplication, for the twelve (12) consecutive fiscal months then ended (a) interest expense for such period, including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments and all expenses associated with interest rate hedging arrangements, net of interest income, if any, PLUS (b) Base Rent payments for such periods, all as determined in accordance with generally accepted accounting principles.

Section 6.17 GUARANTEED LEASES. "Guaranteed Leases" has the meaning set forth in the recitals.

Section 6.18 INDEBTEDNESS. "Indebtedness" shall mean, without duplication, all (a) indebtedness of Coach for borrowed money (whether by loan or the issuance and sale of debt securities), (b) indebtedness of Coach for the deferred purchase or acquisition price of property or assets or services, other than trade accounts payable (other than for borrowed money), incurred in the ordinary course of business; (c) indebtedness of others secured by a lien or encumbrance on the property of Coach, whether or not the respective obligation so secured has been assumed by Coach; (d) reimbursement duties of Coach in respect of letters of credit, bankers' acceptances, surety or other bonds, or similar instruments issued or accepted by banks and other financial institutions for the account of Coach; (e) duties in respect of capital leases of Coach; (f) indebtedness or other duties of others directly or indirectly guaranteed or assumed by Coach; and (g) duties of Coach with respect to any capital stock, which by its terms or the terms of any security into which such capital stock is convertible or exchangeable or otherwise, is or upon the happening of any event or passage of time would be required to be redeemed, or is redeemable at the option of the holder thereof, or is convertible into or exchangeable for debt securities, in each case, prior to the termination of this Agreement.

Section 6.19 LANDLORD. "Landlord" means any landlord or the primary lessor with respect to a Guaranteed Lease.

Section 6.20 LEASED PROPERTIES. "Leased Properties" has the meaning set forth in the recitals.

Section 6.21 LETTER OF CREDIT. "Letter of Credit" shall mean an irrevocable standby letter of credit in the Required Amount obtain by Coach and issued by a Qualified Bank for the benefit of Sara Lee.

Section 6.22 LETTER OF CREDIT TERM. "Letter of Credit Term" has the meaning set forth in Section 1.3.

Section 6.23 LIABILITIES. "Liabilities" means all debts, liabilities, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

Section 6.24 LOSSES. "Losses" means any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions and demands, assessments, judgments, settle ments and compromises relating thereto and the costs and expenses of attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), including direct and consequential damages, but excluding punitive damages (other than punitive damages awarded to any third party against an indemnified party).

Section 6.25 QUALIFIED BANK. "Qualified Bank" shall be a financial institution with a minimum rating of A by Standard & Poors or a minimum rating of A2 by Moody's Investors Services.

Section 6.26 OBLIGATION AND OBLIGATIONS. "Obligation" and "Obligations" means any and all obligations or liabilities of Sara Lee or its Subsidiaries as lessee, assignor, sublessor, guarantor or otherwise under any Guaranteed Lease, including, without limitation, any guarantee, surety or other security which Sara Lee or its Subsidiaries have provided or will provide to a Landlord with respect to any Guaranteed Lease, that have not expired, terminated or been fully and uncondition ally released.

Section 6.27 PERSON. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated

organization or a governmental entity or any department, agency or political subdivision thereof.

Section 6.28 PROPERTY OR PROPERTIES. "Property" or "Properties" has the meaning set forth in the recitals.

Section 6.29 PROPOSED TRANSFER. "Proposed Transfer" has the meaning set forth in Section 4.4.

Section 6.30 PROPOSED TRANSFEREE. "Proposed Transferee" has the meaning set forth in Section 4.4.

Section 6.31 REAL ESTATE MATTERS AGREEMENT. "Real Estate Matters Agreement" means that certain real estate matters agreement by and between Coach and Sara Lee effective as of the date hereof.

Section 6.32 REQUIRED AMOUNT. "Required Amount" has the meaning set forth in Section 1.1.

Section 6.33 RELATED PROPERTY. "Related Property" has the meaning set forth in Section 2.2(b).

Section 6.34 SARA LEE GROUP. "Sara Lee Group" means the Affiliated Group, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Sara Lee is the common parent corporation, and any corporation or other entity which may be, may have been or may become a member of such group from time to time, but excluding any member of the Coach Group.

Section 6.35 SARA LEE INDEMNITEES. "Sara Lee Indemnitees" means Sara Lee, each member of the Sara Lee Group and each of their respective directors, officers and employees.

Section 6.36 SEPARATION. "Separation" has the meaning set forth in the recitals to the Separation Agreement.

Section 6.37 SEPARATION AGREEMENT. "Separation Agreement" means the Master Separation Agreement dated as of August 24, 2000 between Sara Lee and Coach.

Section 6.37A SEPARATION DATE. "Separation Date" has the meaning set forth in the Separation Agreement.

Section 6.38 SUBSIDIARY. "Subsidiary" of any Person means a corporation or other organization whether incorporated or unincorporated of which at lease a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others perform ing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER, that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

* * *

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

SARA LEE CORPORATION

By:

Name:
Title:

COACH , INC.

By:

Name:
Title:

EXHIBIT A

Termination of Memorandum

TERMINATION OF MEMORANDUM OF
LEASE INDEMNIFICATION AND
REIMBURSEMENT AGREEMENT

Sara Lee Corporation, a Maryland corporation, hereby terminates in its entirety that certain Memorandum of Lease Indemnification and Reimbursement Agreement (the "Memorandum") dated _____, 20__, and recorded _____, 20__, in [Liber _____, Page _____] [Volume _____, Page _____] [as Instrument No. _____] in the Official Records of _____ County, _____ and acknowledges that the Memorandum no longer encumbers the premises described therein or _____'s interest therein.

Dated as of this _____, _____.

SARA LEE CORPORATION, a
Maryland corporation

By:

Its:

STATE OF)
) SS:
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 20___ by _____ of Sara Lee Corporation, a Maryland corporation, on behalf of said corporation.

Witness my hand and official seal

Notary Public, _____ County
State of _____
My Commission Expires:

This instrument drafted by
and when recorded return to:

Exhibit 5.1

Opinion of Counsel

August 25, 2000

Coach, Inc.
516 West 34th Street
New York, New York 10001

Re: COACH, INC.: REGISTRATION STATEMENT ON FORM S-1

Ladies and Gentlemen:

We have served as Maryland counsel to Coach, Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the registration of up 8,487,000 shares (the "Shares") of common stock, $.01 par value per share, of the Company ("Common Stock") covered by the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), filed on or about the date hereof with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"). Capitalized terms used but not defined herein shall have the meanings given to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the related form of prospectus (the "Prospectus") included therein in the form in which it was transmitted to the Commission under the Act;

2. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;

4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

5. Resolutions adopted by the Board of Directors of the Company (the "Resolutions"), certified as of the date hereof by an officer of the Company;

6. A certificate executed by an officer of the Company, dated the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. Any Documents submitted to us as originals are authentic. The form and content of any Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. Any Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. Upon issuance of any of the Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue.

6. The issuance of, and certain terms of, the Shares will be approved by the Board of Directors of the Company, or a duly authorized committee thereof, in accordance with the Maryland General Corporation Law (with such approval referred to herein as the "Corporate Proceedings").

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. Upon conpletion of the Corporate Proceedings, the Shares will be duly authorized for issuance and, when and if issued and delivered against payment therefor in accordance with the Charter, the Bylaws and the resolutions authorizing their issuance, will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement and, accordingly, may not be relied upon by, quoted in any manner to, or delivered to any other person or entity (except Skadden, Arps, Slate, Meagher & Flom, counsel to the Company, in connection with any opinion rendered by it on the date hereof relating to the issuance of the Shares) without, in each instance, our prior written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Act.

Very truly yours,

/s/ Ballard Spahr Andrews & Ingersoll, LLP

Exhibit 10.6

AGREEMENT OF LEASE

between

CTC INVESTMENTS LIMITED

("Landlord ")

and

COACH DISTRIBUTION COMPANY

("Tenant")

Dated as of October 13, 1994

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EXHIBITS

Exhibit	Exhibit Caption	First Reference in Lease
A	Description of Parcel A	Section 1
B	Title Matters	Section 1
C	Leasehold Improvement Agreement	Section 1
D	Description of Parcel B	Section 1
E	Description of Parcel C	Section 1
F	Expansion Space Improvement Agreement	Section 1
G	Description of Parcel D	Section 1
H	Warranties	Section 12.4
I	Confidentiality Agreement	Section 21.1
J	Subordination Agreement	Section 30.2
K	Estoppel Letter	Section 32.1
L	Environmental Indemnity	Section 30.3
M	Illustrative Amortization Schedule	Section 9.1(d)
N	Preliminary Site Drawing	Section 1

LEASE

This AGREEMENT OF LEASE is made and entered into as of October 13, 1994, by and between CTC INVESTMENTS LIMITED, a Florida limited partnership having an office at 9665 Wilshire Blvd., Suite 200, Beverly Hills, California 90212 ("LANDLORD"), and COACH DISTRIBU TION COMPANY, a Delaware corporation having an office at 410 Commerce Boulevard, Carlstadt, New Jersey 07072 ("TENANT"), with the full guaranty of Tenant's obligations by Sara Lee Corporation, a Maryland corporation ("GUARANTOR").

W I T N E S S E T H:

It is hereby mutually covenanted and agreed by and between the parties hereto that this Agreement of Lease is made and entered into by them upon the terms, covenants and conditions hereinafter set forth, and that for good and valuable consideration (the receipt and sufficiency of which are acknowledged by both of them) they agree as follows.

ARTICLE 1
CERTAIN DEFINITIONS

The terms defined in this ARTICLE 1 shall, for all purposes of this Lease, have the following meanings:

"ADDITION" shall mean, at any time, such of the First Parcel B Addition, the Second Parcel B Addition, and the Office Facility Addition (if any) as to which Tenant shall theretofore duly and timely have exercised its option rights and become the tenant hereunder as set forth in ARTICLE 45 hereof.

"AFFILIATE," when used with respect to any Person (hereinafter defined), shall mean any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of the foregoing definition, "CONTROL" (including "control by" and "under common control with") shall mean ownership of fifty percent (50%) or more of each class of the authorized and outstanding stock of a corporation and fifty percent (50%) or more of all of the interests in a partnership, trust or other business entity (determined without regard to cash flow preferences and similar items).

"ASSOCIATION" shall mean the Jacksonville International Tradeport Owner's Association, Inc., a Florida non-profit corporation, and its successors and assigns.

"BUILDINGS" shall mean and include, collectively, at any time, all buildings (including, without limitation, footings, foundations, building systems, and the interior of such buildings), structures, Equipment (hereinafter defined), fixtures, and other improvements and appurtenances of

every kind and description then erected, constructed, placed or existing upon the Land (hereinafter defined). "BUILDING" shall mean and refer to any one of the Buildings.

"BUSINESS DAYS" shall mean all days which are not a Saturday, Sunday or a day observed as a legal holiday by either the State of Florida, the State of California or the federal government.

"CAPITAL IMPROVEMENT" shall have the meaning provided in SECTION 13.1.

"CC&R'S" shall mean and include, collectively, the following: City of Jacksonville Resolutions 87-1009-572, 88-448-463, 88-1223-541 and 91-394-202; the Jacksonville International Tradeport (Phase One - Northeast Quadrant) Declaration of Covenants, Conditions, Restrictions and Easements made as of July 24, 1990 by Wilma/ Skyland Joint Venture, Ltd., as amended and recorded against the Premises in the real estate records of Duval County, Florida, from time to time; Notice of Adoption of a Development Order recorded in Volume 6644, page 922, of the real estate records of Duval County, Florida; Amendment to Preliminary Development Agreement recorded in Volume 6566, page 708, of the real estate records of Duval County, Florida; the Jacksonville International Tradeport Development Guidelines as in effect from time to time; and any other instru ment imposing conditions, covenants, easements or restrictions on all or any part of the Parcels (defined hereinafter) or the use thereof, which either are in effect on the effective date of this Lease (hereinafter defined) or are identified on EXHIBIT B attached hereto, as such documents or instruments be amended, modified or restated from time to time.

"COMMENCEMENT DATE" shall have the meaning provided in ARTICLE 2.

"CONSTRUCTION AGREEMENTS" shall mean and include all contracts or agreements for construction, Restoration (hereinafter defined), Capital Improvement, rehabilitation, alteration, conversion, extension, repair or demolition performed pursuant to this Lease.

"CREDIT RATING" shall, at any time, mean, with respect to any Person, the rating then given by Moody's Investors Service or Standard & Poor's Corp., as the case may be, or their respective successors, to the longest-term unsecured, unsubordinated debt issue (which shall have at least ten years remaining to its maturity at that time) of such Person then outstanding (but if such Person does not then have outstanding any debt issue having at least ten years remaining to maturity which is then rated by Moody's or Standard & Poor's, it shall be deemed to have no Credit Rating for purposes of this Lease).

"DEFAULT" shall mean any condition or event which constitutes or, after notice or lapse of time, or both, would constitute an Event of Default (hereinafter defined).

"EQUIPMENT" shall mean and include all fixtures, equipment and personal property of any kind which is or becomes incorporated in or attached to and used or usable in the use or operation of the Premises at any time during the Term or any Renewal Term (hereinafter defined), excluding, however, any of the foregoing which are owned, leased, or used by (a) tenants or occupants of the

Premises (including, without limitation, Tenant or an Affiliate of Tenant) which such tenants or occupants have the express right to remove pursuant to the terms of this Lease (including, without limitation, Tenant's Property [hereinafter defined]), (b) contractors engaged in improving or maintaining the same, or (c) utility companies providing utilities to all or any part of the Parcels.

"EXPANSION OPTION" shall mean, collectively, the First Parcel B Expansion Option, the Second Parcel B Expansion Option and the Office Facility Option, each of which terms is defined in ARTICLE 45 hereof.

"EXPIRATION DATE" shall have the meaning provided in ARTICLE 2.

"FINAL INSPECTION" shall mean, with respect to any Building or improvement, an inspection thereof made by the appropriate department or agency of the City of Jacksonville, Florida as a result of which Tenant may legally occupy and use such Building or improvement.

"FINAL PLANS" shall mean, with respect to any Building or other structure, the drawings and specifications therefor filed with the Building Department of the City of Jacksonville, Florida (or its successor or substitute under applicable laws or ordinances), on the basis of which the Final Inspection thereof will be done.

"FISCAL YEAR" shall mean a twelve-month period commencing July 1 and ending June 30, any portion of which occurs during the Term or any Renewal Term.

"FIXED RENT" shall have the respective meanings provided in SECTION 3.1(a), ARTICLE 45 or ARTICLE 46 hereof.

"GOVERNMENTAL AUTHORITY (OR AUTHORITIES)" shall mean and include the United States of America, the State of Florida, the County of Duval, the City of Jacksonville, and any agency, depart ment, commission, board, bureau, instrumentality or political subdivision of any of the foregoing, now existing or hereafter created, having jurisdiction over the Parcels or any portion thereof, or any officer or official of any of the foregoing acting in his official capacity.

"GUARANTY" means and includes, collectively, any and all guaranties of any or all of Tenant's obligations hereunder given at any time or from time to time by Guarantor (including, without limitation, that certain Irrevocable Guaranty of Payment and Performance executed and delivered by Guarantor to Landlord substantially simultaneously with the execution and delivery of this Lease), as the same may from time to time be amended, modified or restated.

"IMPOSITIONS" shall have the meaning provided in SECTION 4.1.

"INITIAL BUILDING" shall mean the Building which Landlord is to cause to be constructed on Parcel A prior to the Commencement Date, for which Tenant has heretofore reviewed and approved a coordination set of architectural drawings and specifications prepared by Landlord's architect.

"LAND" shall initially mean Parcel A (defined hereinafter), and (from and after the respective times such additional parcels are leased to Tenant hereunder) it shall also hereafter include such additional parcels of land (if any) that from time to time hereafter are leased by Landlord to Tenant pursuant to Tenant's due exercise of its Option rights pursuant to ARTICLE 45 hereof.

"LANDLORD" shall mean CTC Investments Limited, a Florida limited partnership, and its successors and assigns; provided however, that from and after such time (if any) as Landlord's interest in and to this Lease shall be assigned or transferred outright (and not just for collateral security purposes) in accordance with the provisions of this Lease, then from and after the effective date of such outright assignment or transfer and until the next permitted assignment or transfer (if any) occurs, the term "LANDLORD" shall mean the permitted assignee or transferee.

"LATE CHARGE RATE" shall have the meaning provided in ARTICLE 6.

"LEASE" shall mean this Agreement of Lease as it may from time to time be amended, modified, extended, restated or renewed.

"LEASE YEAR" shall mean, in the case of the first Lease Year, the period beginning on the Commencement Date and ending on the day immediately preceding the first anniversary of the Commencement Date. Each subsequent Lease Year shall mean a twelve-month period beginning on an anniversary of the Commencement Date (so that, for example, the second Lease Year shall mean and refer to the 12-month period beginning on the first anniversary of the Commencement Date and ending on the day immediately preceding the second anniversary of the Commencement Date), except that the last Lease Year may be less than twelve months if this Lease expires or terminates on a date which is not the day immediately preceding an anniversary of the Commence ment Date, and in such case any annual amounts payable under this Lease (including, without limitation, Fixed Rent) shall be prorated for such last Lease Year.

"LEASEHOLD IMPROVEMENT AGREEMENT" shall mean that certain agreement substantially in the form of EXHIBIT C attached hereto, which Landlord and Tenant have executed or will execute substantially simultaneously with the execution of this Lease.

"OPTION" shall mean and refer to such of the Expansion Options or Renewal Options, as the context requires.

"NOTICE" shall have the meaning provided in SECTION 26.1.

"PARCEL A" shall mean the parcel of land described on EXHIBIT A attached hereto, except that Landlord and Tenant hereby agree that, on the written request of either of them delivered to the other not later than 180 days after final completion of the Initial Building, they will jointly cause the respective legal descriptions of Parcels A and B to be modified so that the boundary between those two parcels will be flush with the eastern edge of the Initial Building.

"PARCEL B" shall mean the parcel of land described on EXHIBIT D attached hereto, except that Landlord and Tenant hereby agree that, on the written request of either of them delivered to the other not later than 180 days after final completion of the Initial Building, they will jointly cause the respective legal descriptions of Parcels A and B to be modified so that the boundary between those two parcels will be flush with the eastern edge of the Initial Building.

"PARCEL C" shall mean the parcel of land described on EXHIBIT E attached hereto.

"PARCEL D" shall mean the parcel of land described on EXHIBIT G attached hereto.

"PARCELS" shall mean, collectively, at any time, Parcels A, B, C and D and any Buildings and other improvements then situated thereon.

"PARKING/DRIVEWAY FACILITIES" shall mean, at any time, the South Access Roadway and such other parking lots and driveways (if any) as are then in existence and are necessary for the use and operation of, or access to, the Buildings, and which are located on the Parcels but outside the boundaries of the Land, and which Landlord and Tenant have identified, in a writing signed by both of them, as being Parking/Driveway Facilities under and for purposes of this Lease. Park ing/Driveway Facilities will initially include (i) the portions situated on Parcel D of (A) the cross- hatched and shaded area adjacent to and immediately to the south of the presently intended site for the Initial Building and (B) the strip of land extending south and westward from such cross-hatched and shaded area and indicated as an intended driveway, and (ii) the portion situated on Parcel B of the cross-hatched and shaded area in the northeast portion of Parcel B identified as "Parcel B Parking", all as shown on the preliminary site drawing attached hereto as EXHIBIT N. Such initial Parking/Driveway Facilities are referred to herein as the "INITIAL PARKING/DRIVEWAY FACILITIES"; and the strip of land described in clause (ii) of the preceding sentence has, for the present time, been designated by Landlord as the South Access Roadway (defined generally hereinbelow).

"PERSON" shall mean and include an individual, corporation, partnership, joint venture, estate, trust, unincorporated association, tenancy-in-common, other business entity, Governmental Authority, and any federal, state, county or municipal government or any bureau, department, authority, agency or officer thereof.

"PREMISES" shall mean, at any time, the Land and Buildings (as each such term is then defined for purposes hereof) which are then subject to this Lease as having been leased hereunder to Tenant by Landlord. The Premises shall initially consist of Parcel A and the Initial Building.

"RENEWAL OPTION" shall have the meaning provided in ARTICLE 46.

"RENEWAL TERM" shall have the meaning provided in ARTICLE 46.

"RENTABLE SQUARE FEET" shall mean, with respect to any rentable space in a Building, the total floor area of the space in the Building, expressed in square feet, measured to the outside surface

of the Building, based on the as-built drawings of the Building, determined by the Architect in accordance with professional standards of measurement for similar type buildings (to the extent applicable).

"RENTAL" shall have the meaning provided in SECTION 3.4.

"REQUIREMENTS" shall have the meaning provided in SECTION 14.1(a).

"RESTORATION" shall have the meaning provided in SECTION 8.1(c).

"RESTORATION FUNDS" shall have the meaning provided in SECTION 8.2(a).

"RESTORE" shall have the meaning provided in SECTION 8.1(c).

"SECURED LENDER" shall mean a lender which is the holder or beneficiary of a Secured Loan (or any assignee thereof) which, in the case of a construction loan, shall be an institutional lender.

"SECURED LOAN" shall mean any loan of any kind (including, without limitation, any renewal, extension, or modification of any Secured Loan, and any Secured Loan which refinances any Secured Loan) which is secured by any mortgage, deed of trust or other security instrument (whether or not recorded) which constitutes or creates a lien, encumbrance or security interest on any portion of or interest in Landlord's interest in and to the Premises; provided, however, that the aggregate principal amount outstanding under Secured Loans shall not at any time exceed the sum of Fifteen Million Dollars ($15,000,000.00) plus the aggregate Total Construction Cost (if any) in respect of all of the exercised Expansion Options and Additions and (to the extent, if any, paid for with Secured Loan proceeds or Landlord's own funds) Restorations.

"SOUTH ACCESS ROADWAY" shall mean that portion which lies entirely within Parcel D, of a 3-lane roadway or other right of way that will provide access from Parcel A across Parcel D to Stone Drive, the specific location of which South Access Roadway may be designated, or moved from time to time, by Landlord, provided that (i) any location to which it is moved provides Tenant with reasonably equivalent access and (ii) unless such move is either reasonably necessary to accommodate Tenant's exercise of an Option or is made at Tenant's written request, Landlord shall construct at its expense a new roadway substantially equivalent to the one it replaced (including curb, gutter, and median strips) and pay the cost of Tenant's moving its sign from the former roadway.

"TAXES" shall have the meaning provided in SECTION 4.3(a).

"TENANT" shall mean Coach Distribution Company, a Delaware corporation; provided, however, that after such time (if any) as all of Tenant's right, title and interest in, to and under this Lease and the leasehold estate hereby created shall have been assigned or transferred in accordance with the terms of this Lease, then from and after the effective date of such assignment or transfer and the assumption hereof by a permitted assignee pursuant to a written assignment agreement

satisfactory to Landlord and all Secured Lenders and the release of the assigning Tenant from its obligations hereunder as provided in SECTION 10.2 below, and until the next permitted assignment or transfer (if any), the term "Tenant" shall mean the permitted assignee or transferee.

"TENANT'S PROPERTY" shall have the meaning provided in SECTION 11.2.

"TERM" shall have the meaning provided in ARTICLE 2.

"UNAVOIDABLE DELAYS" shall mean actual delays suffered as a direct result of (i) strikes, lockouts, acts of God, enemy action, civil riots or inability to obtain labor or materials due to governmental restrictions, (ii) the wrongful failure of a party hereto to grant any consent or approval to the other, (iii) fire or other casualty or other causes beyond the control of the obligated party, and (iv) the breach or default of the other party to this Lease in the performance of its obligations under this Lease, or other act of such other party or any Person acting or claiming by, through or under such other party, which directly prevents the obligated party from performing its obligation hereunder; provided, however, that in each instance the party claiming unavoidable delay shall have notified in writing the other party thereof not later than five (5) Business Days after the incident causing the delay shall have occurred and become known to the claiming party.

"WILMA" shall mean Wilma/Skyland Joint Venture, Ltd., a Georgia limited partnership, and its successors.

ARTICLE 2
PREMISES AND TERM OF LEASE

Landlord does hereby demise and lease Parcel A and the Initial Building to Tenant, and grants to Tenant, its guests, invitees and licensees all easements, rights and privileges appurtenant thereto, and Tenant does hereby lease and accept Parcel A and the Initial Building from Landlord, all subject to those matters set forth on EXHIBIT B attached hereto and made a part hereof and such other matters which either (i) result from the acts of Tenant or any Person acting or claiming by, through or under Tenant or (ii) have been or may hereafter be approved by Tenant (Tenant agrees that it will not withhold or delay its approval unreasonably).

TO HAVE AND TO HOLD unto Tenant for the Term (as defined herein) and any Renewal Terms. "TERM" means the period commencing on the Commencement Date (as defined in the Leasehold Improvement Agreement) (the "COMMENCEMENT DATE") and expiring at 11:59 p.m. local Jacksonville, Florida, time on the date (the "EXPIRATION DATE") which is the first to occur of (1) the last to occur of (a) the day (the "INITIAL EXPIRATION DATE") which is twenty (20) years and 300 days after the date of this Lease, (b) the day preceding the tenth anniversary of the commencement of the First Renewal Term if Tenant exercises the First Renewal Option but not the Second Renewal Option, (c) the day preceding the tenth anniversary of the commencement of the Second Renewal Term if Tenant exercises both Renewal Options pursuant to ARTICLE 46, and (d) only as to any Addition and the Parcel of land on which it is situated, which are subjected to this Lease as a result

of Tenant's due exercise of any Expansion Option (and not as to any other land or Building), the last day of the period to which the Term was extended as a result of the exercise of such Expansion Option pursuant to ARTICLE 45 hereof, and (2) such earlier date upon which the term of this Lease shall expire or be canceled or terminated pursuant to any of the conditions, provisions or covenants of this Lease or pursuant to law. Promptly following the Commencement Date, and also promptly following the due exercise of any Renewal Option or Expansion Option, the parties hereto shall enter into an agreement or memorandum in recordable form and otherwise reasonably satisfactory to the parties hereto, confirming (as the case may be) either the Commencement Date or the Expiration Date as then known to the parties.

Landlord also hereby grants to Tenant a non-exclusive easement (which Landlord may, at any time and from time to time, on reasonable notice to Tenant, unilaterally relocate to any other location within the Parcels that will provide Tenant with a reasonably equivalent substitute) to use the Parking/Driveway Facilities for and during the Term.

Landlord retains and reserves the right to use, and to license and grant to others the non-exclusive right to use, for trucks and other vehicles, the portions situated on Parcel A of (i) the South Access Roadway and (ii) the area (the "TRUCK STAGING AREA") on Parcel A which is adjacent to and south of the southern edge of the Initial Building and which is cross-hatched and shaded on EXHIBIT N attached hereto; and Tenant shall at all times cause and allow such portions of the South Access Roadway and the Truck Staging Area to be used by Landlord and its designees and licensees for trucks and other vehicles.

Landlord retains, and reserves the right to transfer, any and all development rights applicable to Parcel A which are not utilized in connection with the Initial Building, except that Landlord will not transfer such of those retained development rights (if any) as may be necessary to permit the construction of additional Buildings for Tenant pursuant to such of the Expansion Options as have not lapsed or terminated or been fully exercised and satisfied.

ARTICLE 3
RENT

SECTION 3.1.

(a) For and during the Term, Tenant shall pay to Landlord with respect to the initial Premises (I.E., Parcel A, the Initial Building and all other improvements now or hereafter situated on Parcel A, and exclusive of any Addition or other improvement that may be leased to Tenant pursuant to its exercise of any Expansion Option), a fixed rent ("FIXED RENT") in the respective amounts set forth below, all without any demand or notice therefor from Landlord:

(i) an amount per annum equal to the product of $4.40 multiplied by the Rentable Square Feet of the Initial Building situated on Parcel A, for the period beginning on the Commencement Date and ending on the last day of the fifth (5th) Lease Year;

(ii) an amount per annum equal to the product of $4.90 multiplied by the Rentable Square Feet of the Initial Building situated on Parcel A, for the period commencing on the first day of the sixth (6th) Lease Year and ending on the last day of the tenth (10th) Lease Year;

(iii) an amount per annum equal to the product of $5.45 multiplied by the Rentable Square Feet of the Initial Building situated on Parcel A, for the period commencing on the first day of the eleventh (11th) Lease Year and ending on the last day of the fifteenth (15th) Lease Year;

(iv) an amount per annum equal to the product of $5.95 multiplied by the Rentable Square Feet of the Initial Building situated on Parcel A, for the period beginning on the first day of the sixteenth (16th) Lease Year and ending on the last day of the twentieth (20th) Lease Year; and

(v) for any period within any Renewal Term, Fixed Rent determined as provided in ARTICLE 46 hereof.

(b) Prior to the Commencement Date, the Architect (as defined in the Leasehold Improvement Agreement) shall certify to the parties in writing, the number of Rentable Square Feet of the Initial Building. Such certification shall be binding and conclusive upon the parties, absent manifest error.

(c) In the event Tenant exercises any Expansion Option, Tenant shall also pay to Landlord, in addition to the Fixed Rent provided for in SECTION 3.1(a) above, Fixed Rent for the applicable Addition as determined in accordance with ARTICLE 45.

(d) In the event Tenant exercises any of the Renewal Options, Tenant shall pay Fixed Rent for the entire Premises (I.E., all Land and Buildings, including, without limitation, Parcel A and the Initial Building) for the applicable Renewal Term as determined in accordance with ARTICLE 46.

(e) Fixed Rent shall be due and payable in equal monthly installments in advance, on the Commencement Date and on the first day of each calendar month thereafter during the Term, and (as to any Renewal Term) on the first day of such Renewal Term and on the first day of each calendar month thereafter during such Renewal Term. The monthly installment of Fixed Rent for any partial calendar month shall be prorated based on the number of actual days in such partial calendar month.

SECTION 3.2.

(a) Fixed Rent (as the amount of such Fixed Rent may be adjusted as expressly provided in SECTION 9.3(c), ARTICLES 45 and 46, and EXHIBIT C), shall be absolutely net to Landlord without any abatement, counterclaim, offset, exception, qualification, or (except such as is expressly provided for in SECTION 48.2 hereof) deduction or reduction whatsoever.

(b) Except for debt service on any indebtedness owed by Landlord to a Person other than Tenant or Guarantor, and except as expressly required to be paid by Landlord or another Person by the express provisions of SECTION 3.3 or any other provision herein, Tenant shall pay all costs, expenses and charges of any and every kind and nature whatsoever (including, without limitation, Impositions [defined hereinafter], Taxes and insurance) of, for or relating to all of the Parcels or the ownership, use, operation, management, maintenance and repair thereof, which arise or become due or payable for, during, with respect to, or after (but attributable to a period falling within) the Term or any Renewal Term, even though Tenant may not own, lease, or have any right to use or occupy some or all of such Parcels. Impositions, Taxes, and all other amounts payable by Tenant hereunder shall be prorated for any partial Lease Year within the Term or any Renewal Term.

SECTION 3.3.

(a) Notwithstanding SECTION 3.2 above, Tenant shall not be liable for the costs or other obligations (including, but not limited to, Impositions) described in SECTION 3.2(b) relating to Parcel B first arising and accruing from and after the later of (i) the eighth anniversary of the Commencement Date and (ii) the first anniversary of the earlier to occur of (A) the date of Tenant's written notice to Landlord that Tenant irrevocably and unconditionally waives and releases all rights to exercise both of the First Parcel B Expansion Option and the Second Parcel B Expansion Option or (B) the date as of which both the First Parcel B Expansion Option and the Second Parcel B Expansion Option have expired unexercised, it being understood and agreed that the excusal of Tenant from the payment of such costs relating to Parcel B which is provided for in this SECTION 3.3(a) shall be void and of no force or effect if either the First Parcel B Expansion Option or the Second Parcel B Expansion Option is exercised or is still available for exercise.

(b) Notwithstanding SECTION 3.2 above, Tenant shall not be liable for the costs or other obligations (including, but not limited to, Impositions) described in SECTION 3.2(b) relating to Parcel C first arising and accruing from and after the later of (i) the eighth anniversary of the Commencement Date and (ii) the first anniversary of the earlier to occur of (A) the date of Tenant's written notice to Landlord that Tenant irrevocably and unconditionally waives and releases all rights to exercise the Office Facility Option or (B) the date upon which the Office Facility Option shall have expired unexercised, it being understood and agreed that the excusal of Tenant from the payment of such costs relating to Parcel C which is provided for in this SECTION 3.3(b) shall be void and of no force or effect if the Office Facility Option is exercised or is still available for exercise.

(c) Notwithstanding SECTION 3.2 above, Tenant shall not be liable for the costs or other obligations (including, without limitation, Impositions) described in SECTION 3.2(b) relating to Parcel D first arising and accruing from and after the date (if it should occur during the Term) as of which, pursuant to the provisions of SECTIONS 3.3(a) and (b) above, Tenant ceases to be liable for the costs and other obligations described in SECTION 3.2(b) relating to Parcel B.

SECTION 3.4. All amounts of any and every kind whatsoever payable by Tenant pursuant to this Lease (collectively, "RENTAL"), including (without limitation) Fixed Rent, Impositions and all other amounts payable by Tenant under this Lease (other than Late Charges) shall constitute rent under this Lease, and all of the portions, amounts or components of Rental which are to be paid to Landlord pursuant to the provisions of this Lease shall be paid by wire transfer of immediately available funds in accordance with written wire transfer instructions provided by Landlord to Tenant from time to time, and all of the portions, amounts or components of Rental which are payable to any Persons other than Landlord shall be paid in full to the proper payees thereof, timely and by the time provided therefor in this Lease (or if the time for such payments is not expressly provided for in this Lease, then before the same becomes delinquent or past-due or any late payment penalty or charge becomes due with respect thereto. All Rental paid under this Lease to Persons other than Landlord who are the proper payees thereof shall be, and be construed as, payments made by Tenant for the benefit of Landlord. Tenant shall pay all Rental provided for in this Lease notwithstanding any casualty, destruction of the Buildings and other improvements, act of God, or any other event or occurrence of any kind and notwithstanding that Tenant does not own, lease, occupy or use (or have any right to acquire, lease, occupy or use) some or all of the Parcels, and in no event whatsoever shall there ever be any diminution or abatement of any Rental except in the specific circumstances, and to the specific extent, if any, expressly and specifically provided in this Lease.

SECTION 3.5. Omitted.

SECTION 3.6. Omitted.

SECTION 3.7. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct amount of any Rental shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

SECTION 3.8. If any of the Fixed Rent, Impositions or any other Rental payable under the terms and provisions of this Lease shall be or become uncollectible, reduced or required to be refunded because of any rent control or similar act or law enacted by a Governmental Authority, Tenant shall enter into such agreements and take such other steps (without additional expense or liability to Tenant) as Landlord may reasonably request and as may be legally permissible to permit Landlord to collect the maximum rents which from time to time during the continuance of such legal rent restriction may be legally permissible (and not in excess of the amounts reserved therefor under

this Lease). Upon the termination of such legal rent restriction, (a) the Rental in question shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination, and (b) if permitted by law, Tenant shall pay to Landlord, to the maximum extent legally permissible, an amount equal to (i) the amount of the Rental in question which would have been paid pursuant to this Lease but for such legal rent restriction less (ii) the amounts with respect to such Rental paid by Tenant during the period such legal rent restriction was in effect, plus interest on the net excess of (i) over (ii) at a reasonable rate agreed upon by the parties (and absent such agreement, at the rate of 8% per annum).

ARTICLE 4
IMPOSITIONS

SECTION 4.1. Tenant covenants and agrees to pay or cause to be paid, as hereinafter provided, at Tenant's option either to Landlord or to the Governmental Authority or other Person imposing the same or to whom the same may be due and payable, all of the following items (collectively, "IMPOSITIONS") which accrue in or relate to any period beginning on or after the Commencement Date (except to the extent, if any, that any of such items are paid by Wilma or the Association): (a) Taxes (defined hereinafter) and real property assessments, (b) personal property taxes, (c) occupancy and rent taxes, (d) water, water meter and sewer rents, rates and charges, (e) excises, (f) levies, (g) license and permit fees, (h) service charges with respect to police protection, fire protection, common area maintenance, sanitation and water supply, if any, (i) Association assessments and charges, and (j) fines, penalties and other similar or like charges applicable to the foregoing and any interest or costs with respect thereto (only to the extent incurred by reason of Tenant's wrongful act or omission or Tenant's failure timely to pay the same or otherwise fully and timely to comply with any provision of this Lease), to the extent that at any time during the Term or any Renewal Term, such items listed in clauses (a) through (j) of this SECTION 4.1 are assessed, levied, confirmed, imposed upon, or would grow or become due and payable out of or in respect of, or would be charged with respect to: (A) the Parcels or any personal property, Equipment or other facility used in the operation thereof, (B) any document (other than this Lease) by which Tenant directly or indirectly creates or transfers any interest or estate in the Parcels, (C) the use and occupancy of the Parcels by Tenant or any Person by, through or under Tenant, or (D) the Rental (or any portion thereof) payable by Tenant hereunder. Each such Imposition, or installment thereof, during the Term or any Renewal Term shall be paid at least five (5) days before the last day the same may be paid without fine, penalty, interest or additional cost; provided, however, that if, by law, any Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same in such installments and shall be responsible for the payment of such installments only (including, without limitation, any interest or late payment charges payable thereon or in connection therewith); provided, however, that all such installment payments relating to periods prior to the date definitely fixed for the expiration of the Term or any Renewal Terms shall be made prior to the Expiration Date.

SECTION 4.2. If Tenant, or Landlord upon receipt from Tenant, is paying any Imposition directly to the Governmental Authority or other Person imposing the same, then each party, from

time to time upon the request of the other party, shall furnish evidence reasonably satisfactory to the requesting party evidencing the payment of the Imposition.

SECTION 4.3.

(a) "TAXES" shall mean and include (i) any and all real property or other ad valorem taxes assessed or levied against or with respect to the Parcels or any part thereof, and (ii) sales, rental, or other similar taxes on commercial rents and (iii) fines, penalties and other similar or like governmental charges applicable to the foregoing taxes or charges and any interest or costs with respect thereto.

(b) Nothing herein contained shall require Tenant to pay municipal, state or federal income, inheritance, estate, succession, capital levy, transfer or gift taxes of Landlord, or any corporate franchise tax imposed upon Landlord or any gross income or gross receipts taxes imposed upon Landlord, unless such tax is imposed in lieu of any of the taxes described in the preceding SECTION 4.3(a).

SECTION 4.4. Any Imposition relating to a fiscal period of the imposing Governmental Authority or other Person, a part of which period is included within the Term or any Renewal Term and a part of which is included in a period of time prior to or after the Term or any Renewal Term, shall be apportioned between Landlord and Tenant as of the Commencement Date or Expiration Date, as the case may be, so that Tenant shall pay that portion of such Imposition which that part of such fiscal period included in the period of time on or after the Commencement Date and before the Expiration Date.

SECTION 4.5. Tenant shall have the right, to the extent permitted by law, at its own expense, to contest the amount or validity, in whole or in part, of any Imposition it is obligated hereunder to pay, by appropriate proceedings diligently conducted in good faith. Notwithstanding the provisions of SECTION 4.1 hereof, payment of such Imposition shall be postponed if, and only as long as none of the Parcels nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited or lost, in which event the Tenant shall pay such Imposition or post a bond or other security sufficient to postpone forfeiture or levy. Upon the termination of such proceedings, including appeals, it shall be the obligation of Tenant to pay the amount of such Imposition or part thereof as finally determined in such proceedings or appeals, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith.

SECTION 4.6. Tenant shall have the right, to the extent permitted by law, and at Tenant's sole cost and expense, to seek a reduction in the valuation of the Parcels assessed for real property tax purposes and to prosecute any action or proceeding in connection therewith; provided, however, that during the last year of the Term (and any Renewal Term, if applicable), Landlord (and not Tenant) shall have the right (but no obligation), at Landlord's cost and expense, to seek a reduction in the

valuation of the Parcels assessed for real property tax purposes and to prosecute any action or proceeding in connection therewith.

SECTION 4.7.

(a) Landlord shall not be required to join in any proceedings referred to in SECTION 4.5 or 4.6 hereof unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Landlord, in which event Landlord shall join and cooperate in such proceedings or permit the same to be brought in its name, but shall not be liable for the payment of any costs or expenses in connection with any such proceedings, and Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from and against, any and all costs or expenses which Landlord may reasonably pay, sustain or incur in connection with any such proceedings.

(b) Tenant shall not be required to join in any proceedings referred to in the proviso at the end of 4.6 hereof unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Tenant, in which event Tenant shall join and cooperate in such proceedings or permit the same to be brought in its name, but shall not be liable for the payment of any costs or expenses in connection with any such proceedings, and Landlord shall reimburse Tenant for, and indemnify and hold Tenant harmless from and against, any and all costs or expenses which Tenant may reasonably pay, sustain or incur in connection with any such proceedings.

SECTION 4.8. Any certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Imposition asserting non-payment of such Imposition shall be prima facie evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill, at the time or date stated therein.

ARTICLE 5
MONTHLY DEPOSITS

From and after the occurrence of a monetary Event of Default hereunder, at Landlord's request Tenant shall deposit with Landlord, on a monthly basis together with Fixed Rent, one-twelfth of such amount as, in Landlord's reasonable judgment, is necessary so that Landlord will have sufficient funds on deposit to pay when due all Taxes, Impositions and insurance required to be paid by Tenant hereunder. In the event that at any time Landlord reasonably believes that it will have insufficient funds on hand based on the foregoing deposits, Landlord may require additional deposits, as necessary. Any such deposits shall be maintained by Landlord in a segregated interest-bearing account. All such deposits shall be deemed the property of Tenant and held in trust by Landlord, and all income thereon shall be deemed Tenant's income for purposes of federal and other income taxes, but Tenant shall not have access to, or direct the withdrawal or payment of, any funds in such account. If after payment of Taxes, Impositions and insurance for any Taxable Year, Landlord continues to hold any excess funds (including interest) which had been deposited by Tenant with

Landlord, Landlord shall within thirty (30) days after payment of the Taxes, Impositions and insurance for said Taxable Year return any excess funds to Tenant, provided, however, that if an Event of Default exists (and any applicable cure period has expired), such excess may continue to be held, or may be credited, by Landlord against future amounts due or to become due or payable by Tenant hereunder.

ARTICLE 6
LATE CHARGES

If payment of any Fixed Rent, Impositions or any other Rental shall not have been paid in accordance with the provisions of SECTION 3.1, SECTION 3.4, or any other applicable provision hereof by the seventh day after the date on which such amount was due and payable under this Lease, a late charge ("LATE CHARGE") on the amount overdue at the rate ("LATE CHARGE RATE") of fifteen percent (15%) per annum from the date on which such amount was first due and payable until the date paid in full, shall at Landlord's option be payable as partial damages for Tenant's failure to make prompt payment, in addition to any other right or remedy of Landlord under this Lease. Late Charges shall be payable on demand. Nothing contained in this ARTICLE 6 and no acceptance of Late Charges by Landlord, shall be deemed to extend or change the time for payment of Fixed Rent, Impositions or any other Rental. No failure by Landlord to insist upon the strict performance by Tenant of its obligations to pay Late Charges shall constitute a waiver by Landlord of its right to enforce the provisions of this ARTICLE 6 in any instance thereafter occurring. The provisions of this ARTICLE 6 relate only to the imposition of Late Charges and shall not be construed in any way to create any grace period with respect to any Default or to extend the grace periods or notice periods provided for in ARTICLE 25.

ARTICLE 7
INSURANCE

SECTION 7.1.

(a) Subject to the provisions herein, throughout the Term or any Renewal Terms, Tenant at its sole cost and expense shall:

(i) keep all Buildings or cause all Buildings to be kept insured under an "All Risk of Physical Loss" form of policy, also providing coverage for loss or damage by water, flood, subsidence and earthquake, and including coverage for changes in ordinances and laws by governmental authority resulting in consequential and contingent liabilities or increases in costs of construction, with such limits as are reasonably required by Landlord from time to time, and with deductibles not to exceed $100,000.00, except that the deduct ible may be $250,000.00 for loss or damage by flood and $500,000.00 for loss or damage by subsidence or earthquake, and excluding from such coverage normal settling only, and including war risks when and to the extent obtainable from the United States government or an agency thereof; such insurance to be in the amount set forth in the "agreed amount clause"

endorsement to the policy in question, which endorsement shall be attached to the policy, provided that such amount shall be sufficient to prevent Landlord and Tenant from becoming co-insurers under provisions of applicable policies of insurance; and in the absence of such "agreed amount clause" endorsement, such insurance shall meet the requirements of this SECTION 7.1(a)(i) and shall be in an amount not less than one hundred percent (100%) of the actual full replacement cost (without reduction for depreciation or other matters) of all Buildings.

(ii) provide and keep, or cause to be provided and kept, in force comprehensive general liability insurance against liability for bodily injury and death and property damage, it being agreed that such insurance shall be in an amount as may from time to time be reasonably required by Landlord, but not less than $20,000,000.00 combined single limit for liability for bodily injury, death and property damage; such insurance shall include all of the Parcels and all sidewalks adjoining or appurtenant to the Parcels, shall contain blanket contractual coverage and shall also provide the following protection:

(1) completed operations;

(2) personal injury protection (exclusions a and c of current forms deleted);

(3) sprinkler leakage-water damage legal liability; and

(4) fire legal liability, if not otherwise covered under the comprehensive form of public liability insurance.

(iii) provide and keep, or cause to be provided and kept in force, automobile liability and property damage insurance for all owned, non-owned and hired vehicles insuring against liability for bodily injury and death and for property damage in an amount as may from time to time (but not more often than once every three (3) years) be reasonably required by Landlord but not less than $3,000,000.00 combined single limit, such insurance to contain the so-called "occurrence clause";

(iv) provide and keep, or cause to be provided and kept in force, workers' compensation providing statutory benefits for all persons employed by Tenant at or in connection with the Parcels;

(v) if a sprinkler system shall be located in any portion of any Building, provide and keep, or cause to be provided and kept in force, sprinkler leakage insurance in amounts reasonably required by Landlord;

(vi) provide and keep, or cause to be provided and kept, in force boiler and machinery insurance in an amount as may from time to time be reasonably required by

Landlord but not less than $10,000,000.00 per accident on a combined basis covering direct property loss and loss of income and providing for all steam, mechanical and electrical equipment, including without limitation, all boilers, unfired pressure vessels, piping and wiring;

(vii) provide and keep, or cause to be provided and kept, in force such other insurance in such amounts as either (A) Landlord may reasonably require (including, without limitation, insurance against loss or damage to landscaping and to irrigation and lawn sprinkler systems) or (B) Landlord may from time to time be required to carry by any Secured Lender, in either such case against such other insurable risks or hazards as at the time are commonly insured against in the case of prudent owners of like buildings, improvements and property.

(b) All insurance provided or caused to be provided by Tenant as required by this Section 7.1 (except the insurance under SECTION 7.1(a)(iv)) shall name Tenant as a named insured and Landlord as a named insured and a loss payee and shall include a so-called "Landlord Protective Insurance" rider or endorsement providing, among other things, that Landlord has full rights to the full amount of the policy. The coverage provided or caused to be provided by Tenant as required by SECTIONS 7.1(a)(i), 7.1(a)(v) and 7.1(a)(vi), 7.1(a)(vii) and any property insurance required to be maintained pursuant to SECTION 7.1(a) shall also name as an additional insured and (if Landlord so requests) also as an additional loss payee, under a standard noncontributing mortgagee clause, each Secured Lender which Landlord requests Tenant so to name. The coverage provided or caused to be provided by Tenant as required by SECTIONS 7.1(a)(ii) and 7.1(a)(iii) and any liability insurance provided or caused to be provided by Tenant shall also name each Secured Lender as an additional insured.

SECTION 7.2.

(a) The loss under all policies required by any provision of this Lease insuring against damage to the Buildings by fire or other casualty shall be payable jointly to Landlord or its designee, Tenant and (if Landlord so designates) Secured Lenders, for application in accordance with ARTICLE 8 hereof.

(b) All insurance required by any provision of this Lease shall be in such form as is reasonably acceptable to Landlord and shall be issued by any insurance company licensed and authorized to do business in the State of Florida and having a Best's Insurance Reports (or any successor publication of comparable standing) rating of A XIII (or the then-equivalent of such rating) or better or by any other insurance company approved in writing by Landlord. All policies referred to in this Lease shall be procured, or caused to be procured, by Tenant, at no expense to Landlord and for periods of not less than one (1) year. Prior to the commencement of the term of each such policy, Tenant shall deliver to Landlord the following: (i) a certificate of insurance issued by the insurance carrier (not a broker or agent) evidencing all coverages required by this Lease and the respective amounts and limits thereof, such certificate to be satisfactory in all respects to Landlord

and to each Secured Lender (in each such Secured Lender's absolute and unqualified discretion); and (ii) such additional evidence of insurance (if any) as any Secured Lender may, in its absolute discretion, require. Tenant hereby agrees to defend, indemnify and hold harmless Landlord and all Secured Lenders from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever which any or all of them may pay, incur or sustain, or which may be asserted against them, as a consequence or result of Tenant's having failed to obtain, carry or maintain any insurance coverage required by the provisions of this Lease. A similar certificate of insurance for any new or renewal policy that replaces any policy expiring during the Term or any Renewal Term, together with any additional evidence of such insurance that any Secured Lender may, in its absolute discretion, require, shall be delivered to Landlord as aforesaid at least twenty-five (25) days prior to the date of expiration of the old policy, together with proof reasonably satisfactory to Landlord that all premiums thereon have been paid for at least the first twelve months following the date of such certificate.

(c) Tenant and Landlord shall cooperate in connection with the collection of any insurance moneys that may be due in the event of loss, and Tenant and Landlord shall execute and deliver such proofs of loss and other instruments which may be reasonably required for the purpose of obtaining the recovery of any such insurance moneys.

(d) All property insurance policies as required by this Lease shall provide in substance that all adjustments for claims shall be made with the written consent of Landlord subject to the respective rights of Tenant and any Secured Lender as an insured or additional insured to participate in making such adjustment.

(e) Tenant shall not violate or permit to be violated any of the conditions or provisions of any insurance policy required hereunder, and Tenant shall so perform and satisfy or cause to be performed and satisfied the requirements of the companies writing such policies so that at all times companies of good standing, reasonably satisfactory to Landlord (as provided in SECTION 7.2(b) hereof), shall be willing to write and continue such insurance.

(f) Each policy of insurance required to be obtained or caused to be obtained by Tenant as herein provided, and each certificate or memorandum therefor issued by the insurer, shall contain (i) a provision that no act or omission of Tenant, Landlord or any Secured Lender shall affect or limit the obligation of the property insurance company to pay Landlord or any Secured Lender the amount of any loss sustained, (ii) an agreement by the insurer that such policy shall not be canceled or modified without at least thirty (30) days' prior written notice to Landlord and each Secured Lender, and (iii) a provision authorizing the waiver of subrogation by Tenant and Landlord of any right to recover the amount of any loss resulting from the negligence of the other or its agents, employees or licensees.

SECTION 7.3. Notwithstanding any contrary provision contained in this Lease, Tenant hereby waives any and all rights of recovery, claim, action, or cause of action against Landlord or its partners, agents, contractors or employees, for any loss or damage that may occur to the Premises

or the Parcels, or any property of Tenant therein or thereon, by reason of fire, the elements, or any other cause which is, or is required to be, insured against under insurance policies carried or required to be carried by Tenant under this Lease, regardless of cause or origin, including negligence of Landlord or its partners, agents, contractors or employees, and Tenant covenants that no insurer shall hold any right of subrogation against Landlord or any of such other Persons and all such insurance policies shall be amended or endorsed to reflect such waiver of subrogation.

SECTION 7.4. The insurance required by this Lease, at the option of Tenant, may be effected by blanket and umbrella policies issued to Tenant covering the Parcels and other properties owned or leased by Tenant; provided, however, that any such blanket policies shall (a) separately set forth the amount of the insurance applicable to the Parcels, (b) otherwise comply with the provisions of this Lease, and (c) afford the same protection and rights to Landlord as would be provided by policies individually applicable to the Parcels.

ARTICLE 8
USE OF INSURANCE PROCEEDS

SECTION 8.1.

(a) If all or any part of any of the Buildings or access thereto shall be destroyed or damaged in whole or in part by fire or other casualty, Tenant shall give to Landlord immediate notice thereof.

(b) If any such casualty damage or destruction shall (i) occur at any time during the last two years of the Term or any Renewal Term, (ii) render the Premises or a substantial portion thereof unusable for Tenant's uses hereunder (or the permitted uses of Tenant's assignee or sublessee), and (iii) cost more than $5,000,000.00 to restore, then Landlord or Tenant may in their sole discretion (but subject to any conditions precedent set out elsewhere in this SECTION 8.1), by written notice given to the other within ten (10) days after such damage or destruction, terminate this Lease (except that if, within such 10-day period, Tenant notifies Landlord that it wishes to extend such period from 10 days to any date specified in the notice which is not later than three months after the date of such damage or destruction, and Tenant acknowledges in writing that it will continue to pay all Rental hereunder and be responsible for all other obligations of Tenant hereunder for and during such period, then if no Default has occurred such 10-day period shall be extended to the date requested in such notice for the benefit of both Landlord and Tenant, each of whom may terminate this Lease during that period as provided in this sentence), in which case Landlord may obtain and retain all insurance proceeds payable for or on account of such damage or loss for Landlord's own account and, if Tenant makes the payments to Secured Lenders (if any) required by the last sentence of this paragraph, this Lease shall thereafter be of no further effect; provided, however, that Tenant shall have the right to nullify any Landlord termination by duly and timely exercising any Renewal Option pursuant to ARTICLE 46 (if then available for exercise pursuant to the provisions of said ARTICLE 46). If Tenant terminates this Lease and the insurance proceeds paid to Landlord are insufficient to satisfy all amounts due on outstanding Secured Loans, then Tenant, on behalf of

Landlord, shall pay to each Secured Lender such Secured Lender's share of such deficiency so that all of such Secured Loans shall be paid and satisfied in full (and Tenant's payment of such deficiency shall be a condition precedent to the effectiveness of Tenant's termination of this Lease); provided, however, that the aggregate amount Tenant shall be obligated so to pay to all of the Secured Lenders on account of all of the Secured Loans taken together shall be calculated in the same manner, and shall be subject to the same limitation as to the principal indebtedness component thereof, as is applicable to the Shortfall (defined hereinafter).

(c) If any such damage or destruction does not result in termination of this Lease in accordance with SECTION 8.1(b), and provided that all monies or proceeds received by Landlord and Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) are deposited into a segregated interest-bearing escrow account (which account is not available to satisfy claims of such Secured Lender's general creditors) with Secured Lender and made available for Restoration (defined herein), Tenant, at its sole cost and expense, for the benefit of Landlord, whether or not such damage or destruction shall have been insured or insurable, and whether or not insurance proceeds (if any) shall be sufficient for the purpose, with reasonable diligence (subject to Unavoidable Delays) shall repair, alter, restore, replace and rebuild or allow Landlord (at Tenant's sole cost and expense) to repair, alter, restore, replace and rebuild (collec tively, "RESTORE"; and the work with respect thereto is referred to herein collectively as "RESTORA TION") or cause to be Restored the same, to at least the extent of the value and as nearly as practicable to the character of the Building existing immediately prior to such occurrence (but in all events in compliance with all applicable laws and codes and the CC&Rs) and otherwise in substantial conformity with the Final Plans therefor; and Landlord shall in no event be called upon to Restore any Building or to pay any of the costs or expenses thereof. In the event all monies or proceeds received by Landlord and Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) are, through no fault of Tenant, not (within a reasonable time after such receipt thereof) made available for Restoration and are not maintained in an escrow account maintained by Secured Lender, Tenant, at Tenant's option, may terminate this Lease upon at least 15 Business Days' prior written notice to Landlord and Secured Lender, in which event Tenant shall (if such monies are not, within such 15-day period, deposited with the Secured Lender or otherwise made available for Restoration) be relieved of all obligations hereunder (but any such purported termination by Tenant will be ineffective if, within such 15-day period, such monies are deposited with the Secured Lender or otherwise made available for Restoration). If Tenant either (i) fails or neglects to Restore or cause to be Restored with reasonable diligence (subject to Unavoidable Delays) the Buildings or the portions thereof so damaged or destroyed or (ii) having so commenced such Restoration, fails to complete or cause to be completed the same with reasonable diligence (subject to Unavoidable Delays) in accordance with the terms of this Lease, then Landlord or Secured Lender may complete such Restoration for Tenant's account and at Tenant's sole cost and expense. For purposes of ARTICLES 8 and 9, the "RESTORING PARTY" shall mean Tenant; or, if Tenant allows Landlord, and Landlord (in its sole and absolute discretion) agrees, to be responsible for the Restoration, or if Landlord undertakes to restore in the event Tenant refuses or otherwise fails diligently to restore, Restoring Party shall then mean Landlord.

SECTION 8.2.

(a) Subject to the provisions of SECTION 8.3, Secured Lender shall release to Restoring Party or to Restoring Party and its contractor(s) from time to time, upon the following terms and conditions, any monies or proceeds received by Landlord or Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) or cash or the proceeds of any security deposited with Secured Lender pursuant to SECTION 8.5 (collectively, "RESTORATION FUNDS"). Secured Lender shall release to Restoring Party, as hereinafter provided, the Restoration Funds, for the purpose of Restoration to be made by Restoring Party to Restore the Buildings to a value not less than their value prior to such fire or other casualty. Such Restoration shall be done in accordance with, and subject to, the provisions of ARTICLE 13, including, without limitation, the maintenance of the insurance coverage referred to in SECTION 13.1(d). The Restoration Funds shall be paid to or for the account of Restoring Party from time to time in installments as the Restoration progresses, upon application to be submitted from time to time by Restoring Party to the Secured Lender(s) as described in SECTION 8.3. The amount of any installment to be paid to or for the account of Restoring Party shall be such portion of the total Restoration Funds as the cost of work, labor, services, materials, fixtures and equipment theretofore incorporated in the Restoration bears to the total estimated cost of the Restoration, less (i) all payments thereto fore made to or for the account of the Restoring Party out of the Restoration Funds and (ii) a sum equal to ten percent (10%) of the amount so determined, the sums held back pursuant to this clause (ii) to be paid to or for the account of Restoring Party in the last installment of Restoration Funds upon the final completion of the Restoration. Upon payment in full for the Restoration, the balance (if any) of the Restoration Funds consisting of insurance proceeds shall be paid first to reimburse Tenant for the reasonable out-of-pocket costs (if any) paid by Tenant to the engineer or architect described in SECTION 8.2(B) for its cost estimate referred to therein, then to reimburse Landlord for the reasonable costs (if any) paid by Landlord to the engineer or architect described in SECTION 8.2(b) for its cost estimate referred to therein, then subject to the rights of any Secured Lender named as an insured, any remainder shall be paid to Landlord for its own account and, to the extent such balance consists of sums deposited by Tenant, shall (after first paying to Landlord therefrom an amount necessary to reimburse it for the reasonable costs, if any, paid by Landlord to the engineer or architect described in SECTION 8.2(b) for its cost estimate referred to therein) be paid over to Tenant. Subject to the provisions herein, in the event that the Restoration Funds are insuffi cient for the purpose of paying for the Restoration, Tenant nevertheless shall be required to cause the Restoration to be made, and shall pay or cause to be paid any additional sums required for the Restoration.

(b) Prior to the making of any Restoration which Tenant is required to make pursuant to SECTION 8.1, Tenant shall furnish Landlord with an estimate of the cost of such Restoration, prepared by a licensed professional engineer or registered architect approved by Landlord and (if Landlord so requests) any Secured Lender, which approval shall not be unreasonably withheld. Landlord, at its election, may engage a licensed professional engineer or registered architect to prepare its own estimates of the cost of such Restoration.

(c) In the event of damage to or destruction of any Building, if any emergency situation arises involving imminent danger either to human life or safety or of further substantial damage to the Premises, Tenant may (at Tenant's sole cost, expense, liability and risk) take such emergency actions on a temporary basis as are necessary to avoid such danger, but Tenant shall not be relieved of any of its obligations under this Lease (including, without limitation, its obligations concerning Restoration or the application of all insurance proceeds to Restoration) and none of such obligations shall be reduced, diminished, deferred or affected in any way.

SECTION 8.3. The following shall be conditions precedent to each payment made to Restoring Party as provided in SECTION 8.2:

(a) there shall be submitted to the other party and the Secured Lender disbursing the Restoration Funds a certificate from the aforesaid engineer or architect (and, if required by the Secured Lender, also a similar certificate from such Secured Lender's own inspecting architect or engineer) stating (i) that the sum then requested to be withdrawn either has been paid by Restoring Party or is justly due to contractors, subcontractors, materialmen, engineers, architects or other Persons (whose names and addresses shall be stated) who have rendered or furnished work, labor, services, materials, fixtures or equipment for the work and giving a brief description of such work, labor, services, materials, fixtures or equipment and the principal subdivisions or categories thereof and the several amounts so paid or due to each of said Persons in respect thereof, and stating in reasonable detail the progress of the Restoration up to the date of said certificate; (ii) that the sum then requested does not exceed the value of the work, labor, services, materials, fixtures and equipment described in the certificate; (iii) that the balance of the Restoration Funds held by Secured Lender will be sufficient, upon completion of the Restoration, to pay for the same in full, and stating in reasonable detail an estimate of the cost of such completion; and (iv) that to the best of such persons's knowledge all work had been done in a good and workmanlike manner and in substantial compliance with the plans and specifications therefor which had been approved by Landlord and/or Secured Lender and with all applicable laws, ordinances and the CC&R's; and

(b) there shall be submitted to the other party and to the Secured Lender disbursing the Restoration Funds a contractor's sworn statement or affidavit in statutory form relating to all work done to date for which payment is then being requested from the general contractor and all appropriate subcontractors, together with supporting lien waivers in statutory form from the general contractor and all subcontractors and materialmen (all tiers) filing notices to owner or otherwise may have a lawful claim to a lien, as well as all other customary documentation (if any) as may reasonably be required by any Secured Lender; and

(c) with respect to any final payment, Restoring Party shall furnish to the other party and the Secured Lenders a final contractor's affidavit (with supporting lien waivers) in statutory form and an affidavit from Restoring Party that all parties having rights to lien the Premises have been paid in full; and

(d) at the time of making such payment, no uncured Event of Default exists (the condition precedent described in this clause (d) may be waived in writing by Landlord, in its absolute discretion, unilaterally and without the joinder or consent of any other Person).

SECTION 8.4. If any material loss, damage or destruction occurs, Restoring Party shall furnish or cause to be furnished to the other party and all Secured Lenders holding a lien on or security interest in any of the damaged property or otherwise affected by such loss, at least ten (10) days before the commencement of any Restoration which Restoring Party is required or elects or is deemed to have elected to make pursuant to SECTION 8.1, the following:

(a) complete plans and specifications for the Restoration of the Building, prepared by a licensed professional engineer or registered architect whose qualifications shall meet with the reasonable approval of the other party and such Secured Lenders, and, at the request of the other party, any other drawings, information and samples that the other party may reasonably request, all of the foregoing to be subject to the other party's and such Secured Lenders' review and approval for substantial conformity with the Final Plans;

(b) a general contract to perform the Restoration work for a stipulated sum or for cost plus a fee with an upset price, in form assignable to the other party and such Secured Lenders, made with a reputable and responsible contractor, providing in substance for (i) the completion of the Restoration with reasonable diligence, subject to Unavoidable Delays, in accordance with said plans and specifications, free and clear of all liens, encumbrances, security agreements, interests and financing statements, and (ii) a payment and performance bond by sureties reasonably satisfactory to the other party and such Secured Lenders, naming the contractor as principal and the other party and such Secured Lenders as dual obligees, in a penal sum equal to the amount of such contract, or a clean irrevocable negotiable letter of credit or other security reasonably satisfactory to the other party and such Secured Lenders in an amount equal to the amount of such contract; and

(c) if Landlord is not the Restoring Party, an assignment to Landlord of the contract so furnished and the bond, letter of credit or other security so provided, such assignment to be duly executed and acknowledged by Tenant, and acknowledged by the contractor, sureties and other parties, and by its terms to be effective only upon any termination of this Lease or upon Land lord's re-entry upon the Premises following an Event of Default, prior to the complete performance of such contract, such assignment also to include the benefit of all payments made on account of said contract including payments made prior to the effective date of such assignment.

SECTION 8.5. If the estimated cost of any Restoration which Tenant is required to make pursuant to SECTION 8.1 exceeds the net insurance proceeds received by Landlord or the Secured Lender disbursing the Restoration Funds, then, prior to the commencement of such Restoration, or thereafter if it is determined that the cost to complete the Restoration exceeds the unapplied portion of such insurance proceeds, Tenant shall deposit with such Secured Lender a bond, cash, irrevocable letter of credit or other security reasonably satisfactory to such Secured Lender and Landlord in the

amount of such excess, to be held and applied in accordance with the provisions of SECTION 8.2, as security for the timely and proper completion of the work free of liens.

SECTION 8.6. Except as otherwise expressly and specifically provided herein, this Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable hereunder by Tenant, by reason of damage to or total, substantial or partial destruction of the Buildings or any part thereof or by reason of the untenantability of the same or any part thereof, for or due to any reason or cause whatsoever, or because of any taking of all or part of the Premises by the power of eminent domain, or any other event or occurrence, and Tenant, notwithstanding any law or statute, present or future, irrevocably releases and waives any and all rights to terminate this Lease or to quit or surrender the Premises or any part thereof; and Tenant expressly agrees that its obligations hereunder (including, without limitation, the payment of Rental payable by Tenant hereunder) shall continue under all circumstances without abatement, suspension, diminution or reduction of any kind, as though the Buildings had not been damaged or destroyed and no part of the Premises had been taken.

SECTION 8.7. For purposes of ARTICLES 8 and 9, if at the time of Restoration there is no Secured Lender, Tenant and Landlord agree that Landlord's original construction lender shall act as Secured Lender for the sole purpose of holding and disbursing the Restoration Funds. If Landlord's original construction lender is unwilling, or at any time refuses, to act as Secured Lender for those purposes, Tenant and Landlord shall select an institutional lender or a title insurance or trust company with offices in Jacksonville, Florida, mutually agreeable to both parties to act as said Secured Lender for such purposes.

SECTION 8.8. In no event (other than as a result of a due and proper termination of this Lease effected in accordance with the express provisions hereof) shall there be any abatement, reduction or diminution of Rental in the event of any casualty regarding, relating to or affecting the Premises, Tenant agreeing to pay full Rental hereunder at all times after any and all such casualties have occurred regardless of whether Tenant is then able to use or occupy the Premises and regardless of whether or not any Restoration is being carried out.

ARTICLE 9
CONDEMNATION

SECTION 9.1.

(a) If at any time during the Term or any Renewal Terms, the whole or substantially all of the Premises, Buildings, and Parking/Driveway Facilities shall be taken or sold under threat or notice thereof for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among Landlord, Tenant and those authorized to exercise such right, this Lease and the Term or any Renewal Terms shall, on written notice of such termination given by Landlord or Tenant to the other not later than five Business Days after the effective date of such taking or sale, terminate effective as of the date

of such taking or sale and the Rental payable by Tenant hereunder shall be paid to and apportioned as of the date of such taking or sale.

(b) If the whole or substantially all of the Premises, Buildings, and Park ing/Driveway Facilities shall be taken as provided in this SECTION 9.1, the proceeds of any condemnation awards shall be paid and distributed as follows: (i) there shall first be paid to Landlord an amount equal to the total of all amounts due on or outstanding under all Secured Loans (but the amount so paid to Landlord under this clause (i) on account of the aggregate principal amount outstanding under the Secured Loans shall be subject to the same limitation as applies in calculating the amount of the Shortfall [defined hereinbelow]); (ii) there shall next be paid to Tenant a sum equal to the then-unamortized cost (determined on the basis of Tenant's accounting records, which Tenant shall keep in a manner consistent with generally accepted accounting principles) of any Capital Improvements taken in such taking and which were made to the Premises by Tenant and paid for by Tenant with its own funds (and not with insurance or condemnation proceeds), less the cost of any work with respect to such Capital Improvements which was performed by Landlord for Tenant without any charge to Tenant or were otherwise paid for by Landlord, whether before or after the execution and delivery of this Lease; and (iii) the balance of the award, if any, shall be paid to Landlord.

(c) Each of the parties agrees to execute and deliver any and all documents that may be reasonably required in order to facilitate collection by them of such awards in accordance with the provisions of this ARTICLE 9.

(d) If the whole or substantially all of the Premises shall be taken, and the total of the entire principal amount outstanding and all interest and other amounts (including, without limitation, all prepayment premiums, penalties and charges) of any and every kind which have accrued or will accrue or be payable under all Secured Loans as of the time the same are to be paid and satisfied in full as contemplated herein as a result of the condemnation exceeds the amount of the award paid to Landlord pursuant to clause (i) of SECTION 9.1(b) (the amount of such excess is referred to herein as the "SHORTFALL"), then Tenant on behalf of Landlord shall pay to each Secured Lender such Secured Lender's share of the Shortfall so that all of the Secured Loans (and all amounts payable in respect thereof) shall then be paid and satisfied in full. Solely for purposes of determining the amount of any Shortfall hereunder, the total principal amount (not including interest, prepayment penalties or premiums, or other charges or amounts) of all Secured Loans taken into consideration shall not exceed the sum of (i) $15,000,000.00 reduced in proportion to, and in accordance with the same time schedule as is applicable to, the regularly-scheduled principal amortization (if any) applicable to the first long-term Secured Loan obtained by Landlord to refinance the construction loan for the Initial Building (Landlord presently anticipates that it is likely to obtain such first long-term loan from Northwestern Mutual Life Insurance Company and that the principal balance of such loan will amortize in accordance with a schedule substantially similar to that set out in EXHIBIT M attached hereto), plus (ii) the then-outstanding aggregate principal balance of Secured Loans (as they may theretofore have been amortized in accordance with their respective terms) which financed costs paid or incurred for or in connection with any Additions, Expansion Options or Restorations.

Landlord shall have no obligation to disclose to Tenant the principal amortization schedule, or any other fact or matter relating to the amount of the indebtedness thereunder, under or concerning any Secured Loan until such time, if any, as Landlord makes a demand upon Tenant for payment of a Shortfall hereunder.

SECTION 9.2. For purposes of this ARTICLE 9, the "date of taking" shall be deemed to be the earlier of (i) the date on which actual possession of the whole or substantially all of the Premises, or a part thereof, as the case may be, is acquired by any lawful power or authority pursuant to the provisions of the applicable federal or Florida state law, or (ii) the date on which title to the Premises or the aforesaid portion thereof shall have vested in any lawful power or authority pursuant to the provisions of the applicable federal or Florida state law.

SECTION 9.3.

(a) If part but less than substantially all of the Premises or Buildings shall be taken as provided in this ARTICLE 9, and there has been no taking or impairment of parking therefor or access thereto that would materially adversely affect Tenant's use of the remaining facilities, then this Lease and the Term or any Renewal Terms shall continue unaffected, without abatement of the Rental or diminution of any of Tenant's obligations hereunder except as otherwise expressly provided in SECTIONS 9.3(b) and 9.3(c).

(b) If part but less than substantially all of the Premises, Buildings, Park ing/Driveway Facilities or access thereto shall be taken, and if the governing Secured Loan documents of the Secured Lenders whose Secured Loans are secured by the portions of the Premises affected by such taking require that there be paid to such Secured Lenders, on account of their respective Secured Loans, any amounts (collectively, the "SECURED LOAN REQUIRED PAYDOWN AMOUNT") because of such taking, then there shall be paid to such Secured Lenders from the condemnation award an aggregate amount equal to such Secured Loan Required Paydown Amount provided that it does not exceed the Proportional Loan Reduction Amount (defined hereinafter); and if the total net amount (after paying reasonable costs of collection) of all monies or proceeds received by Landlord or Secured Lender from condemnation award proceeds (payable to either, both or jointly) is insufficient therefor, Tenant shall pay such amount (subject to the limitations concerning the maximum amount of the principal indebtedness component of the Secured Loans as is set out at the end of SECTION 9.1(d)) as a Shortfall hereunder, but if the total of all such net proceeds received from condemnation awards exceeds the Proportional Loan Reduction Amount (if any), such excess shall be deposited into a segregated interest-bearing escrow account with a Secured Lender (or alternative institution as provided herein with respect to insurance proceeds) and made available for Restoration. Under the circumstances described in the preceding sentence, Tenant agrees, at its sole cost and expense, for the benefit of Landlord, whether or not the award or awards, if any, shall be sufficient for the purpose, to proceed with reasonable diligence (subject to Unavoidable Delays) to Restore or cause to be Restored any and all remaining parts of the Buildings not so taken so that the latter shall be a complete, rentable, self-contained architectural unit in good condition and repair. Subject to the provisions and limitations in this ARTICLE 9, Landlord and any Secured Lender shall

make available to Restoring Party as much of that portion of the actual award (less all reasonable expenses of collection incurred by Landlord or Secured Party, and less the Secured Loan Required Paydown Amount [but not more than the Proportional Loan Reduction Amount], if any, paid to Secured Lenders; the net amount of such proceeds, after such reductions, is referred to herein as the "RESTORATION APPLICATION AMOUNT") received by Landlord or Secured Lender, if any, as may be necessary to pay the cost of Restoration of the part of the Buildings remaining. If, through no fault of Tenant, either (i) the Restoration Application Amount is not made available for Restoration and is not maintained in an escrow account maintained by a Secured Lender or appropriate alternative escrowee (Landlord shall have the right, but no obligation, to make up any deficiency in the Restoration Application Amount from its own funds), or (ii) if the Secured Loan Required Paydown Amount is greater than the Proportional Loan Reduction Amount and Landlord does not make up any deficiency in the Restoration Application Amount resulting therefrom, then Tenant, at Tenant's option, may terminate this Lease and thereby avoid any obligation with respect to such Restoration by giving Landlord and all Secured Lenders notice of its election to terminate within 15 days of Tenant's receiving notice that less than the Restoration Application Amount will be so deposited and made available for Restoration (but notwithstanding such termination by Tenant, Tenant will still be obligated promptly to pay to the Secured Lenders the entire Shortfall amount [if any] -- subject to the limitations concerning the maximum amount of the principal indebtedness component of the Secured Loans as is set out at the end of Section 9.1(d) -- by which the Secured Loan Paydown Amount [but not to exceed, for this purpose, the Proportional Loan Reduction Amount] exceeds the total net proceeds [after the deductions described hereinabove) of the condemnation award received by Landlord or Secured Lenders). Tenant's right to terminate this Lease as provided in the preceding sentence shall irrevocably and unconditionally lapse, expire and be of no further force or effect automatically if Tenant fails to give Landlord such a notice of termination within such 15-day period. Such Restoration, the estimated cost thereof, the payments to Restoring Party on account of the cost thereof, Landlord's and each Secured Lender's rights to perform the same and to perform Tenant's obligations with respect to condemnation proceeds held by each of such Persons, shall be done, determined, made and governed in accordance with and subject to the provisions of ARTICLES 8, 9 and 13. Any balance of the award held after completion of the Restoration shall be paid to Landlord, and any cash (and the proceeds of any security) deposited by Tenant with Secured Lender pursuant to SECTION 9.4 remaining after completion of the Restoration shall be paid to Tenant. Each of the parties agrees to execute and deliver any and all documents that may be reasonably required in order to facilitate collection of the awards. If the portion of the award made available by Landlord or Secured Lender is insufficient for the purpose of paying for the Restoration, Tenant shall nevertheless be required to make or cause to be made the Restoration and to pay or cause to be paid any additional sums required for the Restoration. For purposes hereof, "PROPORTIONAL LOAN REDUCTION AMOUNT" means, at any time, the amount (expressed in dollars) equal to the product of multiplying the aggregate outstanding principal balances of all Secured Loans affected by the condemnation or other taking by the fraction of which the numerator is the total number of Rentable Square Feet taken or otherwise lost as a result of such condemnation or other taking and the denominator is the total number of Rentable Square Feet in the Buildings encumbered by such Secured Loans immediately before the effective ness of such condemnation or taking.

(c) If a taking of the nature described in SECTION 9.3(A) occurs and after the Restoration of any Building the number of Rentable Square Feet of such Building is less than the number prior to such taking and Restoration, then, from the date of such taking the annual Fixed Rent payable for and with respect to that Building shall be the amount determined by multiplying (i) the annual Fixed Rent per Rentable Square Foot by (ii) the number of Rentable Square Feet of the Restoration Building in question remaining after the taking (as shown on the "as-built" drawings of the Restored Building) and as recertified by the Architect.

SECTION 9.4. If the estimated cost of any Restoration required by the terms of this ARTICLE 9 exceeds the condemnation award (after deducting all reasonable expenses of collection) received by Landlord and Secured Lenders, then, prior to the commencement of such Restoration or thereafter if it is determined that the cost to complete the Restoration exceeds the unapplied portion of such award, Tenant shall deposit with a Secured Lender (or suitable alternative escrowee as provided hereinabove) a bond, cash, irrevocable letter of credit or other security reasonably satisfac tory to Landlord and Secured Lenders in the amount of such excess, to be held and applied by Secured Lender in accordance with the provisions of SECTION 9.3, as security for the completion of the work free of public improvement, vendors', mechanics', laborers' or materialmen's statutory or other similar liens.

SECTION 9.5. If the temporary use of the whole or any part of the Premises shall be taken at any time during the Term or any Renewal Term for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement, Tenant shall give prompt notice thereof to Landlord. Except as expressly and specifically provided in this ARTICLE 9, the Term and any Renewal Terms shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental payable by Tenant hereunder without reduction or abatement, and Tenant shall be entitled to receive for itself any award or payments for such use; provided, however, that if the taking is for a period beginning during, but extending beyond the end of, the Term or any Renewal Term, such award or payment shall be appor tioned between Landlord and Tenant as of the last day of the Term or any Renewal Term.

SECTION 9.6. In case of any governmental action not resulting in the taking or condemnation of any portion of the Premises but creating a right to compensation therefor, such as the changing of the grade of any street upon which the Premises abut, then, except as otherwise provided in this ARTICLE 9, this Lease shall continue in full force and effect without reduction or abatement of Rental and, subject to the rights of the Secured Lenders, and any award shall be determined by applicable law.

SECTION 9.7. Notwithstanding any contrary provision in this Article, with respect to any condemnation or similar taking that occurs after the end of the twentieth Lease Year, Tenant shall not be obligated to pay any Shortfall except a Shortfall that relates only to Secured Loans the proceeds of which financed or refinanced the costs of constructing one or more Additions or other improvements other than the Initial Building as in place on the Commencement Date. The preceding

sentence shall not be construed as limiting or restricting in any way Tenant's obligations for or concerning Restorations.

SECTION 9.8. Anything contained herein to the contrary notwithstanding, Landlord shall not settle or compromise any taking or other governmental action creating in Tenant either a right to compensation or an obligation to pay all or part of the Secured Loans as provided in this ARTICLE 9 without the prior consent of Tenant, which consent shall not be unreasonably withheld or delayed.

SECTION 9.9. Notwithstanding anything herein to the contrary, in connection with any taking or threat thereof, Tenant shall be entitled, at its sole expense, to make a separate claim, and to prove and receive an award, for (a) the value of Tenant's Property to the extent the same is taken, (b) any Capital Improvement owned by Tenant pursuant to ARTICLE 45, and (c) any business damages, moving allowances and other expenses or claims permitted by law, if any; and Landlord shall not be entitled to any portion of any award made solely for such items.

ARTICLE 10
ASSIGNMENT, SUBLETTING AND MORTGAGES

SECTION 10.1. Subject to the provisions of this Lease that apply thereto, Tenant shall have the absolute right, at any time when no Event of Default shall have occurred and remain uncured, upon prior written notice to Landlord, to sublet, assign or otherwise transfer all or any part of its interest in the Premises or the Lease, without Landlord's approval, written or otherwise, so long as Tenant's assignee's or sublessee's use of the Premises or part thereof is in all respects subject to, and complies with and conforms to, the provisions of this Lease and the CC&R's and all applicable laws, rules, statutes, codes, ordinances and regulations.

SECTION 10.2. In the event Tenant duly assigns this Lease, in conformity with all of the applicable provisions of this Lease, to an assignee who has assumed all of Tenant's obligations under the Lease pursuant to a written assumption agreement satisfactory in all respects to Landlord and all Secured Lenders, then, if Tenant's assignee (or a guarantor who executes and delivers to Landlord a written agreement guaranteeing the payment and performance of all obligations of such assignee under or concerning this Lease, which written guaranty agreement is substantially identical to the Guaranty executed by Guarantor and delivered to Tenant substantially simultaneously with the execution of this Lease or is otherwise satisfactory in form and substance to Landlord and all Secured Lenders, respectively, in their sole, absolute and arbitrary discretion) then has a Credit Rating equal to or better than A1 from Moody's and AA minus from Standard & Poor's, and if Tenant pays Landlord a sum equal to 1% of the principal balance of all then-outstanding Secured Loans (to the extent that such amount is charged by, or paid or payable to, Secured Lenders holding such Secured Loans, for, on account of, or as a consequence of such assignment or such release), Tenant and Guarantor shall be freed and released from all of their respective agreements, covenants, and obligations under this Lease and the Guaranty,

respectively. Otherwise, Tenant and Guarantor, respectively, shall remain primarily liable hereunder and with respect to this Lease and the Guaranty, respectively. Tenant and Guarantor, respectively, shall in all events remain primarily liable under this Lease and the Guaranty after, and notwithstanding, any Subleases (defined hereinafter).

SECTION 10.3. If Tenant's entire interest under this Lease is duly assigned and Landlord is given notice thereof, Landlord shall accept Rental from the assignee and, if an Event of Default has occurred and is continuing, may (in its discretion) collect and enforce Rental directly from the assignee. If the Premises or any part thereof are sublet, used or occupied by any Person other than Tenant, Landlord may, in its discretion, if an Event of Default has occurred and is continuing, collect and enforce Rental directly from the subtenant or occupant. References in this Lease to use or occupancy by others (that is, any Person other than the Tenant) shall not be construed as limited to subtenants and those claiming through subtenants, but rather as including also licensees, concession aires, operators and others claiming under or through Tenant immediately or remotely a legal right of possession or occupancy of the Premises or any portion thereof (all such persons being referred to individually in this Lease as a "SUBTENANT" and collectively as "SUBTENANTS").

SECTION 10.4. Notwithstanding anything to the contrary contained in this Article, if Tenant shall at any time or times during the Term or any Renewal Term of this Lease desire to assign this Lease or sublet all or part of the Premises, Tenant shall give thirty days prior written notice thereof to Landlord (or 90 days prior written notice if Tenant wishes for the Guarantor to be released from the Guaranty under SECTION 10.2), which notice shall be accompanied by a statement setting forth in reasonable detail the identity and business address of the proposed assignee or Subtenant, its proposed use of the Premises, and (in the case of a sublease) a detailed description of the portion of the Premises to be subleased. No assignment or sublease shall be valid or effective unless such notice has been duly given.

SECTION 10.5. Notwithstanding anything to the contrary contained in this ARTICLE 10, it shall be a condition precedent to any assignment or subletting that each assignee shall expressly assume and agree to be subject to and bound by and personally obligated and liable for, and each sublessee shall agree to be subject to, all of the covenants, agreements, terms, provisions and conditions contained in this Lease, except such (if any) as by their nature are clearly and inherently irrelevant or inapplicable, in each such case pursuant to a written instrument satisfactory to Landlord (acting reasonably) which is signed by such assignee or sublessee and delivered to Landlord. Subject to SECTION 10.2: Tenant shall and will remain fully liable for the payment of all Rental due and thereafter to become due hereunder and for the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and all acts and omissions of any assignee or Subtenant or anyone claiming under or through any assignee or Subtenant which shall be in violation of any of the provisions of this Lease, and any such violation shall be deemed to be a violation by Tenant; and, Guarantor will continue to remain fully liable and obligated under the Guaranty.

SECTION 10.6. With respect to each and every Sublease authorized under the provisions of this Lease, it is further agreed as follows:

(a) No subletting shall be for a term (including renewal or extension options) ending later than one day prior to the expiration of the Term or any relevant Renewal Term (if exercised) of this Lease.

(b) No Subtenant shall take possession of the Premises or any part thereof until an executed counterpart of such Sublease, conforming with the applicable provisions and requirements of this Lease, has been delivered to Landlord.

(c) Each Sublease shall expressly provide that (1) it is subject and subordinate to this Lease and to the matters to which Tenant's rights or interests under this Lease is or shall be subordinate, and that in the event of Landlord's termination of or re-entry or dispossess under this Lease, Landlord may, at its option and without the consent of the Subtenant, take over all of the right, title and interest of Tenant, as sublessor, under such Sublease, and (2) such Subtenant shall, if requested to do so by Landlord (in Landlord's absolute discretion), attorn to Landlord pursuant to the then-executory provisions of such Sublease or, at Landlord's option, enter into a direct lease on identical terms with Landlord for the balance of the unexpired term of the Sublease, except that Landlord shall not under any circumstance whatsoever be (i) liable for any previous act or omission of Tenant under or concerning such Sublease, (ii) subject to any offset, not expressly provided for in such Sublease, which theretofore accrued to such Subtenant against Tenant, (iii) liable for any security deposited by such Subtenant which has not been transferred to Landlord, (iv) bound by any previous modification of such Sublease not approved by Landlord, (v) bound by any prepayment of more than one month's rent, (vi) bound by any covenant of Tenant to undertake or complete any construction or improvement of the Premises or any portion thereof demised by such Sublease, or (vii) bound by any obligation of Tenant or any other Person to make any payment to, on behalf of, or for the account or benefit of, the Subtenant.

(d) Each Sublease shall expressly provide, in addition to such other matters as are required pursuant to this ARTICLE 10, that (1) the Subtenant will not pay any rent or other sums under the Sublease for more than one month in advance of the due date for any corresponding Rental obligation under this Lease, and (2) on the termination of this Lease pursuant to ARTICLE 25, upon Landlord's request the Subtenant will promptly deliver to Landlord "as-built" drawings of any and all construction, alteration, renovation or Restoration work performed or caused to be performed in the space demised under such Subtenant's Sublease, and if any construction, alteration, renovation or Restoration work with respect to such space is then proposed or in progress, such Subtenant's drawings and specifications, if any, for such work.

SECTION 10.7. Tenant shall make reasonable efforts to cause all Subtenants to comply with their obligations under their respective subleases or occupancy, operating, license and concession agreements, as the case may be (individually, a "SUBLEASE" and collectively, "SUBLEASES"), and Tenant shall enforce with reasonable diligence all of its rights and remedies as the sublessor or licensor thereunder in accordance with the terms of each of the Subleases.

SECTION 10.8. The fact that a violation or breach of any of the terms, provisions or conditions of this Lease results from or is caused by an act or omission by any of one or more Subtenants or (unless Tenant has been released from its obligations hereunder in connection with an assignment to such assignee as provided hereinabove) by an assignee shall not relieve Tenant of Tenant's obligations to cure, and to be responsible for all of the consequences, of such violation or breach.

SECTION 10.9. To secure the prompt and full payment by Tenant of the Rental and the faithful performance by Tenant of all of the other terms and conditions herein contained on its part to be kept and performed, Tenant hereby assigns, transfers and sets over unto Landlord, subject to the conditions hereinafter set forth in this SECTION 10.9, all of Tenant's right, title and interest in and to all assignments of its interest under this Lease and all Subleases, and hereby confers upon Landlord and its agents and representatives a right of entry in, and sufficient possession of, the Premises to permit and insure the collection by Landlord of the rentals and other sums payable under the Subleases and such lease assignments, and further agrees that the exercise of the right of entry and qualified possession by Landlord shall not constitute an eviction of Tenant from the Premises or any portion thereof; provided, however, that Landlord may not enforce, or exercise any remedies under, such assignment to Landlord until (a) an Event of Default shall have occurred and all applicable cure periods shall have expired, or (b) this Lease, the Term or any Renewal Terms shall be canceled or terminated pursuant to the terms, covenants and conditions hereof, or (c) there occurs repossession under a dispossess warrant or other judgment, order or decree of a court of competent jurisdiction and then only as to such of the Subleases (if any) that Landlord may elect to take over and assume.

SECTION 10.10. Tenant shall deliver to Landlord on or before each December 31st during the Term and any Renewal Terms, a schedule of any lease assignment and all Subleases, if any, which schedule shall include the respective names of any assignee and all Subtenants and, with respect to each Sublease, a description of the space sublet, the expiration date, any extension or renewal options, rentals and other payment obligations, and any other information relating to such Subleases which Landlord reasonably requests. From time to time during the Term and any Renewal Terms, Landlord may change the date on which Tenant is required to deliver such schedule by giving Tenant thirty (30) days' prior notice thereof; provided, however, that Tenant shall not be required to deliver such schedule more than twice in any period of twelve consecutive months.

SECTION 10.11. Notwithstanding anything to the contrary in this Lease, under no circumstance whatsoever may Tenant directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, transfer, convey, grant, sell, encumber, pledge or dispose of any of the Expansion Options or the Renewal Options, or any other right or option of Tenant which is granted or expressed in ARTICLE 45 or ARTICLE 46, nor may Tenant contract or agree to do any of the foregoing, except (i) to an assignee of all of Tenant's right, title, estate and interest in and to this Lease and the Premises who acquires such interest in compliance with the provisions of SECTION 10.1 hereof, (ii) in all cases with the express prior written consent of Guarantor, which consent may be withheld arbitrarily and in the sole and absolute discretion of Guarantor, and (iii) in all cases (unless Guarantor has theretofore been released from its obligations under the Lease or, simultaneously with such assignment, Guarantor is being released and no substituted Guarantor will replace it as guarantor of

Tenant's or the assignee's obligations under the Lease) only upon delivery to Landlord of a written instrument signed by and binding upon Guarantor, which instrument is satisfactory and acceptable to Landlord in its reasonable judgment, in which Guarantor consents to the assignment and acknowledges and agrees that (A) any exercise by such assignee of any Option (specifically including, without limitation, any Expansion Option and any Renewal Option) and any Lease amendment that results from or relates to any such exercise will be deemed to have been approved by Guarantor for all purposes of the Guaranty and (B) all obligations of any and every kind whatsoever (including, without limitation, all obligations for Fixed Rent and for other Rental) which arise, accrue, relate to or result from the exercise by such assignee of any or all of the Options (whether accruing or arising in, or relating to, any Renewal Term or the Term as it relates to any Addition, or otherwise) shall be deemed for all purposes of the Guaranty to constitute Guarantied Obligations arising within the Guarantied Portion of the Term (those terms being defined for purposes hereof as they are defined in the Guaranty) for which Guarantor will be fully liable under the Guaranty; and any document, instrument, agreement, grant, contract or other act or thing purporting to or agreeing to accomplish or effect any of the foregoing to or in favor of a Person other than an assignee satisfying the requirements of the preceding clauses (i), (ii) and (iii) shall be absolutely and completely invalid, void ab initio, and of no force or effect whatsoever.

SECTION 10.12.

(a) Notwithstanding anything which may be to the contrary in SECTION 10.7, Landlord covenants and agrees, for the benefit of any Subtenant who has duly subleased any space in the Premises in conformity with all applicable conditions, requirements and provisions of this Lease, that on and subject to the conditions set out in the proviso to this sentence, Landlord shall recognize the Subtenant as the direct tenant of Landlord upon the termination of this Lease pursuant to any of the provisions of ARTICLE 25 and the termination of any other Sublease superior to the Sublease of such Subtenant, but only if (1) Landlord (acting reasonably) is satisfied that the Guaranty will remain in effect thereafter and Guarantor remains ready, willing and able to perform all of its obligations thereunder, (2) such Subtenant's Sublease (A) obligates the Subtenant to pay, as rent thereunder, total amounts each month which are not less (per Rentable Square Foot) in total than the Rental payable under this Lease by Tenant for such space, (B) obligates the Subtenant to pay and perform all other obligations that Tenant is obligated to pay and perform under this Lease, and (C) is substantially identical to this Lease, and (3) each Secured Lender shall have agreed in writing that it will not join the Subtenant as a party defendant in any foreclosure action or proceeding which may be instituted or taken by the Secured Lender or evict the Subtenant from the portion of the Premises demised to it except by reason of the Subtenant's default under its Sublease or affect any of the Subtenant's rights under its Sublease by reason of any default under such Secured Lender's Secured Loan; provided, however, that at the time of the termination of this Lease (i) no default exists under the Subtenant's Sublease which would then permit the landlord thereunder to terminate the Sublease or to exercise any dispossess or similar remedy provided for therein, and (ii) the Subtenant executes and delivers to Landlord an instrument, satisfactory in form and substance to Landlord, confirming the agreement of the Subtenant to attorn to Landlord and to recognize Landlord as the Subtenant's landlord under the Sublease, which instrument shall (A) set out such Subtenant's agreement to

deliver to Landlord and its designees such estoppel or confirmation letters concerning such Sublease as Landlord may request from time to time and (B) provide that neither Landlord nor anyone claiming by, through or under Landlord, shall be:

(1) liable for any act or omission of any prior sublandlord (including, without limitation, the then-defaulting sublandlord),

(2) subject to any offsets or defenses which the Subtenant may have against any prior sublandlord (including, without limitation, the then-defaulting sublandlord),

(3) bound by any payment of rent which the Subtenant might have made for more than one month in advance of the due date for any corresponding Rental obligation under this Lease to any prior sublandlord (including, without limitation, the then-defaulting sublandlord),

(4) liable for any security deposited by such Subtenant which has not been transferred to Landlord,

(5) bound by any covenant to undertake or complete any construction or improvement of the Premises or any portion thereof demised by said Sublease,

(6) bound by any obligation to make any payment to the Subtenant, it being expressly understood (without limitation of the foregoing) that Landlord shall not be bound by any obligation to make any payment to, on behalf of or for the account or benefit of a Subtenant with respect to construction performed by or on behalf of such Subtenant at the subleased premises, or

(7) bound by any modification of the Sublease which reduces the fixed rent, additional rent, supplemental rent or other charges or amounts payable by the Subtenant under the Sublease (except to the extent equitably reflecting any reduction in the space covered by the Sublease), or shortens or extends the term thereof, or increases the obligations of the landlord thereunder, or otherwise materially adversely affects the rights or interests of the landlord thereunder, made without the express written consent of Landlord.

(b) If a Subtenant entitled to such recognition, or Tenant on behalf of such Subtenant, shall so request in writing, Landlord shall execute and deliver an agreement, in form and substance reasonably satisfactory to Landlord, Tenant and such Subtenant, confirming that, subject to the provisions of clauses (i) and (ii) of SECTION 10.12(a) and the other applicable provisions and conditions of that Section, such Subtenant is entitled to such recognition.

SECTION 10.13. Prior to the Commencement Date, except for any Secured Loan, Landlord shall not, whether voluntarily, involuntarily, or by operation of law or otherwise, assign, encumber, pledge, grant a security interest in, or otherwise transfer all or any portion of Landlord's interest in

this Lease or the Premises without obtaining the prior written consent of Tenant, which may be given or withheld in Tenant's sole discretion. For purposes of this SECTION 10.13, if Landlord is a corporation or partnership, and if at the time prior to the Commencement Date the Person or Persons which owns or own a majority voting control of such corporation's shares or the general partner's interest in such partnership, as the case may be, ceases or cease to own, directly or indirectly, a majority of those voting control shares or general partner's interest, as the case may be, whether by operation of law or otherwise, any such event shall be deemed to be an assignment of this Lease as to which Tenant's prior consent shall be required. After the Commencement Date, Landlord may assign, encumber, mortgage, pledge, grant a security interest in, or transfer all or any part of its interest in the Lease and the Premises without restriction or limitation of any kind, provided that the Person or Persons who then acquire or own Landlord's interest in the Lease or Premises, including without limitation the purchaser or transferee in any sale or transfer, must have the capability to and expressly agree in writing to assume and carry out any and all agreements, covenants and obligations of Landlord hereunder, in which event the original Landlord shall be freed and relieved of, and released from, all of its agreements, covenants and obligations under the Lease. Anything in the preceding portions of this SECTION 10.13 or elsewhere in this Lease to the contrary notwithstanding, Landlord may, at any time or from time to time, freely and without restriction or limitation of any kind, assign, encumber, mortgage, pledge, grant a security interest in, or transfer all or any part of its right, title, interest or estate in, under or to the Lease, the Premises and the Parcels to any Secured Lender (or such Secured Lender's designee in the case of a conveyance in lieu of foreclosure) or to any purchaser at a foreclosure, trustee's, or other similar sale; and any and all Secured Lenders, their designees, and such purchasers, and their successors, purchasers and assigns, shall be free of all of the restrictions and limitations set out in the preceding sentences of this SECTION 10.13.

SECTION 10.14. Tenant shall not place any advertising signs on the Premises or otherwise advertise for subtenants or lease assignments without Landlord's prior written approval, which Landlord will not withhold unreasonably; provided, however, that in no event shall Tenant place any advertising signs on the Premises within the final two years of the Term or any Renewal Term. Any advertising sign which Tenant does place or allow to remain on the Premises shall at all times be clean, neat, dignified and in first-class condition. Without limiting the generality of the preceding sentence: no advertising sign or other advertisement shall be placed, or be allowed to remain, on the Premises in violation of any applicable law, code, ordinance or CC&Rs; no advertising sign shall remain on the Premises for longer than six months without being removed or replaced by a new sign which satisfies all of the requirements of this SECTION 10.14; and, any advertising sign placed or allowed to remain on the Premises shall expressly state that any available space is being offered by the lessee thereof for assignment or sublet.

SECTION 10.15.

(a) Tenant may from time to time mortgage or grant a security interest in its rights under this Lease (including its option and other rights hereunder) and its leasehold interest in the Premises (a "LEASEHOLD MORTGAGE"), but only on and subject to all of the conditions and provisions applicable to an outright assignment of Tenant's interest hereunder as set out herein. On and subject

to the satisfaction of all such conditions and provisions, the holder of any Leasehold Mortgage (a "LEASEHOLD MORTGAGEE") may be granted all rights and privileges of the Tenant under this Lease and may exercise any or all such rights in accordance with the provisions of the Leasehold Mortgage, but Landlord shall have no obligation to recognize or deal with any Leasehold Mortgagee unless and until all of such conditions and provisions have been fully satisfied and complied with. Tenant hereby agrees to defend, indemnify and hold Landlord harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind which Landlord may pay, suffer or incur, or which may be asserted against Landlord, as a result or consequence of Landlord's dealing with or taking any action (or refraining from taking any action) requested by any Leasehold Mortgagee.

(b) Within 30 days after being requested in writing to do so by Tenant, Landlord will deliver to Tenant or any Leasehold Mortgagee designated in writing by Tenant to Landlord a reasonable estoppel letter confirming (subject to such exceptions, qualifications, limitations or clarifications, if any, that Landlord may consider appropriate) the following: (i) the existence of this Lease and any amendments or modifications thereto, (ii) the absence of any material defaults under this Lease by Tenant known to Landlord or, if such defaults exist, identifying them, (iii) the Rental payable under this Lease and whether any waivers or concessions have been granted by Landlord with respect thereto, and (iv) such other information readily available to Landlord as Tenant or such Leasehold Mortgagee may reasonably request.

(c) Landlord agrees that if requested to do so in writing by Tenant and any one Leasehold Mortgagee, Landlord will (a) send to such Leasehold Mortgagee, at its address theretofore furnished to Landlord by Tenant in a written notice hereunder, a copy of any notice of default which Landlord may thereafter give under this Lease to Tenant, and (b) accept from such Leasehold Mortgagee any complete curing of any Default by Tenant hereunder on the same basis, within the same period of time, and subject to the same conditions, as Landlord would have been obligated to accept if such cure had been effected by Tenant. Landlord shall not be required to subordinate any of its rights, titles, estates or interests to any Leasehold Mortgage.

ARTICLE 11
LANDLORD'S AND TENANT'S PROPERTY

SECTION 11.1.

(a) Tenant acknowledges that the Buildings and all of the materials and Equipment incorporated therein are the property of Landlord, and Tenant agrees that, except for Tenant's Property and except as provided in ARTICLE 45, all materials and Equipment incorporated into any Building at any time during the Term shall immediately become and constitute the property of Landlord, and that title to all of the Buildings and such materials and Equipment shall continue in Landlord.

(b) Tenant covenants and agrees that all Construction Agreements between Tenant and any contractor shall include the following provision VERBATIM: "[contractor] [subcontractor] [materialman] shall look solely to [Tenant] [contractor][subcontractor] for payment for any and all materials sold, delivered or installed and for all services performed and labor provided, it being expressly understood and agreed that Landlord shall not be liable in any manner for payment or otherwise to [contractor] [subcontractor] [materialman] for or in connection with any such materials, services or labor, and Landlord shall have no obligation to pay any compensation to [contractor] [subcontractor][materialman] for or on account of such services, labor or materials becoming incorporated in the Premises of [insert name of the Landlord]; and [contractor][subcontractor] [materialman] shall not under any circumstance have or assert any lien or claim for lien against the Premises or Landlord's right, title, interest or estate therein or thereto."

SECTION 11.2. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment and other fixtures and personal property, whether or not attached to or built into the Premises, which are installed in the Premises by or for the account of Tenant and which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of movable personal property installed by or on account of Tenant and located in the Premises (herein collectively called "TENANT'S PROPERTY"), shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the term of this Lease or within 30 days after the Expiration Date; provided, however, that if any of Tenant's Property is removed at any time (whether before or after the Expiration Date), Tenant shall repair or pay the cost of repairing any damage to the Premises or to the Building resulting from the installation and removal thereof; and provided further, that it shall be a condition of Tenant's allowing any of Tenant's Property to remain on the Premises after the Expiration Date that it be in such condition and location that Landlord and its designees shall at all times after the Expiration Date have full and free access to all parts of the Premises (including, without limitation, all interior portions of all Buildings) to do any repairs, replacements, construction, maintenance, improvements or other work that Landlord may wish to do, and Landlord is hereby irrevocably granted full and complete authority to move any and all of Tenant's Property, at Tenant's cost and expense, to the extent reasonably necessary or useful to permit or facilitate Landlord's doing any of such work, and Landlord shall have no liability or responsibility of any kind for or on account of any damage to or destruction of Tenant's Property which results from the foregoing (except for any such damage caused by Landlord's malicious or willful damage thereto).

SECTION 11.3. Omitted.

SECTION 11.4. Any items of Tenant's Property which shall remain in the Premises after the 30th day following the Expiration Date shall be deemed to have been abandoned, and in such case all such items shall automatically be and become Landlord's property, and may be retained by Landlord as its property or removed and disposed of by Landlord, without accountability, in such manner as Landlord shall determine, at Tenant's expense. Landlord shall have no obligation to Tenant with respect to any items of Tenant's Property remaining in the Premises after the Expiration Date. Tenant shall pay to Landlord, on demand, the total amount of the expenses paid or incurred

by Landlord for or in connection with the removal, storage and disposition of such items, less the net salvage amount (if any) actually received by Landlord therefor.

ARTICLE 12
REPAIRS; SERVICES

SECTION 12.1. Except for Landlord's construction and (if any) repair obligations expressly set forth herein, Tenant, at its sole cost and expense, throughout the Term and all Renewal Terms (if exercised), shall take good care of the Parcels including, without limiting the generality of the foregoing, all structural components (including but not limited to all roofs, foundations, slabs, and supporting members), non-structural items, building systems, parking areas, driveways and other paved surfaces, and sidewalks and curbs in front of or adjacent to the Parcels, all landscaping and all irrigation and landscape watering systems, all water, sewer and gas connections, pipes and mains which service the Parcels and which neither the City of Jacksonville, the Association, Wilma nor a utility company is obligated to repair and maintain, and all Equipment, and shall keep and maintain the Parcels in good and safe order and working condition, and make all repairs therein and thereon necessary to keep the same in good and safe order and working condition and to comply with all applicable laws (including but not limited to the Americans with Disabilities Act), ordinances, orders, rules, regulations, codes and requirements of the City of Jacksonville and all other Governmental Authorities, howsoever the necessity or desirability of such repairs may occur, except for: (a) ordinary wear and tear (but Tenant shall be obligated to perform reasonable maintenance and shall also be obligated to perform all appropriate repairs as and when they become necessary even if they are necessitated by the effect of ordinary wear and tear); (b) damage by the elements, fire and other casualties unless Tenant is required by the provisions of this Lease, applicable law or the CC&Rs to repair and except that Tenant shall do such repairs, maintenance and other things described hereinabove to the extent that such damage is covered by insurance carried or required to be carried by Tenant hereunder; or (c) repairs or maintenance required as a result of the wrongful acts or wrongful failure to act of Landlord (but Tenant shall be required to do such repairs or maintenance to the extent that the same is covered by insurance carried or required to be carried by Tenant hereunder). (The provisions of this SECTION 12.1 shall not be construed as negating Tenant's authority to make alterations to the extent expressly permitted by other provisions of this Lease.) The necessity and adequacy of repairs made or to be made shall be measured by standards which are appropriate for buildings of similar age, construction and use that are situated in the City of Jacksonville, Florida. Tenant shall not commit or suffer, and Tenant shall use all reasonable precau tions to prevent, waste, damage, or injury to the Parcels. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with (i) all rules, orders, regulations and requirements of the Florida Board of Fire Underwriters or any successor thereto and (ii) all applicable laws, ordinances, orders, rules, regulations, codes and requirements of the City of Jacksonville and all other Governmental Authorities, and (iii) the CC&R's. When used in this Lease, the terms "REPAIR" or "REPAIRS" shall include all alterations, additions, installa tions, replacements, removals, renewals and Restorations. With respect to the repair of the Premises required as a result of any casualty or taking, if any of Tenant's obligations under this SECTION 12.1

shall be inconsistent with the requirements for Restoration under ARTICLES 8 and 9 hereof, the provisions of ARTICLES 8 and 9 shall govern.

SECTION 12.2. Tenant, at its sole cost and expense, shall keep and maintain in clean and orderly condition the public and common portions and areas of the Parcels as necessary and keep clean and free from dirt, rubbish, obstructions and encumbrances, the sidewalks, driveways, parking areas, grounds, and curbs on, in front of or adjacent to the Parcels, and the plazas on the Parcels. Without limiting the generality of the foregoing, Tenant shall, at its expense, be responsible for causing the observance and compliance with all requirements for the landscaping, irrigation, maintenance, repair, cleanliness and condition of the Parcels as set out in the CC&Rs or in Section 12 of the Agreement for Purchase and Sale between Wilma (or its Affiliate) and Landlord pursuant to which Landlord purchased and acquired the Parcels; provided, however, that nothing herein shall be deemed to obligate Tenant to be responsible for the initial installation of irrigation equipment or landscaping as required therein.

SECTION 12.3. Tenant's maintenance obligations shall include but not be limited to:

a. Cleaning of the windows, both interior and exterior, no less frequently than every six months.

b. Painting of the exterior surface of the tilt-up panels with the appropriate materials in a timely fashion to insure that each Building maintains a professional exterior appearance.

c. Maintain the electrical circuitry with appropriate cleaning and inspection by an electrician on an annual basis.

d. Follow and perform the maintenance guidelines as outlined in the operational and maintenance manuals for each and every piece of equipment or material installed in or on any Building by the Landlord.

e. Maintain the landscape as required by the CC&R's.

f. Maintain the exterior masonry that forms the exterior of the office portion of each Building.

g. Maintenance of the parking lots (including repairs caused by ordinary wear and tear).

SECTION 12.4. Effective as of the Commencement Date, Landlord assigns to Tenant all assignable warranties from contractors, vendors, manufacturers and others that Landlord may obtain in connection with its construction or installation of any Building (including, without limitation, any Equipment) or other improvement on the Land (each such warranty being referred to herein as a "VENDOR'S WARRANTY"). Vendors' Warranties so assigned in connection with the construction of the

Initial Building shall be substantially in accordance with those described on EXHIBIT H attached hereto in the column captioned "WARRANTY". (If Tenant timely so requests of Landlord in writing, Landlord will cooperate in efforts by Tenant to obtain, at Tenant's sole cost, any of the additional warranty extensions from vendors as are described on EXHIBIT H, but Landlord shall have no liability or obligation of any kind under or concerning such additional warranty extensions or on account of their unavailability.) Landlord warrants to Tenant (such warranty being referred to herein as "LANDLORD'S BACKUP WARRANTY") that any Building constructed by Landlord for Tenant on the Land and leased by Landlord to Tenant under this Lease will be free of substantial defects in materials and workmanship for a period of one year from the date (which, in the case of the Initial Building, will be the Commencement Date) on which this Lease first becomes applicable to such Building; provided, however, that (i) with respect to such items as are also the subject of a Vendor's Warranty, (A) Landlord's Backup Warranty as set out and described in the preceding portion of this sentence will be for a period of two years (except for elevator, as to which it will remain one year) from the date on which this Lease first becomes applicable to such Building, and (B) Tenant shall not have, and will not assert, any claim against Landlord under or with respect to Landlord's Backup Warranty except for a claim as to which Tenant has first made reasonably diligent efforts, in good faith, to obtain performance from the warrantor under the Vendor's Warranty but such warrantor has failed to perform under its Vendor's Warranty, and (ii) Landlord's Backup Warranty is the sole and exclusive warranty of Landlord concerning the Parcels, and Tenant shall not have or assert (and Tenant irrevocably waives and disclaims) any other warranty or basis for a claim in the nature of a warranty claim against Landlord for or concerning any Building or other improvement or the condition, quality, materials, workmanship, fitness, usefulness or utility thereof. For purposes of satisfying the one-year or two-year periods (as the case may be) applicable to Landlord's Backup Warranty, Tenant will be deemed to have asserted a claim thereunder as of the date when Tenant shall have asserted such claim with reasonable particularity, in writing, to and against the relevant vendor and shall have delivered a complete copy of such written claim to Landlord.

ARTICLE 13
CHANGES, ALTERATIONS AND ADDITIONS

SECTION 13.1. Subject to ARTICLES 8, 9 and 13, and except for construction which Landlord performs (or causes to be performed) in connection with the carrying out of its obligations with respect to duly exercised Expansion Options, neither Tenant nor Landlord shall demolish, replace or materially alter any Building or any part thereof, or make any addition thereto, or construct any additional building, whether voluntarily or in connection with any maintenance, repair or Restoration required by this Lease (collectively, "CAPITAL IMPROVEMENTS"; and, individually, a "CAPITAL IMPROVEMENT"), unless the following requirements and, if applicable, the additional requirements set forth in SECTION 13.2, are met (provided, however, that this Article shall not apply as to Landlord with respect to Parcels as to which no Expansion Option has been validly exercised and no Expansion Option remains unexercised and subject to future exercise by Tenant):

(a) Each Capital Improvement shall be made with reasonable diligence (subject to Unavoidable Delays) and in a good and workmanlike manner and in compliance with (i) all

applicable licenses, permits and authorizations and all applicable building and zoning laws, (ii) all other applicable laws, ordinances, orders, rules, regulations and requirements of all Governmental Authorities, (iii) the orders, rules, regulations and requirements of any Board of Fire Underwriters having jurisdiction or any similar body exercising similar functions, and (iv) all applicable requirements of the CC&Rs.

(b) Each Capital Improvement shall substantially conform to the plans and specifications for the Capital Improvement, as the same may be approved pursuant to SECTION 13.2 or, if SECTION 13.2 is not applicable thereto, the Final Plans therefor.

(c) Any Capital Improvement undertaken by Tenant shall be constructed so that the Landlord's interest in the Premises and the property and assets (including, without limitation, all Rental payable under this Lease) of, or funds appropriated to, Landlord, shall at all times be free of liens, claims for lien, security interests or other encumbrances for or on account of labor, services or materials supplied or claimed to have been supplied to or for the benefit of, or installed in, the Premises.

(d) No Capital Improvement shall be undertaken until the party undertaking the Capital Improvement ("RESPONSIBLE PARTY") shall have delivered to the other ("NONRESPONSIBLE PARTY") insurance policies or abstracts thereof issued by responsible insurers, bearing notations evidencing the payment of premiums or accompanied by other evidence satisfactory to Nonresponsible Party of such payments, for the following insurance, which shall be kept in full force and effect until the substantial completion of the Capital Improvement:

(i) comprehensive general liability insurance, naming Responsible Party as the insured and Nonresponsible Party and each Secured Lender as additional insureds, such insurance to insure against liability for bodily injury and death and for property damage in an amount as provided in SECTION 7.1(a)(ii), such insurance to include operationspremises liability, contractor's protective liability on the operations of all subcontractors, completed operations, broad form contractual liability (designating the indemnity provisions of the Construction Agreements if such coverage is provided by a contractor), and if the contractor is undertaking foundation, excavation or demolition work, an endorsement that such operations are covered and that the "XCU Exclusions" have been deleted;

(ii) automobile liability and property damage insurance as described in SECTION 7.1(a)(iii);

(iii) workers' compensation providing statutory benefits for all Persons employed in connection with the construction at the Premises;

(iv) builder's all-risk insurance written on a completed value basis with limits and other coverage (including coverage for changes in ordinances and laws by Government Authorities resulting in consequential and contingent liabilities or increases in

the cost of construction, with such limits as are reasonably required by Nonresponsible Party). In addition, such insurance (x) shall contain an authorization for the waiver of subrogation by Tenant and Landlord, and an endorsement stating that "permission is granted to complete and occupy," and (y) if any offsite storage location listed with Responsible Party's insurer is used, shall cover, for full insurable value, all materials and equipment which have been delivered to and are stored at any such offsite storage location and which are intended for use with respect to the Premises.

Any proceeds received pursuant to the insurance coverage required under SECTION 13.1(d)(iv) shall be paid in accordance with the provisions of SECTION 7.2(a). Responsible Party shall comply with the provisions of SECTIONS 7.1(b), 7.2(b) and 7.2(d) - 7.2(f) with respect to the policies required by this SECTION 13.1(d). If under the provisions of any casualty, liability or other insurance policy or policies then covering the Premises or any part thereof any consent to such Capital Improvement by the insurance company or companies issuing such policy or policies shall be required to continue and keep such policy or policies in full force and effect, Responsible Party shall obtain such consents and pay any additional premiums or charges therefor that may be imposed by said insurance company or companies.

(e) Nonresponsible Party shall not refuse to join in the applications for such licenses, permits and authorizations, provided the same are made without cost or expense to Nonresponsible Party and will not in any way diminish the development rights of any Parcel which is not included within the Premises. Copies of all required permits and authorizations, certified to be true copies thereof by Responsible Party shall be delivered to Nonresponsible Party prior to the commencement of any Capital Improvement.

SECTION 13.2. Responsible Party shall furnish to Nonresponsible Party at least ten (10) days before the commencement of any Capital Improvement, the items described in SECTION 8.4 with respect to the Capital Improvements.

SECTION 13.3. Tenant shall pay to Landlord, within ten (10) days after Landlord's demand therefor, Landlord's reasonable costs and expenses of reviewing plans and specifications incurred by it if it is the Nonresponsible Party.

SECTION 13.4. Title to all additions, alterations, improvements and replacements made to the Building, including, without limitation, Capital Improvements, shall be the property of the Responsible Party until the Expiration Date, at which time title thereto and ownership thereof shall (if not already vested in Landlord) automatically vest in Landlord as provided in SECTION 11.1(a), without any obligation by Landlord to pay any compensation therefor to Tenant, or at Landlord's request, Tenant shall, at Tenant's cost, promptly remove the Capital Improvements and restore the Premises to their original condition.

SECTION 13.5. Omitted.

SECTION 13.6. Responsible Party shall use reasonable efforts to cause its contractors and all other workers at the Premises connected with any maintenance, repairs, Restorations, additions, alterations, improvements and replacements made to the Building, including, without limitation, any Capital Improvements, to work harmoniously with each other and with the contractors and other workers of Nonresponsible Party, and neither party shall engage in or permit, nor shall use reasonable efforts to suffer, any conduct which may disrupt such harmonious relationship.

ARTICLE 14
REQUIREMENTS OF PUBLIC AUTHORITIES AND OF INSURANCE UNDERWRITERS AND POLICIES; OBLIGATIONS UNDER OTHER SUPERIOR AGREEMENTS

SECTION 14.1.

(a) Unless required by the express provisions of this Lease to have been obtained or caused to be obtained by Landlord or another Person claiming by, through or under Landlord, throughout the Term or any Renewal Terms (if exercised) Tenant, at its sole cost and expense, shall (i) timely obtain and thereafter keep in full force and effect all licenses, permits, authorizations and approvals of Governmental Authorities required for the use, occupancy, operation, maintenance, repair and insurability of the Parcels, and (ii) unless caused by the negligence or wrongful acts of Landlord, promptly comply with and discharge of record any violations of any and all applicable present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes, resolutions and executive orders now existing or hereafter created, of all Governmental Authorities and of any and all of their departments and bureaus and of any applicable Fire Rating Bureau or other body exercising similar functions (collectively, "REQUIREMENTS") affecting the Parcels without regard to the nature of the work required to be done, whether ordinary or extraordinary, foreseen or unforeseen or involving or requiring any Capital Improvements, structural changes, alterations or additions in or to the Parcels and whether or not such changes, alterations or additions are required on account of any particular use to which the Premises or any part thereof may have been, then are being, or are proposed by Tenant (or anyone holding by, through or under Tenant) to be, put. Tenant also shall comply with any and all provisions and requirements of any casualty, liability or other insurance policy required to be carried by Tenant under the provisions of this Lease.

SECTION 14.2. Tenant shall have the right, after notice to Landlord, to contest by appropriate legal proceedings the validity of any Requirements or the application thereof, at Tenant's sole cost and expense, but only so long as neither the Parcels nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited or lost, or becoming unavailable to Landlord or any Secured Lender or diminished in value. During such contest, compliance with any such contested Requirements may, subject to the following provisions of this Section, be deferred by Tenant. Any such proceeding instituted by Tenant shall be begun as soon as is reasonably possible after the issuance of any such contested matter and shall be prosecuted in good faith and with reasonable diligence to a final determination by the court or other Governmental Authority having

final jurisdiction. Notwithstanding the foregoing, Tenant promptly shall comply with any such Requirements and compliance shall not be deferred if at any time the Parcels, or any part thereof, or any interest of Landlord or a Secured Lender, shall be in danger of being forfeited or lost or becoming unavailable to Landlord or any Secured Lender or diminished in value, or if Landlord or a Secured Lender shall be in danger of being subject to criminal or civil liability, penalty or other sanction by reason of noncompliance therewith. Landlord shall cooperate with Tenant in any such contest to the extent Tenant may reasonably request, provided that Landlord shall not thereby incur or be subject to any costs, expenses or liabilities (unless Landlord or another Person claiming by, through or under Landlord and for whose acts Landlord is responsible hereunder, is responsible for the noncompliance); and Tenant hereby agrees to reimburse, defend, indemnify and hold harmless Landlord for all such costs, expenses, claims and liabilities including, without limitation, reasonable attorneys' fees and expenses. Tenant shall defend, indemnify and hold Landlord harmless from and against all and any costs, expenses, losses, damages or liabilities that Landlord may sustain by reason of Tenant's failure or delay in complying with any Requirements for which Tenant is responsible and which is not caused by the wrongful act of Landlord or another Person claiming by, through or under Landlord and for whose acts Landlord is responsible hereunder, including, without limitation, any proceeding brought by Tenant. In the event that Tenant, as a result of such contest, receives any reimbursement or other payment on account of the cost of compliance with the contested Requirement, which compliance was performed by Landlord or any Secured Lender, then Tenant shall receive and hold the same in trust for Landlord or such Secured Lender (as the case may be) and, within ten (10) days after receiving the same, Tenant shall deliver the amount of such reimbursement or other payment to Landlord or such Secured Lender, as the case may be, less, however, the amount of the reasonable costs and expenses incurred by Tenant in such proceeding.

SECTION 14.3. Prior to the Commencement Date, Landlord, at its sole cost and expense, and from and after the Commencement Date, Tenant, at its sole cost and expense, shall perform and comply with and cause the Parcels to comply with all of, and shall not do or permit anything which would violate any of, the terms, covenants and conditions (to the extent susceptible of performance and compliance by Tenant) which are applicable to the Parcels and pertain to any period of time during the Term or any Renewal Terms, under (a) the CC&Rs and all other laws, ordinances, covenants, orders, documents, restrictions, agreements and other matters listed on EXHIBIT B attached hereto and (b) any other covenants, documents, restrictions, agreements and other matters affecting the Parcels (or any of them) which are entered into or become effective after the date of this Lease to which Landlord (in the case of Landlord's obligation under this Section) or Tenant (in the case of Tenant's obligation under this Section) is a party or to which it consents.

ARTICLE 15
LEASEHOLD IMPROVEMENT AGREEMENT

Substantially simultaneously with the execution of this Lease, Landlord and Tenant will execute the Leasehold Improvement Agreement, in a form substantially identical to EXHIBIT C attached hereto but with such modifications, revisions and changes to such form (if any) as they may mutually agree upon. However, if by the 30th day following the date of this Lease Landlord and

Tenant shall have failed, for any reason whatsoever, to execute a separate Leasehold Improvement Agreement, they shall be contractually bound by each and every one of the terms, conditions and provisions of EXHIBIT C attached hereto as though they had executed such EXHIBIT C independently of their execution of this Lease.

ARTICLE 16
DISCHARGE OF LIENS; BONDS

SECTION 16.1. Tenant shall not create or cause to be created any lien, encumbrance, security interest or charge upon any property or assets (including, without limitation, any Rental payable hereunder) of Landlord, or upon the estate, rights or interest of Landlord in the Parcels or the Premises or any part thereof or in or concerning this Lease.

SECTION 16.2. Subject to Tenant's rights to contest which are expressly set out herein, if at any time any mechanic's, laborer's or materialman's lien created or caused to be created by Tenant or arising as a result of any act or omission of, or relating to any contract of Tenant or any Person claiming or acting by, through or under Tenant shall be filed against Landlord's interest in the Parcels or the Premises or any part thereof, or if any public improvement lien created or caused to be created by Tenant shall be filed against any property or assets of Landlord, then Tenant, within twenty (20) days after actual notice of the filing thereof, or such shorter period as may be required by a Secured Lender, shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien to be discharged of record within the period aforesaid, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, cause the same of record to be discharged as aforesaid in any manner permitted by law. Any amount so paid by Landlord, including all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Landlord in connection therewith, together with interest thereon at the Late Charge Rate from the respective dates of Landlord's making of the payment or incurring of the costs and expenses until paid in full, shall constitute additional Rental payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand. Notwithstanding the foregoing provisions of this SECTION 16.2, Tenant shall not be required to discharge of record any such lien (i) which was not created or caused to be created by Tenant (or any Person acting by, through, for or under Tenant) or did not arise as a result of any act or omission of, or relate to any contract of, Tenant (or any Person acting by, through, for or under Tenant), or (ii) during such time as Tenant is in good faith contesting the same (but only as long as neither the Landlord's interest in the Premises nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited, lost or diminished in value).

SECTION 16.3. Except for Restorations or Capital Improvements performed or installed by Tenant as expressly authorized by the provisions of this Lease, nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or services or the furnishing of any materials for any improvement,

alteration or repair of any of the Parcels or any part thereof, nor as giving Tenant (or any Person acting by, through, for or under Tenant) any right, power or authority to contract for or permit the rendering of any labor or services or the furnishing of materials that could give rise to the filing of any lien against any of the Parcels or any part thereof or any property or assets (including, without limitation, any Rental payable hereunder) of Landlord. Notice is hereby given that Landlord shall not be liable for any work or services performed or to be performed at or for the benefit of the Parcels or for any materials furnished or to be furnished at or for the benefit of the Parcels for any of the foregoing, and that no mechanic's or other lien for such work or materials shall attach to or affect the estate or interest of Landlord in and to the Parcels or any part thereof or any property or assets (including, without limitation, any Rental payable hereunder) of Landlord.

ARTICLE 17
REPRESENTATIONS

SECTION 17.1. Landlord represents and warrants as follows (all of the following representations and warranties are made as of the Commencement Date unless expressly stated below to be made as of a different date):

(a) To the best of Landlord's knowledge, the Parcels comply with all applicable laws, ordinances, rules and regulations of Governmental Authorities, including but not limited to Environmental Laws and the Americans with Disabilities Act. Landlord will provide at Landlord's expense all permits, authorizations and approvals required for the construction of the Initial Building and will promptly comply with and discharge of record any violations of any and all present Requirements.

(b) Except for the rights of Secured Lenders under collateral security documents securing Secured Loans and except for any rights which are junior and subordinate to, and are not inconsistent with, any of the rights or options granted to Tenant by this Lease, the Parcels are not subject to any outstanding agreement for sale, option, lease, or other rights of any Person other than Tenant to acquire an interest therein. Landlord has not received any notice of violation of any CC&R's, Restrictions or Requirements which has not been cured, dismissed or withdrawn, and Landlord covenants that it will immediately notify Tenant in writing upon Landlord's receipt of notice of any such violation.

(c) To the best of Landlord's actual knowledge, except as disclosed in writing to Tenant, all improvements and systems, whether mechanical or structural, on or within the Premises (including, but not limited to, Equipment installed by Landlord, roofs, exterior walls, floors, HVAC, electrical, plumbing and roads and parking lots) have been constructed in accordance with the Plans (as defined herein) and are in good working condition. (The Warranty set out in the preceding sentence is in addition to, and not in limitation or restriction of, Landlord's Backup Warranty.) All Vendors' Warranties made by third party contractors or vendors relating to the Initial Building that are identified on EXHIBIT H attached hereto (under the column headed "Warranty") are assignable to Tenant without the consent of any third party (or such consent has been or will be obtained) and

effective as of the Commencement Date will be assigned by Landlord to Tenant. Landlord agrees to assist Tenant in purchasing (at Tenant's sole cost) the extended warranties offered by equipment manufacturers or suppliers as listed on EXHIBIT H, if requested in writing to do so by Tenant.

(d) Landlord is authorized to do business in the State of Florida and to own the Parcels and the Premises, and has full power and authority to enter into and perform this Lease in accordance with its terms. The persons executing this Lease on behalf of the Landlord have been duly authorized to do so. This Lease is a legal, valid and binding obligation of Landlord and is enforceable against Landlord in accordance with its terms.

(e) Prior to the Commencement Date, Landlord will not permit ad valorem taxes on the Parcels to become delinquent.

(f) Except in connection with any Secured Loan (including, without limitation, any loan to finance the construction by Landlord of the Initial Building or any improvements in connection with Tenant's exercise of any Expansion Option hereunder, and any loan which refinances any such loan), and except for any matter identified on EXHIBIT B, Landlord agrees not to convey or dedicate any portion of, or execute, grant or convey any lien, easement, license or other encumbrance on, the Premises or (so long as the Expansion Option applicable to such Parcel has not lapsed or terminated and is still in effect) Parcel B or Parcel C, without the prior written consent of Tenant, which consent Tenant agrees shall not unreasonably be withheld or delayed.

(g) Landlord holds (or before the Commencement Date will acquire) fee simple title to the Premises, and Landlord has (or will by that date have) the right to lease the Premises. So long as Tenant is not in default hereunder, Tenant shall have the peaceful and quiet use and possession of the Premises and any easements appurtenant thereto which have expressly been granted to Tenant hereunder, without hindrance on the part of Landlord, and Landlord shall warrant and defend Tenant such peaceful and quiet use and possession against the claims of all persons acting or claiming by, through or under Landlord, subject to the matters set forth on EXHIBIT B.

SECTION 17.2. Landlord represents that as of the date of execution of this Lease there is, and as of the Commencement Date there will be, no pending litigation adversely affecting the Premises or the Parcels.

SECTION 17.3. Tenant acknowledges and agrees as follows: (i) Landlord has made no representation regarding subsurface conditions on the Premises, and Landlord has delivered to Tenant the Report of Geotechnical Exploration dated June 17, 1994 by Law Engineering and Environmental Services as Law Project No. 442-07133-01, and Tenant is relying on said report but not on any representation or statement of Landlord; (ii) except as expressly set out herein, no representation, statement, or warranty of any kind, express or implied, has been made by or on behalf of Landlord in respect of the Parcels, the status of title to the Parcels, the zoning or other laws, regulations, ordinances, rules and orders applicable thereto, Taxes, Impositions, or the use that may be made of the Premises; except as expressly set out herein, no representation, statement or warranty

of any kind, express or implied, has been made by or on behalf of Landlord that would entitle or permit Tenant to have any abatement, reduction, set-off, counterclaim, defense or deduction with respect to any Rental or other sum payable hereunder, and Tenant has relied on no such representation, statement or warranty, and in no event whatsoever shall Landlord be liable by reason of any claim of false, inaccurate or misleading representation or misrepresentation or breach of warranty with respect thereto.

SECTION 17.4. Tenant represents and warrants that Tenant is, and at all times from the date hereof through the end of the Term will be, authorized to do business in the State of Florida and to lease, use and operate the Premises, and Tenant has full power and authority to enter into and perform its obligations under this Lease in accordance with its terms. The persons executing this Lease on behalf of the Tenant have been duly authorized to do so. This Lease is a legal, valid and binding obligation of Tenant enforceable against Tenant in accordance with its terms.

ARTICLE 18
LANDLORD NOT LIABLE FOR INJURY OR DAMAGE, ETC.

Except to the extent (if any) expressly provided herein, neither Landlord nor any Secured Lender, respectively, shall in any event whatsoever, unless caused by its own negligence or wrongful act or by the acts of any Person claiming by, through or under it or (in the case of Landlord) by Landlord's failure to perform its obligations herein, be liable for any injury, damage or loss to Tenant or to any Person claiming by, through or under Tenant, happening on, in or about the Premises or the Parcels or their appurtenances (including, without limitation, street and sidewalk areas) nor for any injury or damage to the Premises or the Parcels (except that the foregoing provision will not apply to Parcels B, C and D, respectively, from and after such time, if any, as Tenant is relieved, by operation of the provisions of Section 3.3 hereof, from all obligation, liability and responsibility hereunder to pay any Impositions for or relating to Parcels B, C and D, respective ly) or to any property belonging to Tenant or any Person claiming by, through or under Tenant, which may be caused by or result from any of the following occurring on or after the Commencement Date: (a) any fire or other casualty, (b) any action of wind, water, lightning or any other of the elements, (c) any use, misuse or abuse of any Building or any portion thereof, or other acts or negligence of Tenant, any Subtenant, licensee, invitee or contractor of Tenant or any Subtenant, happening on, in or about the Premises or the Parcels or their appurtenances (including, without limitation, street and sidewalk areas), (d) the condition of the Premises or the Parcels during the Term or any defect in the Land, any Building, the Equipment or any other equipment, machinery, wiring, apparatus or appliances whatsoever now or hereafter situate in, at, upon or about the Premises or the Parcels, or any leakage, bursting or breaking up of the same, (e) any failure or defect of water, heat, gas, chilled water, steam, electric light or power supply, or of any apparatus, machinery or appliance in connection therewith, (f) any gasoline, oil, steam, gas, electricity, chemicals, water, rain, snow or mud which may leak, run or flow from the river, roadways, streets, subsurface areas and facilities, sewers, mains, pipes, conduits, Equipment, or any other facilities, equipment, machinery, wiring, apparatus or appliances whatsoever, now or hereafter situate in, at, upon, about or in the vicinity of the Premises or Parcels or (g) any other cause whatsoever.

ARTICLE 19
INDEMNIFICATION OF LANDLORD

SECTION 19.1. Tenant hereby agrees to defend, indemnify and save Landlord harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses of any and every kind whatsoever (including, without limitation, reasonable engineers', architects' and attorneys' fees and disbursements) which may be imposed upon or incurred by or asserted against Landlord by reason of any of the following occurring during the Term or any Renewal Term (if exercised), except to the extent (if any) either caused by the negligent act of Landlord or any Person acting by, through or under Landlord or covered by insurance under which the insurer has acknowledged its liability to Landlord (Landlord shall have no obligation to carry or maintain any such insurance or to waive or release any rights of subrogation against Tenant in connection with any such insurance which it may decide to carry):

(a) the negligence or wrongful act or omission of Tenant or any Person acting, claiming or holding by, through or under Tenant;

(b) any work or thing done in, on or about the Parcels or any part thereof by a Person other than Landlord or a Person acting by, through or under Landlord;

(c) any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance or management of the Parcels or any part thereof or of any sidewalk or curb adjacent thereto after the Commencement Date;

(d) any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Parcels or any part thereof or in, on or about any sidewalk or curb adjacent thereto;

(e) any failure on the part of Tenant timely to pay Rental or to perform or comply with any of the covenants, agreements, warranties, terms or conditions contained in this Lease on Tenant's part to be performed or complied with;

(f) any lien or claim which may be filed, asserted or alleged to have arisen against or on Landlord's interest in the Premises or any of the Parcels created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant, or any lien or claim of lien which may be filed, asserted or alleged to have arisen out of this Lease and created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant against any property or assets (including, without limitation, any Rental) of Landlord under the laws of the State of Florida or of any other Governmental Authority or any liability created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant which may be asserted against Landlord with respect thereto;

(g) any failure on the part of Tenant or any Person acting, claiming or holding by, through or under Tenant to keep, observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in any Construction Agreements, Subleases or other contracts and agreements affecting the Parcels, on Tenant's part to be kept, observed or performed;

(h) any contest permitted pursuant to the provisions hereof; or

(i) any breach by Tenant or any Person acting, holding or claiming by, through or under Tenant of any provision applicable to the Parcels under (1) any of the CC&R's, (2) any agreement affecting any of the Parcels which is entered into or becomes effective after the Commencement Date to which Tenant is a party or to which Tenant consents or (3) any agreement, document, covenant, guideline or other matter listed on EXHIBIT B attached hereto (except agreements between Landlord and a Secured Lender).

SECTION 19.2. The obligations of Tenant under this ARTICLE 19 shall not be affected in any way by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies.

SECTION 19.3. If any claim, action or proceeding is made or brought against Landlord against which Landlord is indemnified pursuant to SECTION 19.1 or any other provision of this Lease, then, upon demand by Landlord, Tenant, at its sole cost and expense, shall diligently resist or defend such claim, action or proceeding in Landlord's name. The foregoing notwithstanding, Landlord may engage its own attorneys to defend it or to assist in its defense.

SECTION 19.4. The provisions of this ARTICLE 19 shall survive the Expiration Date with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or expense arising out of or in connection with any action or failure to take action or any other matter occurring during the Term or any Renewal Term of this Lease.

SECTION 19.5. When a claim is caused by the joint negligence or willful conduct of Tenant and Landlord or Tenant and a Person unrelated to Tenant (except Tenant's agents, employees, officers, contractors, licensees, or invitees), Tenant's duty to defend, indemnify and save Landlord harmless shall be in proportion to Tenant's allocable share of the joint negligence or willful misconduct.

ARTICLE 20
INDEMNIFICATION OF TENANT

SECTION 20.1 Landlord hereby agrees to defend, indemnify and save Tenant harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses of any and every kind whatsoever (including, without limitation, reasonable engineers', architects' and attorneys' fees and disbursements) which may be imposed upon or incurred by or asserted against Tenant by reason of any of the following caused by the negligence or wrongful act

or wrongful omission (but, nothing in this SECTION 20.1 shall be deemed to create or impose on Landlord any obligation or liability of any kind which is in the nature of, or has the same or similar effect as, a warranty of, concerning, relating to or on account of any construction by Landlord or its agents or contractors of any Building, structure or other improvements of any kind, and further, as to omissions after the Commencement Date, Landlord's undertakings hereunder shall apply only if Landlord was obligated by the express provisions of this Lease to act otherwise) of Landlord or its officers, employees, agents, contractors, licensees or invitees (except to the extent, if any, either caused by the negligence of Tenant or any Person acting by, through or under Tenant or covered by insurance under which the insurer has acknowledged its liability to Tenant) or required by the provisions of this Lease to be covered by insurance):

(a) any work or thing done in, on or about the Parcels or any part thereof by Landlord (or any Person acting for Landlord);

(b) any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance or management of the Parcels or any part thereof or of any sidewalk or curb adjacent thereto by Landlord before the Commencement Date, or any actual use or act of Landlord occurring after the Commencement Date;

(c) any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Parcels or any part thereof or in, on or about any sidewalk or curb adjacent thereto before the Commencement Date;

(d) any failure on the part of Landlord to perform or comply with any of the covenants, agreements, warranties, terms or conditions contained in this Lease on Landlord's part to be performed or complied with; or

(e) any failure or breach on the part of Landlord to keep, observe or perform any of the terms, covenants, agreements provisions, conditions, or limitations contained in any other contract or agreement affecting the Premises, on Landlord's part to be kept, observed or performed and not to be performed by Tenant pursuant to the provisions of this Lease.

SECTION 20.2. The obligations of Landlord under this ARTICLE 20 shall not be affected in any way by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies.

SECTION 20.3. If any claim, action or proceeding is made or brought against Tenant against which Tenant is indemnified pursuant to SECTION 20.1 or any other provision of this Lease, then, upon demand by Tenant, Landlord, at its sole cost and expense, shall diligently resist or defend such claim, action or proceeding in Tenant's name. The foregoing notwithstanding, Tenant may engage its own attorneys to defend it or to assist in its defense.

SECTION 20.4. The provisions of this ARTICLE 20 shall survive the Expiration Date with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or expense arising out of or in connection with any action or failure to take action or any other matter occurring during the Term or any Renewal Term of this Lease.

SECTION 20.5. When a claim is caused by the joint negligence or willful misconduct of Landlord and Tenant or Landlord and a Person unrelated to Landlord (except Landlord's agents, employees, officers, contractors, licensees, or invitees), Landlord's duty to defend, indemnify and save Tenant harmless shall be in proportion to Landlord's allocable share of the joint negligence or willful misconduct.

ARTICLE 21
RIGHT OF INSPECTION

SECTION 21.1. After the Commencement Date, Tenant shall permit Landlord and the Secured Lenders and their respective agents, representatives and contractors to enter the Premises at all reasonable times, on reasonable notice (except in the case of an emergency, in which event no notice will be required), for the purposes of (a) inspecting the Premises, (b) determining whether or not Tenant is in compliance with its obligations hereunder, (c) making any repairs or Restoration which Landlord is permitted or required to perform pursuant to the terms of this Lease, (d) in the case of an emergency (i.e., a condition presenting imminent danger to the health or safety of persons or to property), or following an Event of Default, making any necessary repairs or alterations to the Premises or performing any work therein, whether necessitated by a Requirement or otherwise, provided that in the case of an emergency Landlord or the Secured Lender shall make a reasonable attempt to communicate with Tenant to alert Tenant to the necessary repair, and (e) performing any other obligations of Landlord which reasonably require access to the Premises. Landlord's and each Secured Lender's respective inspection rights may not be exercised before an Event of Default occurs unless Landlord or such Secured Lender first executes a confidentiality agreement in the form of EXHIBIT I attached hereto (the "CONFIDENTIALITY AGREEMENT").

SECTION 21.2. Landlord or a Secured Lender, as the case may be, during the progress of any Restoration or any Repair, alteration or work referred to in SECTION 21.1, may keep and store at the Premises in or at places to be reasonably designated by Tenant all necessary or useful materials, tools, supplies and equipment. Landlord or a Secured Lender, as the case may be, shall not be liable for inconvenience, annoyance, disturbance, or loss of business of Tenant or any Subtenant by reason of making such repairs, Restoration or the performance of any such work, or on account of bringing materials, tools, supplies and equipment into the Premises during the course thereof, and the obligations of Tenant under this Lease shall not be affected thereby. To the extent that Landlord or a Secured Lender undertakes such work or repairs and such work or repairs shall require interruption of any services to or access of Tenant or a Subtenant or the entry into any space covered by this Lease or a Sublease, such work or repairs shall be commenced and completed with reasonable diligence, subject to Unavoidable Delays, and in such a manner as not to unreasonably interfere with the conduct of business in such space and if requested by Tenant such work or repairs will be

performed outside of normal business hours and on weekends, at Tenant's expense, unless the work or repairs are required due to a breach by Landlord under this Lease.

SECTION 21.3. Landlord and Persons authorized by Landlord shall have the right to enter and pass through the Premises at any reasonable time upon reasonable notice to Tenant to show the Premises to prospective purchasers, tenants and Secured Lenders; provided, however, that Landlord and any such Persons agree to execute the Confidentiality Agreement.

ARTICLE 22
LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS

SECTION 22.1.

(a) If an Event of Default occurs under this Lease and all applicable cure periods have expired, then Landlord, without waiving or releasing Tenant from any default or from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligations on Tenant's behalf, at Tenant's cost. In addition, Landlord may so perform the obligation in question upon the occurrence of a Default without waiting until such Default has become an Event of Default if the failure to perform such obligation may result in a loss, forfeiture or diminution in value of the Premises or any part thereof or any part of the rents, issues and profits thereof. In addition to the foregoing, if Tenant shall have failed to deliver to Landlord a certificate or other evidence reasonably satisfactory to Landlord of the existence of any new or renewal insurance policy required under SECTION 7.1 of this Lease prior to the date that is seven (7) Business Days prior to the expiration of the policy in question or if for any other reason the insurance described in SECTION 7.1(a) is no longer in full force and effect, then upon twenty-four (24) hours' notice from Landlord or any time thereafter, Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) obtain or cause to be obtained, at Tenant's sole cost and expense, some or all of the insurance (covering a period of one year or less) for which such certificate or other evidence has not been delivered to Landlord as aforesaid. Landlord may exercise the foregoing right without giving Tenant a notice of Default and Landlord shall have the right to enforce collection of its costs and expenses incurred in obtaining such insurance without declaring an Event of Default by Tenant.

(b) Without limiting Landlord's rights under SECTION 22.1(a) or elsewhere in this Lease contained, if Landlord shall be given any notice of default under any Secured Loan and Tenant is then in Default under this Lease with respect to an obligation the non-performance of which is the basis (in whole or in part) for such notice of default, then, whether or not such Default has become an Event of Default, Landlord, without waiving or releasing Tenant from any default or any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf, at Tenant's cost; provided, however, that Landlord shall immediately forward to Tenant a copy of any such notice of default received from such Secured Lender.

SECTION 22.2. All reasonable sums paid by Landlord and all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Landlord in connection with its performance under SECTION 22.1 of any of Tenant's obligations, together with interest thereon at the Late Charge Rate from the respective dates that Landlord makes each such payment until the date of actual repayment to Landlord, shall be paid by Tenant to Landlord on demand as additional rent. Any payment or performance by Landlord pursuant to the foregoing provisions of this ARTICLE 22 shall not be a waiver or release of any breach or default of Tenant with respect thereto or of any right of Landlord to terminate this Lease, institute summary proceedings, exercise any other right or remedy, or take such other action as may be permissible hereunder if an Event of Default by Tenant shall have occurred. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep insurance in force as aforesaid to the amount of the insurance premium or premiums not paid, but Landlord also shall be entitled to recover, as damages for such breach, the uninsured amount of any loss or damage and the costs and expenses of suit, including, without limitation, reasonable attorneys' fees and disbursements, suffered or incurred by reason of damage to or destruction of the Parcels which damage or destruction was required to be insured against hereunder.

ARTICLE 23
NO TERMINATION OR ABATEMENT OF RENTAL

SECTION 23.1. This Lease is a completely net lease to Landlord, and it shall not terminate except as expressly provided in SECTION 23.3 or ARTICLES 8, 9 and 25; nor shall Tenant be entitled to any abatement or reduction, set-off, counterclaim, defense or deduction with respect to any Rental or other sum payable hereunder except as expressly provided in ARTICLES 9 and 48 and EXHIBIT C; nor shall the obligations of Tenant hereunder be affected (except in accordance with an express provision of this Lease) by reason of (a) any prohibition, limitation, restriction or prevention of Tenant's use, occupancy or enjoyment of the Premises, or any interference with such use, occupancy or enjoyment by any Person, other than Landlord, a Secured Lender, or their respective agents or successors, (b) any default by or claim against Landlord hereunder or under any other agreement, (c) the impossibility or illegality of performance by Landlord, Tenant or both, (d) any action of any Governmental Authority, or (e) any other cause whatsoever, whether similar or dissimilar to the foregoing. The covenants, agreements and obligations of Tenant hereunder are and shall in all events be construed as covenants, agreements and obligations which are separate and independent from those of Landlord, and they shall continue unaffected, regardless of any breach of Landlord's covenants and agreements hereunder, except to the extent (if any) such obligations of Tenant shall have been modified or terminated in writing pursuant to an express provision of this Lease.

SECTION 23.2. Without limitation of the provisions of SECTION 23.1, except as expressly provided otherwise in this Lease, Tenant shall remain obligated under this Lease in accordance with its terms, shall remain in possession of the Premises within the meaning of Title 11 U.S.C. Section 365 (as the same may be amended from time to time) and shall not take any action to terminate, surren der, reject, disaffirm, rescind or avoid this Lease, or abate or defer any Rental, or claim a constructive eviction, by reason of any bankruptcy, insolvency, reorganization, liquidation, dissolution or other

proceeding of or affecting Landlord or any of its assigns or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court.

SECTION 23.3. Notwithstanding any provision herein to the contrary, if there is a complete and total failure of title to the Premises as a result of a matter which is not listed on Exhibit B and the origin of which is not caused by or through Tenant or any Person claiming or acting by, through or under Tenant, and as a result thereof Tenant is completely dispossessed from all or substantially all of the Premises, and such failure of title is covered by the respective mortgagees' policies of title insurance held by the Secured Lenders holding liens on the Premises such that those Secured Lenders are entitled, on account of such failure of title, to receive full compensation under their respective title insurance policies for the full amount of the indebtedness outstanding under their respective Secured Loans (or, if Secured Lenders are entitled to payment under their title insurance policies of less than the full amount of such indebtedness on account of such title failure, but Tenant tenders to such Secured Lenders an amount in cash equal to the full amount of the shortfall (the principal component of such shortfall being subject to the limitation set out in SECTION 9.1(d) hereinabove) less the amount (if any) which Landlord is entitled to receive under its owners policy of title insurance for and on account of such failure of title, with the result that such Secured Lenders will be repaid from Tenant and their title insurance policies and Landlord's title insurance policy together the full amount of their outstanding indebtedness), then Tenant may, by written notice given to Landlord and each of such Secured Lenders not later than 60 days after first learning of such failure of title is finally determined, terminate this Lease and be relieved of its obligations to pay Rental and other obligations hereunder that relate exclusively to the period after the effective date of such termination, except for those which specifically survive expiration or termination of the Lease.

ARTICLE 24
PERMITTED USE; NO UNLAWFUL OCCUPANCY;

OPERATION OF THE PREMISES

SECTION 24.1. Tenant shall not use the Premises in a manner, or for a use or purpose, not permitted by the provisions of this Lease.

SECTION 24.2. Tenant shall not use or occupy the Premises or any part thereof, or permit or suffer the Premises or any part thereof to be used or occupied, for any unlawful business, use or purpose, or in an unlawful manner or such manner as to constitute in law or in equity a nuisance of any kind (public or private), or for any dangerous or noxious trade or business, or for any purpose or in any way in violation of (a) any certificate of occupancy for the Premises in effect from time to time during the Term or any Renewal Term, (b) any Requirement, (c) the CC&R's relating to the Premises, or (d) the provisions of this Lease, or which may make void or voidable any insurance then in force on the Premises (or any portion thereof). Tenant shall take, immediately upon the discovery of any unpermitted use, all reasonable necessary steps, legal and equitable, to compel the discontinuance of such unpermitted use and Tenant shall exercise all of its rights and remedies against any Subtenants responsible for such use.

SECTION 24.3.

(a) Tenant may use and occupy the Premises for the processing, warehousing, and distribution of inventory, for administrative and general offices, and (subject to the provisions of SECTION 24.2) for any other lawful uses.

(b) If any licenses, permits or authorizations of any Governmental Authorities, other than those required or necessary to obtain Final Inspection (which licenses, approvals and authorizations necessary to obtain Final Inspection are the responsibility of Landlord, at Landlord's sole cost and expense), shall be required for the proper and lawful conduct in the Premises or any part thereof of the business or activities of Tenant (or any Person claiming by, through or under Tenant), then Tenant, at its sole cost and expense, shall duly procure and thereafter maintain such licenses, permits and authorizations in effect, and shall submit the same to Landlord for inspection. Tenant shall at all times comply with the terms and conditions of each such license, permit and authorization.

SECTION 24.4. Notwithstanding anything herein to the contrary, nothing herein shall be construed as an obligation for Tenant to operate its business in the Premises. Tenant shall have the right to remove Tenant's Property and cease operations on or within the Premises at Tenant's sole discretion; however, the right to cease to operate its business on or within the Premises shall not diminish or affect in any way any of Tenant's obligations hereunder (including, without limitation, Tenant's obligations to pay all Rental and other amounts as they come due hereunder and to perform all covenants and obligations hereunder).

ARTICLE 25
EVENTS OF DEFAULT, CONDITIONAL LIMITATIONS, REMEDIES, ETC.

SECTION 25.1. The occurrence of any one or more of the following events shall be an "EVENT OF DEFAULT" hereunder:

(a) if Tenant shall fail to pay any installment of any Fixed Rent or Impositions, or any part thereof, when the same shall become due and payable, and such failure shall continue for a period of five days; provided, that twice in any period of twelve consecutive months Tenant shall have ten days after written notice from Landlord to Tenant to cure such Default, except that the preceding provisions of this proviso (which provide for notice and ten days' grace period under certain circumstances) shall not apply to any failure of Tenant to pay, before the same becomes past- due or any penalty attaches or accrues on account of nonpayment or late payment, any Imposition which is a tax, assessment or other amount payable to a Governmental Authority, and provided further, that Tenant's late payment of a particular installment of any Imposition which is a tax, assessment or other amount payable to a Governmental Authority will not be deemed to constitute an Event of Default (although it will be deemed to constitute a Default) if Tenant paid such installment in full (together with any and all interest, penalties and other amounts payable with

respect thereto) within five (5) days after Tenant first received a copy of the tax bill relating thereto or other written notice of the amount of and due date for such installment of Taxes;

(b) if Tenant shall fail to make any payment of any Rental (other than Fixed Rent or Impositions) required to be paid by Tenant hereunder when the same shall become due and payable, and such failure shall continue for a period of ten days after written notice from Landlord to Tenant to cure such Default;

(c) if Tenant shall fail to deliver to Landlord a certificate or other evidence reasonably satisfactory to Landlord of the existence of any new or renewal insurance policy required under this Lease on or prior to the date the same is required to be delivered to Landlord, and such failure shall continue for seven days after notice from Landlord (but only two Business Days after notice if Landlord's notice is given ten or fewer days prior to the expiration of the policy in question);

(d) if Tenant shall fail to observe or perform any of the terms, conditions, covenants or agreements of this Lease which is not specifically the subject of any of the preceding CLAUSES (a)-(c), inclusive, of this SECTION 25.1, and such failure continues for a period of thirty days after notice thereof by Landlord to Tenant specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Unavoidable Delays, reasonably be performed, done or removed, as the case may be, within such 30-day period, in which case no Event of Default shall be deemed to exist as long as Tenant shall have commenced curing the same promptly after the first notice from Landlord and shall thereafter at all times prosecute the same to completion with reasonable diligence, subject only to Unavoidable Delays);

(e) if Tenant or Guarantor shall make an assignment for the benefit of creditors;

(f) if Tenant or Guarantor voluntarily shall file a case or petition under Title 11 of the United States Code or any other bankruptcy, insolvency, reorganization or similar law, or if any such case or petition is filed against Tenant or Guarantor and an order for relief is entered, or if Tenant or Guarantor shall file any petition or answer seeking, consenting to or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, or shall admit in writing that it is bankrupt or insolvent, or shall seek or consent to or acquiesce in or suffer the appointment of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant or Guarantor or of all or any substantial part of its properties or of the Premises or any interest therein of Tenant or Guarantor, or if Tenant or Guarantor shall take any action in furtherance of any action described in SECTION 25.1(e), this SECTION 25.1(f), or SECTION 25.1(g) hereof;

(g) if within ninety days after the commencement of any proceeding against Tenant or Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or

any other present or future applicable federal, state or other statute or law, such proceeding shall not have been dismissed, discontinued or vacated or if, within ninety days after the appointment, without the consent or acquiescence of Tenant or Guarantor, of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant or Guarantor or of all or any substantial part of its properties or of the Premises or any interest therein of Tenant or Guarantor, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, within ninety days after the expiration of any such stay, such appointment shall not have been vacated;

(h) if this Lease or all or any part of the estate or interest of Tenant hereunder or created hereby shall be assigned, subleased, transferred, mortgaged, encumbered or otherwise disposed of without compliance with the provisions of this Lease applicable thereto, and such transaction shall not be made to comply, or voided ab initio, within thirty days after notice thereof from Landlord to Tenant; or

(i) if a levy under execution or attachment shall be made against Tenant's interest or estate in the Premises or any part thereof and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of sixty days.

SECTION 25.2. If an Event of Default shall occur, until such Event of Default shall have been completely cured Landlord may, in its sole discretion, exercise any or all rights and remedies available to Landlord hereunder or under applicable law (including, without limitation, proceeding by appropriate judicial proceedings, either at law or in equity, to mandate, enjoin or otherwise enforce the performance or observance by Tenant of the applicable provisions of this Lease, terminating this Lease and recovering damages for Tenant's breach hereof [including but not limited to any prepayment penalty incurred by Landlord under a Secured Loan as a result of the termination of this Lease, and brokerage commissions]), simultaneously or in such order as Landlord, in its discretion, may determine.

SECTION 25.3.

(a) If any Event of Default shall occur and Landlord, at any time thereafter during the continuance of such Event of Default, at its option, gives written notice to Tenant stating that this Lease and the Term or any Renewal Terms shall expire and terminate on the date specified in such notice, which date shall be not less than ten days after the giving of such notice, then this Lease, the Term, any Renewal Terms, and all rights of Tenant under this Lease (including, without limitation, all rights relating to any and all Options) shall expire and terminate on the date specified in such notice as if such date were the date herein definitely fixed for the expiration of the Term or any Renewal Terms unless such Event of Default shall be sooner cured. Upon any termination of this Lease pursuant to this SECTION 25.3, Tenant immediately shall quit and surrender the Premises, but Tenant shall remain liable for damages as hereinafter provided. Anything contained herein to the contrary notwithstanding, if such termination shall be stayed or enjoined by order of any court having jurisdiction over any proceeding described in either of SECTIONS 25.1(f) or 25.1(g) hereof, or by federal or state statute, then, following the expiration or vacation of any such stay or injunc tion, or if the trustee appointed in any such proceeding, Tenant, or Tenant as debtor-in-possession shall fail to assume Tenant's obligations under this Lease within the period prescribed therefor by law or within sixty days after entry of the order for relief or as may be allowed by the court, or if said trustee, Tenant or Tenant as debtor-in-possession shall fail to provide adequate protection of Landlord's right, title and interest in and to the Premises or adequate assurance of the complete and continuous future performance of Tenant's obligations under this Lease as provided in SECTION 25.16 hereof, Landlord shall have the right, at its election, to terminate this Lease on five days' notice to Tenant, Tenant as debtor-in-possession, or said trustee, and upon the expiration of said five-day period this Lease shall cease and expire as aforesaid and Tenant, Tenant as debtor-in-possession, and said trustee shall immediately quit and surrender the Premises as aforesaid.

(b) If an Event of Default shall occur and all applicable cure periods have expired, Landlord, without notice, may (unless such Event of Default shall have been completely cured) dispossess Tenant by summary proceedings or by any suitable action or proceeding at law, whether or not the Lease has terminated.

SECTION 25.4. If this Lease shall be terminated as provided in SECTION 25.3(a) or Tenant shall be dispossessed as provided in SECTION 25.3(b), then:

(a) Landlord or Landlord's agents or servants, may immediately or at any time thereafter re-enter the Premises and remove therefrom Tenant, its agents, employees, servants, licensees, and any subtenants and other persons holding or claiming by, through or under Tenant, and all or any of its or their property, without being liable to indictment, prosecution or damages therefor, and repossess and enjoy the Premises, together with all additions, alterations and improvements thereto;

(b) All of the right, title, estate and interest of Tenant in and to (i) the Premises, all Buildings (including, without limitation, all Equipment), all changes, additions and alterations

therein, and all renewals and replacements thereof, (ii) all rents, issues and profits of the Premises, or any part thereof, whether then accrued or to accrue, (iii) all insurance policies and all insurance monies paid or payable thereunder, and (iv) subject to SECTION 25.17, the entire undisbursed balance of any funds (including the interest, if any, accrued thereon) then held by the Landlord, shall automatically pass to, vest in and belong to Landlord, without further action on the part of either party, free of any claim thereto by Tenant (and Landlord will not thereby be deemed to have assumed, or otherwise be or become subject to, any of Tenant's obligations or liabilities thereunder or with respect thereto), subject, however, to the rights, if any, of any Secured Lenders;

(c) Tenant shall immediately pay to Landlord all Rental payable by Tenant under this Lease to the date upon which this Lease and the Term or any exercised Renewal Term shall have expired and come to an end or to the date of re-entry upon the Premises by Landlord, as the case may be;

(d) Landlord may repair and alter the Premises in such manner as Landlord may deem necessary or advisable without relieving Tenant of any liability under this Lease or otherwise affecting any such liability, and let or relet the Premises or any parts thereof for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name or as agent of Tenant, and out of any rent and other sums collected or received as a result of such reletting Landlord shall: (i) first, pay to itself the reasonable cost and expense of terminating this Lease, re-entering, retaking, repossessing, completing construction of and repairing and altering the Premises, or any part thereof, and the reasonable cost and expense of removing all persons and property therefrom, including in such costs reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements; (ii) second, pay to itself the reasonable cost and expense sustained in securing any new tenants and other occupants, including in such costs reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements and other expenses of preparing the Premises for reletting, and, if Landlord shall maintain and operate the Premises, the cost and expense of operating and maintaining the Premises; and (iii) third, pay to itself any balance remaining on account of the liability of Tenant to Landlord. Landlord in no way shall be responsible or liable for any failure to relet the Premises or any part thereof, or for any free rent or other concessions granted to any tenants in connection with any such reletting, or for any failure to collect any rent due on any such reletting, and no such failure to relet or to collect rent, or concessions granted, shall operate to relieve Tenant of any liability under this Lease or to otherwise affect any such liability; and in no event shall Tenant be entitled to receive any excess of such annual rents over the sums payable by Tenant to Landlord hereunder, provided, however, Landlord shall use reasonable efforts to mitigate its damages for any Tenant default under the Lease;

(e) Tenant shall be liable for and shall pay to Landlord, as damages, any deficiency ("DEFICIENCY") between (i) the Rental (including, without limitation, Fixed Rent, Impositions, and all other amounts comprising Rental hereunder) reserved in this Lease for the period from the time of the termination hereof or dispossession of Tenant hereunder through the date on which the Term (or any exercised Renewal Term) would have ended had no such termination or dispossession occurred and (ii) the net amount, if any, of rents collected under any reletting effected

pursuant to the provisions of SECTION 25.4(d) for any part of such period (which net amount shall be determined after deducting from the rents collected under any such reletting all of the payments to Landlord described in SECTION 25.4(d) hereof); any such Deficiency shall be paid in installments by Tenant on the respective days specified in this Lease for payment of installments or other payments of Rental, and Landlord shall be entitled to recover from Tenant each Deficiency install ment as the same shall arise, and no suit to collect the amount of the Deficiency for any installment period shall prejudice Landlord's right to collect the Deficiency for any subsequent installment period by a similar proceeding; and

(f) Whether or not Landlord shall have collected any Deficiency installments as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, in lieu of any further Deficiencies, as and for liquidated and agreed final damages (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), a sum equal to the amount by which the Rental reserved in this Lease for the period following termination or dispossession exceeds the then fair market rental value of the Premises for the same period, both discounted to present worth at the rate per annum equal to the yield on then current Five-Year U.S. Treasury Index, less the aggregate amount of Deficiencies theretofore collected by Landlord pursuant to the provisions of SECTION 25.4(c) for the same period (if any). In no event is Landlord entitled to accelerated nondiscounted rent.

SECTION 25.5. No taking of possession of, or reletting of, the Premises or any part thereof pursuant to SECTIONS 25.3(b) or 25.4, or any other provision hereof, or as permitted by applicable law, shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such repossession or reletting except as otherwise specifically and expressly provided herein.

SECTION 25.6. To the extent not prohibited by law, Tenant hereby waives and releases all rights now or hereafter conferred by statute or otherwise which would have the effect of limiting or modifying any of the provisions of, or limiting or restricting Landlord's rights or remedies under, this ARTICLE 25. Tenant shall execute, acknowledge and deliver any instruments which Landlord may reasonably request, whether before or after the occurrence of an Event of Default, evidencing such waiver or release.

SECTION 25.7. Landlord hereby waives any contractual, statutory or other landlord's lien on Tenant's Property, furniture, fixtures, supplies, equipment and inventory and any Capital Improvement owned now or hereafter by Tenant or its assignees, Subtenants or licensees at and with respect to the Premises; provided, however, that the foregoing clause of this Section shall not be deemed to waive, release or diminish in any way any of the rights, remedies or authorities granted to Landlord by the provisions of this Lease. No provision in the Guaranty made by Guarantor and delivered to Landlord substantially simultaneously with the execution of this Lease shall be construed as obligating Tenant to grant to Landlord any security interest in any property of Tenant.

SECTION 25.8. Suit or suits for the recovery of damages allowed hereunder or any Deficiencies or other sums payable by Tenant to Landlord pursuant to this ARTICLE 25 may be brought

by Landlord from time to time at Landlord's election, and nothing herein contained shall be deemed to require Landlord to await the date whereon this Lease or the Term or any Renewal Terms would have expired had there been no Event of Default by Tenant and termination.

SECTION 25.9. Nothing contained in this ARTICLE 25 shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding an amount equal to the maximum allowed by any statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount shall be greater than, equal to or less than the amount of the damages referred to in any of the preceding Sections of this ARTICLE 25.

SECTION 25.10. No receipt of moneys by Landlord from Tenant after the termination of this Lease or after the giving of any notice of the termination of this Lease shall reinstate, continue or extend the Term or any Renewal Terms or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rental payable by Tenant hereunder or thereafter falling due, or operate as a waiver of the right of Landlord to recover possession of the Premises by proper remedy, except as herein otherwise expressly provided, it being agreed that after the giving of notice to terminate this Lease or the commencement of any suit or summary proceedings, or after a final order or judgment for the possession of the Premises, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Premises or, at the election of Landlord, on account of Tenant's liability hereunder.

SECTION 25.11. Except as otherwise expressly provided herein or as prohibited by applicable law, Tenant hereby expressly waives the service or giving of any notice of intention to re-enter provided for in any statute, or of the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all rights provided by any law or statute now in force or hereafter enacted or otherwise, of redemption or re-entry or repossession or to restore the operation of this Lease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in case of any expiration or termination of this Lease. The terms "enter", "re-enter", "entry" or "re-entry" as used in this Lease are not restricted to their technical legal meaning. Nothing in this Section shall affect Tenant's rights, including rights to notice, which are expressly provided herein.

SECTION 25.12. No failure by Landlord to insist upon the strict performance by Tenant of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no payment or acceptance of full or partial Rental during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by Tenant, and no breach thereof, shall be waived, altered or modified except by the specific provisions of a written instrument executed by Landlord. No waiver by Landlord of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease

shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof.

SECTION 25.13. In the event of any breach or threatened breach or repudiation by Tenant of this Lease or of any of the covenants, agreements, terms or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach, threatened breach or repudiation and shall have the right to invoke any and all rights and remedies allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings, and other remedies were not provided for in this Lease.

SECTION 25.14. Each right and remedy of Landlord provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 25.15. If after an Event of Default has occurred (and any applicable cure periods have expired) and while such Event of Default continues uncured, either (i) Guarantor shall have made a general assignment for the benefit of its creditors, or (ii) Guarantor or its estate shall have become the subject of any bankruptcy, insolvency, reorganization or similar proceeding, which proceeding shall not have been dismissed or vacated within 90 days after its commencement, or (iii) Guarantor shall have terminated its existence or gone out of business, or (iv) Guarantor shall have repudiated any of its material obligations under the Guaranty, then in addition to all other remedies of Landlord hereunder (other than its rights to terminate this Lease and/or dispossess Tenant, as to which see the final sentence of this Section), Landlord may, in its discretion, by notice to Tenant and Guarantor (which notice, referred to herein as a "SECTION 25.15 NOTICE," shall expressly state that Landlord is exercising its rights under this SECTION 25.15), accelerate all obligations of Tenant hereunder for Rental, in which case all amounts of Rental (including, without limitation, Fixed Rent) which would have become due or payable by Tenant to Landlord hereunder for any period or at any time through the end of the Term (including any Renewal Term, if exercised) shall immediately be due and payable in full (provided, however, that any such amounts so due and payable shall be discounted to present value at the rate per annum equal to the yield, as in effect on the date of the Section 25.15 Notice, on U.S. Treasury debt instruments which mature in the month in which the Lease Term is scheduled to end). From and after the time (if any) when Landlord has duly exercised its right to accelerate as provided in this Section and has also actually received in cash the full amount (discounted to present value as provided in the preceding sentence) of all Rental which would have become due or payable hereunder through the end of the Term as provided in the preceding sentence (the "FULL TERM RENTAL PAYMENT RECEIPT DATE"), Landlord shall not be entitled to terminate this Lease or to dispossess Tenant until the end of the Term with respect to which Landlord had received such accelerated, commuted payment of Rental; but Landlord may, at any time until the Full Term Rental Payment Receipt Date, rescind any Section 25.15 Notice it may

theretofore have given and thereafter exercise its rights to terminate this Lease or dispossess Tenant hereunder.

SECTION 25.16. If an order for relief is entered or if a stay of proceeding or other acts becomes effective in favor of Tenant or Tenant's interest in this Lease, in any proceeding which is commenced by or against Tenant, under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, Landlord shall be entitled to invoke any and all rights and remedies available to it under such bankruptcy code, statute, law or this Lease, including, without limitation, such rights and remedies as may be necessary to adequately protect Landlord's right, title and interest in and to the Premises or any part thereof and adequately assure the complete and continuous future performance of Tenant's obligations under this Lease.

SECTION 25.17. If this Lease shall terminate as a result of an Event of Default, and also (regardless of whether or not this Lease shall have terminated) at any time after an Event of Default has occurred (and any applicable cure period has expired), any funds of Tenant (including the interest, if any, accrued thereon) then held by Landlord may be applied by Landlord to any sums then due and owing by Tenant to Landlord hereunder and to any damages payable by Tenant (whether provided for herein or by law or in equity) as a result of such termination or Event of Default.

ARTICLE 26
NOTICES

SECTION 26.1. All notices, demands, requests, consents, approvals or other communications (each of which is referred to herein as a "NOTICE") made or required to be given pursuant to, under or by virtue of this Lease must be in writing. Notices shall be delivered to the respective parties at the following respective addresses:

If to Landlord: CTC Investments Limited
9665 Wilshire Blvd., Suite 200
Beverly Hills, CA 90212
Attention: R. Christian B. Evensen
K. Robert Turner

with a copy to: Mayer, Brown & Platt
190 South LaSalle Street
Chicago, Illinois 60603
Attention: Robert M. Berger
Douglas Lubelchek

If to Tenant: Coach Distribution Company
410 Commerce Boulevard
Carlstadt, New Jersey 07072
Attention: Mr. Richard Jeffrey

with a copy to: Foley & Lardner
200 Laura Street
Jacksonville, Florida 32202
Attention: David C. Cook
John M. Welch

If Landlord should so request of Tenant, Tenant shall also deliver a copy of any Notice it gives to Landlord, to any Secured Lender that Landlord may designate in such request, at such Secured Lender's address as furnished to Tenant by Landlord. Any Notice shall be deemed given upon the first to occur of (i) actual receipt by the party to whom it is being given, (ii) the date on which proper delivery of such Notice is refused by the party to whom it is being given, (iii) the third Business Day after the date on which such Notice was deposited in the U.S. Mails, properly addressed, by first class certified mail return receipt requested, with all proper postage prepaid, or (iv) the first Business Day after being deposited with a recognized national overnight courier service for next-day delivery, properly addressed, with all charges prepaid or otherwise charged to the sender. Notices may be given on behalf of any party by such party's attorneys at law. Any party may change its address for purposes of receipt of Notices hereunder by giving notice of such change to the other party in accordance with this SECTION 26.1.

SECTION 26.2. If Landlord shall designate the holder of any Secured Loan as a Person to whom copies of all Notices from Tenant shall be sent, such designation shall be irrevocable during the term of such Secured Loan, and no Notice from Tenant shall be deemed to have been validly given unless and until a copy thereof is also given to such holder. (Such Secured Lender may change its address or may be replaced by a new holder of such Secured Loan by Notice given to Landlord and Tenant.)

ARTICLE 27
SIGNAGE

SECTION 27.1. Tenant shall, at its sole cost and expense, deliver to Landlord such signs, monuments or markers setting forth Tenant's name and logo as it may wish to have installed on (a) the entrance doors of any Building, (b) the exterior walls of any Building, and (c) in the parking areas of any Building. Tenant shall submit to Landlord for its approval the plans and specifications for such signs, monuments or markers ("SIGNAGE PLAN") as soon as practical hereafter but no later than December 1, 1994; provided, however, that if the Signage Plan is delivered after December 1, 1994, then (i) Tenant will pay to Landlord on demand all amounts, costs, expenses and liabilities of every kind that Landlord may pay or incur (including, without limitation, construction costs and interest on any construction loan) as a direct or indirect result of such late delivery of the Signage Plan, and (ii) all deadlines, performance dates and similar time-related obligations of Landlord under or concerning this Lease (including, without limitation, the Required Delivery Date [defined in the Leasehold Improvement Agreement]) shall be deferred and moved back by an equal number of days or (if longer) the period of delay in the construction of the Initial Building that was directly or indirectly caused or occasioned by such late delivery of the Signage Plan. Landlord shall be

responsible for installing any signs, monuments or markers delivered to it by Tenant in compliance with the Signage Plan, and Landlord shall obtain all necessary sign permits, approvals or certificates required by any Governmental Authorities, but Tenant shall pay all costs in excess of $2,500.00 which are paid or incurred in connection with such installation or obtaining of permits, approvals or certificates.

SECTION 27.2. Tenant shall be responsible, at its sole cost and expense, for (a) maintaining in force all sign permits, if any, required by any Governmental Authorities, and (b) all maintenance, repair and cleaning of Tenant's and its Subtenants' signs, and the provisions and conditions of ARTICLE 12 shall apply to each such sign. All such signs shall be deemed to be Tenant's Property for the purposes of ARTICLES 11 and 13.

SECTION 27.3. At any time during the Term or any Renewal Term, Tenant may, at its sole cost and expense, remove or cause the removal of any signs installed or directed or permitted to be installed by Tenant. At the end of the Term or any Renewal Term, Tenant, at its sole cost and expense, shall remove from the Premises all signs installed or directed or permitted to be installed by Tenant or any Person acting, holding or claiming by, through or under Tenant. Upon the removal of any such sign, Tenant shall, at its sole cost and expense, (a) repair any damage caused by such sign or such removal, and (b) restore the elements of the Premises (including, without limitation, the Building) from which such signs are removed in accordance with the standards set out, and to the condition described, in SECTION 34.1.

SECTION 27.4. The provisions of SECTION 10.14 shall apply to all signs of Tenant (or any Person holding or claiming by, through or under Tenant) that in any way, directly or indirectly, advertise or inform that space at or within the Premises is or may be available, whether by assignment, subletting or otherwise. The provisions of SECTION 27.2 and 27.3 shall also apply (INTER ALIA) to such signs, but in the event of an inconsistency between the provisions of SECTION 10.14 and the provisions of SECTIONS 27.2 and 27.3 as applied to such advertising signs, the provisions of SECTION 10.14 shall govern and control.

SECTION 27.5. Tenant may, at its sole cost and expense, erect and maintain one dignified sign at the edge of the South Access Roadway where such roadway ends at the south boundary of Parcel D. Such sign shall at all times conform to the requirements of all applicable laws and ordinances and the CC&Rs, as well as to all provisions of this Lease applicable to signs. To the extent (if any) necessary from time to time under applicable zoning ordinances for the maintenance of such sign, Landlord agrees that if and to the extent it will not thereby become obligated to pay, incur, undertake or sustain any payment, liability, obligation or risk of any kind, Landlord will do one of the following (it shall be within Landlord's sole and absolute discretion to determine which of the following Landlord will do at any particular time, Landlord having the right at any time and from time to time to make a different election): (i) cause the fee title to the South Access Roadway or Parcel D to be held by the same Person who holds the fee title to Parcel A; (ii) cause the South Access Roadway to be leased to Tenant pursuant to a lease which grants to Tenant no rights of any kind whatsoever thereto, and reserves to Landlord or its designee all rights of every kind whatsoever thereto, except

only such bare leasehold estate as may be required to support Tenant's right to maintain thereupon the access sign described in this Section; or (iii) take any other action, or do any other thing, which (at no cost, expense, liability or risk to Landlord) would be sufficient to allow Tenant to maintain the sign described in this Section.

ARTICLE 28
Omitted.

ARTICLE 29
AMENDMENTS TO CC&R'S

Notwithstanding anything to the contrary provided herein, (a) Landlord shall not enter into or consent to any modification or amendment of the CC&R's which materially adversely affects Tenant without obtaining the written consent of Tenant (which consent shall not be unreasonably withheld or delayed by Tenant), and (b) Landlord shall not terminate or agree or consent to a termination of the CC&R's without the written consent of Tenant (which consent shall not be unreasonably withheld or delayed by Tenant). Landlord agrees to consent to, join in and execute (if required) any easement, modification or amendment to the CC&R's, licenses and any other agreement reasonably requested by Tenant, Wilma, the Association or any Governmental Authority which is necessary for Tenant's use or enjoyment of the Premises, but only if (i) the same does not impose any costs, obligations, liabilities or risks on Landlord (or Tenant delivers to Landlord the binding and enforceable written agreement of Tenant, satisfactory in all respects to Landlord, by which Tenant agrees to pay all such costs and to defend, indemnify and hold Landlord harmless from and against all such costs, obligations, liabilities and risks, it being expressly agreed hereby that any such agreement of Tenant, and all of Tenant's obligations and liabilities thereunder, shall also automatically constitute obligations of Tenant under this Lease, the breach or default with respect to which will also constitute a Default hereunder, and which constitute "Obligations" guarantied by Guarantor under the Guaranty), and (ii) the same does not adversely affect any of Landlord's other properties or the security or interests of any Secured Lender in, to or concerning the Premises, the Parcels or this Lease. Each party will provide to the other party, promptly after its receipt thereof, a copy of any notice such party receives concerning the CC&Rs.

ARTICLE 30
CERTAIN PROVISIONS RELATING TO SECURED LOANS

SECTION 30.1. If any act or omission of Landlord would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a partial or total eviction, or to have any abatement or reduction of or offset against any Rental hereunder, Tenant shall not exercise such right until thirty (30) days after it has given written notice of such act or omission to Landlord and to each Secured Lender; and any purported exercise by Tenant of such right before 30 days have elapsed from its giving of such notice shall be void. The provisions of this SECTION 30.1 are not intended to, and shall not be construed to, limit, qualify or modify the provisions of ARTICLE 23 or any other provision of this Lease.

SECTION 30.2.

(a) Landlord shall cause each Secured Lender who holds a lien or security interest in the Premises or any of the Parcels as to which a valid, effective, unexercised Option then remains outstanding, to execute, acknowledge and deliver to Tenant, not later than thirty (30) days after Landlord acquires financing from any such Secured Lender, an instrument in substantially the form of one of the forms comprising EXHIBIT J attached hereto (or another form reasonably acceptable to Tenant) (herein called a "NONDISTURBANCE AGREEMENT"). Until such time (if any) as said Nondis turbance Agreement is delivered to Tenant, such Secured Lender shall not be entitled to any of the rights, benefits or privileges accorded to Secured Lenders under the provisions of this Lease.

(b) Not later than ten days after Landlord tenders to Tenant a form thereof signed by a Secured Lender or prospective Secured Lender, Tenant shall execute, acknowledge and deliver a Nondisturbance Agreement to any Secured Lender or any prospective Secured Lender designated by Landlord from time to time. If Tenant fails to deliver such Nondisturbance Agreement to any Secured Lender or prospective Secured Lender within such ten-day period, Landlord may execute and deliver such Nondisturbance Agreement in Tenant's name, place and stead, and Tenant hereby grants to Landlord an irrevocable power of attorney (which power Tenant acknowledges is coupled with an interest), in Tenant's name, place and stead to execute, acknowledge and deliver any such Nondisturbance Agreement.

SECTION 30.3. Within ten Business Days after being requested to do so by Landlord, Tenant shall execute and deliver an Environmental Indemnity in a form substantially identical to the form of EXHIBIT L attached hereto to any Secured Lender or any prospective Secured Lender.

SECTION 30.4. Upon reasonable request from Landlord, Tenant shall deliver to Landlord or any Secured Lender or prospective Secured Lender a written letter of opinion from Tenant's legal counsel satisfactory to Landlord or such Secured Lender (as the case may be), as to Tenant's authority to execute this Lease, Tenant's due execution of this Lease, the enforceability of this Lease and its nonconflict with laws and contracts, and Tenant's good standing in the state of its incorporation and the State of Florida.

SECTION 30.5 Upon request from Landlord, Tenant shall deliver to Landlord, any Secured Lender or prospective Secured Lender, and any purchaser or prospective purchaser of all or part of Landlord's interest in the Premises or this Lease, an estoppel certificate as to the existence and validity of this Lease (as it may then have been amended, modified or restated), the nonexistence of any defaults hereunder, the nonpayment of any Rental in advance, the performance by Landlord of its obligations hereunder, and any other reasonable or customary matters.

ARTICLE 31
ENVIRONMENTAL MATTERS

SECTION 31.1 Tenant covenants that after the Commencement Date: (a) the Parcels shall be maintained free of contamination from any Hazardous Substances (hereinafter defined) except any which were present on the Parcels as of the Commencement Date through no fault of Tenant or any Person acting or claiming by, through or under Tenant; (b) the Premises shall not be used for the manufacture, storage, generation or disposal of any Hazardous Substances; (c) Tenant shall not be, and shall not permit any assignee or Subtenant to be, involved in operations at or near the Premises that could lead to the imposition on Landlord of liability, or the creation of a lien on the Premises or any assets of Landlord, under any Requirements relating to Hazardous Substances; and (d) Tenant shall not cause or permit to exist or occur any deposit, disposal, discharge, spillage, loss, emission, escape, migration, seepage or filtration of oil, petroleum, chemical liquids or solids, liquid or gaseous products, or any Hazardous Substances upon, under, above, from, or within the Parcels; provided, however, that Tenant may, at Tenant's sole risk, use upon the Premises any Hazardous Substances or hazardous materials which are necessary for Tenant to carry on, in the ordinary course of its business, its presently intended warehouse, distribution or office uses on the Premises so long as Tenant complies with all applicable Environmental Laws and with then-generally-accepted good and prudent business practices relating thereto. (Nothing in the proviso at the end of the preceding sentence shall be deemed to diminish, restrict, limit or affect in any way the breadth, generality or scope of Tenant's indemnification or other obligations or undertakings set out the remainder of this ARTICLE 31.)

SECTION 31.2 Except for matters caused by Landlord's own acts or by the acts of any Person acting or claiming by, through or under Landlord (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Landlord", and any similar phrase, does not include Tenant or its assignees, Subtenants, licensees, or Persons acting, claiming or holding by, through or under Tenant or its assignees, Subtenants or licensees), Tenant hereby agrees to defend, indemnify, and hold Landlord harmless from and against any and all losses, liabilities (including, without limitation, strict liability), damages, injuries, expenses (including, without limitation, attorneys' fees and disbursements), costs of any settlement or judgment, and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Landlord by any Governmental Authority or other Person for, with respect to, or as a direct or indirect result of, the presence on, within or under, or the escape, seepage, leakage, spillage, discharge, emission, migration or release from, the Parcels of any Hazardous Substance, which conditions either (i) were created or caused by Tenant or any Person acting by, through or under Tenant or (ii) did not exist on the Parcels prior to the Commencement Date (including, without limitation, any losses, liabilities, including strict liability, damages, injuries expenses, including attorneys' fees and disbursements, costs of any settlement or judgment or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, RCRA, as amended, or any federal, state or local so-called "Superfund" or "Superlien" laws or any other statute, law, ordinance, code, rule, regulation, order or decree now or hereafter regulating, governing, controlling, relating to, or imposing liability [including, without limitation, strict liability] or standards of conduct for or concerning any Hazardous Substance [collectively, "ENVIRONMENTAL LAWS"] and including amounts necessary to pay costs of investigation and clean-up of Hazardous Substances and toxic substances on or affecting the Property).

SECTION 31.3 For purposes hereof, "HAZARDOUS SUBSTANCES" shall mean and include all elements, wastes, materials, substances or compounds which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (the "EPA") or the Florida Department of Environmental Protection (the "DEP") or the list of toxic pollutants designated by Congress or the EPA or the DEP or defined by any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, governing or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material as now or at any time hereafter in effect, including, without limitation, asbestos, PCBs, radioactive substances, methane, petroleum distillates, compounds and derivatives, petrochemicals, volatile hydrocarbons and industrial solvents.

SECTION 31.4 If either Tenant or Landlord receives any notice of (a) the happening of any event involving in any way the presence, spill, release, leak, seepage, discharge of cleanup of any Hazardous Substance on or from the Parcels, or (b) any complaint, order, citation or notice with regard to air emissions, water discharges, or any other environmental, health or safety matter affecting Landlord or the Parcels (an "ENVIRONMENTAL COMPLAINT") from any Person (including without limitation the EPA or the DEP), then such party receiving the notice shall immediately notify the other party of said notice and shall promptly send such other party a complete copy of any such notice that is in written form.

SECTION 31.5 Unless caused by Landlord's own acts or by the acts of any Person acting or claiming by, through or under Landlord (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Landlord", and any similar phrase, does not include Tenant or any assignee, Subtenant or licensee of or under Tenant or any other Person acting, claiming or holding by, through or under Tenant or any assignee, Subtenant or licensee of Tenant) and except for Hazardous Substances that were present on the Premises on the Commencement Date through no fault of Tenant or any Person acting or claiming by, through or under Tenant, Tenant shall bear the sole and complete responsibility and expense to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any and all such Hazardous Substances and Environmental Complaints following receipt of any notice from any Person (including without limitation the EPA or the DEP) asserting the existence of any Hazardous Substance, or an Environmental Complaint, pertaining to the Parcels or any part thereof which could result in an order, judgment, complaint, decree, suit or other action against Landlord or any Secured Lender or Tenant or Tenant's representatives, agents or Subtenants or which, in the sole opinion or Landlord, could impair the value of Landlord's interest in the Premises or the Parcels. With respect to all matters described above, Tenant shall take all action necessary to obtain a closure letter or other final, favorable written disposition of the matter from the applicable Governmental Authorities and shall deliver said letter or other written disposition to Landlord. If Tenant fails to take any action required herein, Landlord shall have the right (but not the obligation), after providing Tenant with notice and a reasonable opportunity to cure, to enter onto the Premises or to take such other actions as it deems necessary or advisable so to clean up, remove, resolve, minimize the impact of, or otherwise deal with any such Hazardous Substances or Environmental Complaint, in which event all costs and expenses incurred by Landlord in the exercise of any such rights shall be paid and reimbursed to Landlord by Tenant upon demand.

SECTION 31.6

(a) Promptly after its receipt of any report of or concerning the environmental condition of, or the presence or absence of Hazardous Substances at, upon or under, or the compliance or noncompliance with any Environmental Laws of, the Parcels or any part thereof, Tenant will deliver a complete copy of such report to Landlord.

(b) Each of Landlord and any Secured Lender shall have the right from time to time, in its reasonable discretion, to cause to be performed an environmental audit and, if deemed necessary by Landlord, an environmental risk assessment, concerning or relating to the Parcels (or any portions thereof) and the hazardous waste management practices of and the hazardous waste disposal sites used by Tenant and any other users of the Premises; and Tenant grants to Landlord and each such Secured Lender and their respective agents, contractors and designees an irrevocable license to enter upon the Premises at any reasonable time or times for purposes of performing the same. All costs and expenses incurred by Landlord in the exercise of such rights shall be payable by Landlord, except that Tenant shall pay the costs of (i) all such audits and reports as are done either (A) when Landlord or any Secured Lender has any reasonable basis to believe that any Hazardous Substance may be present on, under, at or about the Parcels or (B) in satisfaction of a requirement of a Secured Lender or (C) not sooner than three years after the date of the most recent such audit and report done at Landlord's request, as well as (ii) all audits and reports that disclose a violation not shown as existing in a written environmental consultant's report previously obtained by Landlord (except for violations which Tenant establishes existed before the Commencement Date and were not disclosed in any environmental report received by Tenant prior to the execution of this Lease).

SECTION 31.7 Landlord represents to Tenant that, as of the date of this Lease, Landlord has, and as of the Commencement Date Landlord will have, no actual, conscious knowledge of any violation by the Parcels of any Environmental Law except as may be disclosed on any environmental consultants' reports delivered to Tenant before the date of this Lease. Tenant acknowledges that, except as set out in the preceding sentence, Landlord has made no representation of any kind regarding Hazardous Materials or Environmental Laws and that Tenant is relying, and is willing to rely, solely upon the environmental reports delivered to Tenant before the execution of this Lease.

SECTION 31.8 Unless caused by Tenant's own acts or by the acts of any Person acting, holding or claiming by, through or under Tenant, Landlord hereby agrees to defend, indemnify and hold Tenant harmless from and against any and all losses, liabilities (including, without limitation, strict liability), damages, injuries, expenses (including, without limitation, attorneys' fees and disbursements), costs of any settlement or judgment, and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Tenant by any Governmental Authority or other Person for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, migration or release from, the Parcels of any Hazardous Substance which resulted solely from conditions existing on the Parcels on or prior to the Commencement Date (except for such, if any, as were disclosed in any environmental report delivered to Tenant before the date of this Lease), except to the extent the same was exaggerated,

exacerbated, aggravated or otherwise affected by any act of Tenant or any Person acting, holding or claiming by, through or under Tenant at any time or by any other Person after the Commencement Date (including, without limitation, any losses, liabilities, including strict liability, damages, injuries expenses, including attorneys' fees and disbursements, costs of any settlement or judgment or claims asserted or arising under any Environmental Laws).

SECTION 31.9 Unless caused by Tenant's own acts or by the acts of any Person acting, holding or claiming by, through or under Tenant, Landlord shall bear the sole and complete responsibility and expense to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Environmental Complaint with respect solely to environmental conditions that existed on the Premises on or prior to the Commencement Date (except for such, if any, as were disclosed in any environmental report delivered to Tenant before the date of this Lease), except to the extent the same was exaggerated, exacerbated, aggravated or otherwise affected by any act of Tenant or any Person acting, holding or claiming by, through or under Tenant at any time or by any other Person after the Commencement Date, following receipt of any such Environmental Complaint pertaining to the Premises or any part thereof as to such environmental conditions which could result in an order, suit or other action against Landlord or Tenant or Tenant's representatives, agents or Subten ants or which, in the reasonable opinion of Tenant, could impair the value of Tenant's interest in the Premises. If required herein, Landlord shall take all action necessary to obtain a closure letter or other final, favorable written disposition of such matter from the applicable Governmental Authori ties and shall deliver said letter or other disposition to Tenant. If Landlord fails to take any action required herein, Tenant shall have the right (but not the obligation), after providing Landlord with notice and a reasonable opportunity to cure, to take such actions as it deems necessary or advisable so to clean up, remove, resolve, minimize the impact of, or otherwise deal with any such Environ mental Complaint, in which event, all costs and expenses incurred by Tenant in the exercise of any such rights shall be paid and reimbursed to Tenant by Landlord upon demand.

SECTION 31.10. All of Tenant's and Landlord's respective rights, remedies, liabilities and obligations under this ARTICLE 31 shall survive the expiration and the termination of this Lease (but neither party will have any obligation or liability of any kind to the other party under this ARTICLE 31 for or concerning (i) any condition that first came into existence after the Expiration Date or (ii) any violation of any Environmental Law that first occurred after the Expiration Date and was not caused by, and was not a consequence or result of, any action on omission of such party, or any condition that existed, before the expiration or termination of this Lease).

SECTION 31.11. Under no circumstances whatsoever shall any Secured Lender (or any successor or assign of any Secured Lender) have any personal liability or obligation of any kind to Tenant under or with respect to this ARTICLE 31 or any provision hereof (but the provisions of this Section shall not be construed as negating any liability of a Secured Lender in its capacity as outright owner of any Parcel for any act of such Secured Lender after it becomes the outright owner of such Parcel).

ARTICLE 32

CERTIFICATES BY LANDLORD AND TENANT

SECTION 32.1. Tenant shall, within ten (10) days after each and every written request by Landlord, execute, acknowledge and deliver to Landlord or any other Person designated by Landlord a statement in writing certifying as to such matters regarding this Lease as Landlord may reasonably request and certifying that the statement shall be binding upon Tenant and may be relied upon by any then existing or prospective Secured Lender, assignee or purchaser of all or a portion of Landlord's interest in the Premises or this Lease or of an ownership interest in the Landlord. Tenant agrees that the certificate attached hereto as EXHIBIT K shall be deemed reasonable.

SECTION 32.2. Landlord agrees at any time and from time to time upon not less than ten (10) days' prior written notice by Tenant, to execute, acknowledge and deliver to Tenant or any other Person designated by Tenant a statement in writing certifying as to such matters regarding this Lease as Tenant may reasonably request. Such statement shall be binding upon Landlord and may be relied upon by any then-existing or prospective permitted Subtenant, assignee or purchaser of all or a portion of Tenant's interest in this Lease or an ownership interest in Tenant.

ARTICLE 33
CONSENTS AND APPROVALS

SECTION 33.1.

(a) All consents and approvals which may be given under this Lease shall, as a condition of their effectiveness, be in writing. The granting of any consent or approval by a party to perform any act requiring consent or approval under the terms of this Lease, or the failure on the part of a party to object to any such action taken without the required consent or approval, shall not be deemed a waiver by the party whose consent was required of its right to require such consent or approval for any further similar act, and each party hereby expressly covenants and warrants that as to all matters requiring the other party's consent or approval under the terms of this Lease, the party requiring the consent or approval shall secure such consent or approval for each and every happening of the event requiring such consent or approval, and shall not claim any waiver on the part of the other party of the requirement to secure such consent or approval.

(b) If Tenant shall request Landlord's consent and Landlord shall fail or refuse to give such consent unreasonably in an instance where Landlord is required pursuant to a provision of this Lease not to withhold its consent unreasonably, Landlord's liability hereunder for damages, if any, shall be limited as provided in ARTICLE 43 and ARTICLE 48. Notwithstanding anything which may be to the contrary herein, Landlord shall conclusively be deemed to have reasonably withheld its consent or approval if Landlord has withheld its consent or approval because a Secured Lender who has a right of consent or approval with respect to the matter in question under the terms of the Secured Loan such Secured Lender is holding, has failed or declined to give its consent or approval. Whenever this Lease provides in substance that a matter shall be as

determined in the reasonable judgment of Landlord, and a Secured Loan provides in substance that such matter shall be as determined by the Secured Lender holding such Secured Loan, Landlord shall conclusively be deemed to have exercised its judgment reasonably in determining such matter as required by such Secured Lender. Landlord shall use reasonable efforts to obtain the consent or approval of such Secured Lender if Landlord would, with such consent or approval, give Landlord's consent or approval.

(c) Any matter or thing which is required under this Lease to be done "satisfactorily" or to the "satisfaction" of a party need only be done "reasonably satisfactorily" or to the "reasonable satisfaction" of that party.

ARTICLE 34
SURRENDER AT END OF TERM OR RENEWAL TERMS

SECTION 34.1. On the last day of the Term or any Renewal Term (if exercised), or upon the Expiration Date (if earlier), or upon a re-entry by Landlord upon the Premises pursuant to ARTICLE 25 hereof, Tenant shall surrender and deliver to Landlord the Premises (a) in the same or better condition as on the Commencement Date, (b) in good order, good and working condition and good repair, except for (i) ordinary wear and tear, (ii) damage by fire or other casualty or by condemnation or other taking that Tenant or Landlord is required under this Lease to Restore but, despite reasonable diligence, was not by that time able to Restore (provided that all insurance or condemnation proceeds comprising Restoration Funds which had not been applied to such Restora tion shall have been deposited with Secured Lender, together with any additional sums required to complete such Restoration as estimated pursuant to SECTION 8.2 hereof), (iii) damage from any cause not required to be repaired or Restored by Tenant or (iv) damage caused by Landlord or by Persons acting or holding by, through or under Landlord (but no provision of this Section shall be deemed to limit, restrict, diminish or affect in any way any right of Tenant or Landlord under any policy of insurance), and (c) free and clear of all lettings, occupancies, possessions, liens, security interests, charges and encumbrances other than those, if any, which existed as of the Commencement Date, were created by or consented to by Landlord, or which by their express written terms and conditions extend beyond the Expiration Date and which Landlord shall have expressly approved in writing. Tenant hereby irrevocably waives any notice now or hereafter required by law with respect to vacating the Premises on any such termination date or Expiration Date. Landlord shall have the right to make an inspection of the Parcels following the surrender by Tenant to determine if Tenant has complied with this Section and any other applicable provisions of this Lease.

SECTION 34.2. On the last day of the Term or any Renewal Term (if exercised), or upon the Expiration Date (if earlier), or upon re-entry by Landlord upon the Premises pursuant to ARTICLE 25 hereof, Tenant shall deliver to Landlord, to the extent Tenant is then in possession or control of the same, Tenant's executed counterparts of all Subleases and any service and maintenance contracts then affecting the Parcels, true and complete maintenance records for the Parcels, all original licenses and permits then pertaining to the Parcels, permanent or temporary Certificates of Occupancy then in effect for any or all Buildings, and all warranties and guarantees then in effect which Tenant has received in connection with any work or services performed or Equipment installed in any or all Buildings, together with a duly executed assignment thereof to Landlord.

SECTION 34.3. If Tenant fails for any reason whatsoever to deliver possession of the Premises to Landlord as provided herein on the Expiration Date (or earlier date on which Tenant is to return, surrender or deliver possession to Landlord as provided in ARTICLE 25, in SECTION 34.2, or in any other provision hereof; the earliest of such dates is referred to herein as the "POSSESSION TERMINATION DATE"), Tenant shall be deemed guilty of an illegal and wrongful holding over and shall (i) pay Landlord on demand, with respect to such holdover period, rent (prorated for the actual number of days in such holdover period until Tenant surrenders and returns possession to Landlord of the entire Premises) equal to the greater of (i) holdover rent calculated in the manner expressly authorized by applicable Florida statutes (if applicable Florida statutes expressly provide a formula or similar manner for calculating wrongful holdover rent for commercial or industrial rental properties), or (ii) if applicable Florida statutes do not expressly provide a formula or similar manner for calculating wrongful holdover rent for commercial or industrial rental properties, then at the rate equal to 150% of the Rental (including, without limitation, all Fixed Rent, Impositions and other components of Rental) that was applicable and payable by Tenant under the Lease for and with respect to the twelve months immediately preceding the Possession Termination Date. Notwithstanding Tenant's obligation to pay, or Tenant's payment of, such holdover rent for or on account of such holdover period, Tenant shall nevertheless at all times after the Possession Termination Date be and remain (i) guilty of wrongfully holding over possession and (ii) obligated to deliver and return to Landlord possession of the Premises in the condition specified in SECTION 34.1 and to make the deliveries to Landlord provided for in SECTION 34.2 hereof.

ARTICLE 35
ENTIRE AGREEMENT

This Lease (including the Exhibits attached hereto and comprising a part hereof) contains all of the promises, agreements, conditions, inducements and understandings between Landlord and Tenant and supersedes and entirely replaces any and all prior or contemporaneous agreements, promises and understandings, and there are no promises, agreements, conditions, understandings, inducements, warranties or representations, oral or written, expressed or implied, between them other than as herein expressly set forth.

ARTICLE 36
QUIET ENJOYMENT

Landlord covenants that, if and as long as Tenant shall faithfully perform the agreements, terms, covenants and conditions hereof, Tenant and any Person who lawfully and in conformity with the provisions hereof claims through or under Tenant shall and may (subject, however, to the matters set out on EXHIBIT B hereof and to all of the other provisions, reservations, terms and conditions of this Lease) peaceably and quietly have, hold and enjoy the Premises for the term hereby granted without molestation or disturbance by or from Landlord or any person claiming through or under Landlord. Landlord warrants that as of the Commencement Date, it will own the Premises free of any encumbrance superior to this Lease and Tenant's interest hereunder created or suffered by Landlord, except (a) those matters described on EXHIBIT B hereof, and (b) Secured Loans as provided

in ARTICLE 30. This covenant shall be construed as a covenant running with the Land, to and against successors to Landlord's interest in this Lease, and is not, nor shall it operate or be construed as, a personal covenant of Landlord, except to the extent of Landlord's interest in this Lease and only so long as such interest shall continue, and thereafter this covenant shall be binding only upon successors in interest of Landlord's interest in this Lease, to the extent of their respective interests, as and when they shall acquire the same, and so long as they shall retain such interest.

ARTICLE 37
LANDLORD'S CONTINGENCY

Landlord's obligations under this Lease shall be contingent upon Landlord's acquisition of fee simple title to and ownership of Parcel A, Parcel B, Parcel C and Parcel D on terms satisfactory to Landlord in its sole and absolute discretion. If the foregoing contingency is not satisfied on or prior to the 30th day after execution and delivery of the Lease by Tenant and Landlord and execution and delivery of the Guaranty by Guarantor to Landlord, then Landlord may (subject to the last sentence of this ARTICLE 37) terminate this Lease by notice given to Tenant on or before the 35th day after the execution and delivery of the Lease and Guaranty to Landlord, and in such case this Lease will then automatically become null and void. Landlord's failure to terminate the Lease by such date shall be deemed a waiver of such contingency. If Landlord's contingency described in the first sentence of this ARTICLE 37 has not been satisfied by the date specified therefor in the second sentence of this Article, Tenant may unilaterally extend the final date for satisfaction thereof from the 30th to the 60th day after execution and delivery of this Lease by both parties hereto, by sending Landlord notice of such extension before the 35th day after execution and delivery of this Lease, but if Tenant does so, and if during such 30-day extension period Landlord for any reason either fails to commence construction (including earth moving) work on Parcel A or, having commenced construction, stops or materially slows down construction work on Parcel A, then automatically and without further action of any Person each and every deadline or performance and penalty date applicable to Landlord under the Leasehold Improvement Agreement (including, without limitation, the stated Delivery Date specified therein) shall be extended and deferred 30 days beyond the date that would otherwise have been applicable thereto.

ARTICLE 38
INVALIDITY OF CERTAIN PROVISIONS

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 39
FINANCIAL REPORTS

Tenant shall deliver to Landlord three copies of Guarantor's published annual reports, quarterly reports, and S.E.C. Forms 10-Q and 10-K (or any successor or replacement forms required by applicable law as in effect from time to time) during the Term of this Lease (but if Guarantor ceases to publish quarterly or annual financial reports, Tenant shall nevertheless be obligated to deliver to Landlord quarterly and annual financial statements of Guarantor, prepared [and certified by a senior officer of Guarantor as having been prepared] in accordance with good accounting practice on a consistently-applied basis, not later than 90 days after the end of each fiscal quarter of Guarantor). Quarterly statements and 10-Q's shall be delivered within 60 days of the end of each fiscal quarter of Guarantor (or, as long as Guarantor continues to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or any successor or replacement statute, such later date as such annual reports are actually distributed to or made available for Guarantor's shareholders, or filed with the S.E.C., as the case may be) and annual statements and 10-K's within 90 days of the end of each fiscal year of Guarantor (or, as long as Guarantor continues to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or any successor or replacement statute, such later date as such annual reports are first either distributed to or made available for Guarantor's shareholders or filed with the SEC). Tenant shall not be required to furnish any other financial reports, operating statements or any other statements or reports with respect to Tenant or Sara Lee Corporation. If Tenant assigns this Lease in conformity with the applicable provisions hereof and, as a result thereof, Sara Lee Corporation is released from its obligations as Guarantor hereunder, and its Guaranty is released, pursuant to the provisions of SECTION 10.2 hereof, the assignee of Tenant's rights and obligations shall be subject to all of the requirements and provisions of this ARTICLE 39 as though it were the Guarantor expressly named herein.

ARTICLE 40
RECORDING OF MEMORANDUM

Landlord and Tenant, each upon the written request of the other or any Secured Lender, shall execute, acknowledge and deliver a memorandum of this Lease, and of each modification of this Lease, in proper form for recordation in the public records of Duval County, Florida, which shall set forth the matters described in Fla. Statutes Section 713.10(2) and shall describe the Term, the existence of Expansion Options and Renewal Options, the existence of any easements (including, without limitation, the Parking/ Driveway Facility), and such other material provisions hereof (if any) which Landlord and Tenant may mutually determine are suitable and appropriate for inclusion therein. Neither party shall record this Lease without the prior consent of the other party.

ARTICLE 41
Omitted

ARTICLE 42
MISCELLANEOUS

SECTION 42.1. The captions of this Lease are for convenience of reference only and in no way define, limit or describe the scope or intent of this Lease or in any way affect this Lease.

SECTION 42.2. The Table of Contents is for the purpose of convenience of reference only and is not to be deemed or construed in any way as part of this Lease or as supplemental thereto or amendatory thereof.

SECTION 42.3. The use herein of the neuter pronoun in any reference to Landlord or Tenant shall be deemed to include any individual Landlord or Tenant, and the use herein of the words "successors and assigns" or "successors or assigns" of Landlord or Tenant shall be deemed to include the heirs, legal representatives and assigns of any individual Landlord or Tenant.

SECTION 42.4. All of Tenant's obligations hereunder with respect to Restorations and/or payment of any Shortfall shall (as they apply to any damage, destruction, condemnation or taking occurring prior to the Expiration Date) survive any termination of this Lease.

SECTION 42.5. If more than one Person becomes Landlord or Tenant hereunder: the other party may require the signatures of all such Persons in connection with any notice to be given or action to be taken by that party hereunder; and, each Person comprising a multi-Person Tenant or Landlord (but not including any shareholders of a party which is a corporation, trustees of a party which is a trust, partners of a party which is a general or limited partnership, or other constituent members of any entity which is a party) shall be fully liable for all of that party's obligations hereunder, subject to ARTICLE 43. Any notice by a party to any Person named as the other party and designated in SECTION 26.1 (or in any notice given pursuant to that Section) as an addressee of notices shall be sufficient and shall have the same force and effect as though given to all Persons named as such other party.

SECTION 42.6. The terms "herein," "hereunder" and words of similar import shall be construed to refer to this Lease as a whole, and not to any particular Article or Section, unless expressly so stated.

SECTION 42.7. The term "and/or" when applied to two or more matters or things shall be construed to apply to any one or more or all thereof as the circumstances warrant at the time in question.

SECTION 42.8. Except as otherwise expressly provided in this Lease, there shall be no merger of this Lease or the leasehold estate created hereby with the fee estate in the Premises or any part thereof by reason of the same Person's acquiring or holding, directly or indirectly, this Lease or the leasehold estate created hereby or any interest in this Lease or in such leasehold estate as well as the

fee estate in the Premises; provided, however, that no such merger shall occur in any event without the written consent of each Secured Lender.

SECTION 42.9. Landlord and Tenant each covenants, warrants and represents to the other as follows: no broker other than SBWE, Inc. was instrumental in bringing about or consummating this Lease on its behalf; and, it had no dealings with any other broker, finder or other procuring Person concerning the leasing of the Premises by Landlord to Tenant. Landlord and Tenant shall each defend, indemnify and hold the other harmless against and from any claims for any other brokerage commissions or fees, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses, (a) in connection with such claims if any broker or other Person claims to have had dealings with the indemnifying party, and (b) in connection with the enforcement of a party's rights under this SECTION 42.9. Any brokerage commission or fee due SBWE, Inc. shall be paid by Landlord.

SECTION 42.10.

(a) This Lease may not be changed, modified, or terminated orally, nor may any provision hereof be waived, but only by a written instrument of change, modification or termination executed by the party against whom enforcement of any change, modification, or termination or waiver is sought.

(b) Each of Landlord and Tenant agrees to be a party signatory to an amendment or modification of this Lease, by instrument in recordable form, if requested to do so by a Secured Lender or a proposed Secured Lender as a condition precedent to the placing, replacing, refinancing or extending of a Secured Loan, provided and upon condition that such amendment or modification shall not (i) affect the financial obligations of such party hereunder, (ii) adversely affect the value of the fee simple or leasehold estate (as the case may be) of such party hereunder or (iii) materially adversely affect, diminish or reduce any rights or remedies of such party hereunder or materially increase the liabilities, responsibilities or obligations of such party hereunder.

(c) No amendment or modification of this Lease which could have an adverse effect on the rights or interests of, or the value of the collateral security of, any Secured Lender shall be effective without the prior written consent of such Secured Lender if required under the terms of its respective Secured Loan documentation.

SECTION 42.11. This Lease shall be governed by and construed in accordance with the laws of the State of Florida applicable to leases made and to be performed in said State, without the aid of any canon or rule of law requiring construction against the party drawing or causing this Lease to be drawn.

SECTION 42.12. All references in this Lease to any particular "Article", "Articles", "Section" or "Sections" shall be deemed to refer to the designated Article(s) or Section(s), as the case may be, of this Lease.

SECTION 42.13. All plans, drawings, specifications and models required to be furnished by Tenant to Landlord under this Lease, including, without limitation, all plans, drawings, specifications or models prepared in connection with any Restoration or Capital Improvement, shall become the sole and absolute property of Landlord upon the Expiration Date. Tenant shall deliver all such documents to Landlord promptly upon the Expiration Date. Tenant shall also deliver one copy of each thereof to Landlord within a reasonable time after Tenant receives the same. Tenant's obligation under this SECTION 42.13 shall survive the Expiration Date.

SECTION 42.14. All references in this Lease to "licensed professional engineer" or "registered architect" shall mean a professional engineer or architect who is licensed or registered, as the case may be, by the State of Florida.

SECTION 42.15. This Lease shall not be construed to create a partnership, joint venture, agency relationship or fiduciary relationship of any kind between the parties.

SECTION 42.16. THE PARTIES SHALL AND DO HEREBY EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS LEASE OR THE INTERPRETATION, CONSTRUCTION OR ENFORCEMENT HEREOF OR OF ANY PROVISION HEREOF.

SECTION 42.17. Tenant shall not sell, lease or otherwise transfer or dispose of, or permit any Person to use, any excess or residual development capability of, or any other entitlement or development rights pertaining or relating to, the Land, nor shall Tenant contract or agree to do any of the foregoing.

SECTION 42.18. Upon the expiration or other termination of this Lease, neither party shall have any further obligation or liability to the other except as otherwise expressly provided in this Lease and except for such obligations as by their nature or under the circumstances can only be, or by the express provisions of this Lease may or are intended to be, performed after such expiration or other termination; and, in any event, without limiting the generality of the foregoing, (i) unless otherwise expressly provided in this Lease, any liability for a payment which shall have accrued in, for, on account of or with respect to any period ending at the time of expiration or other termination of this Lease shall survive the expiration or other termination of this Lease and (ii) any right of Landlord to receive payment from Tenant, for or on account of any period after this Lease has been terminated because of Tenant's default hereunder, of either damages for Tenant's default or of Rental provided for herein, shall survive such termination of this Lease.

SECTION 42.19. The provisions of this Lease are intended to be for the sole benefit of the two parties hereto and all Secured Lenders and all of their respective successors and assigns, and none of the provisions of this Lease are intended to be, nor shall they be construed to be, for the benefit of any third party other than Secured Lenders.

SECTION 42.20. Notwithstanding that Tenant has various obligations under this Lease with respect to portions of the Parcels which are not included within the Premises, nothing herein shall be interpreted to grant Tenant any rights in, to or concerning such Parcels whatsoever except as follows: (i) as expressly provided in ARTICLE 45 hereof; (ii) such rights of entry as are necessary to enable Tenant to perform its obligations hereunder; and (iii) Tenant shall have (1) the nonexclusive easement granted in the penultimate paragraph of ARTICLE 2, (2) access to the Premises over such portion of Parcel D as Landlord and Tenant may hereafter designate in writing, and (3) a nonexclusive right to use whatever walking trail on the Parcels that Landlord may from time to time make available for the use of any tenants or users of the Parcels. Notwithstanding the foregoing, Landlord reserves the right to relocate such parking areas, access and walking trails to other locations on the Parcels provided Tenant at all times has substantially equivalent parking rights, access and walking trails as it had on the Commencement Date.

ARTICLE 43
LIMITATION OF LIABILITY

Tenant shall look only to Landlord's Affected Property for the collection of any money judgment in the event of, and on account of, any breach or default under this Lease by Landlord. (For purposes hereof, "LANDLORD'S AFFECTED PROPERTY" means Landlord's respective interests in and to this Lease, the Premises, and such of the other Parcels, if any, as to which Tenant then either is the lessee under this Lease or holds a valid, effective, exercisable Expansion Option pursuant to the provisions of ARTICLE 45 hereof.) No other property or assets of Landlord, and no property or assets of any kind of any partner in Landlord or any direct or indirect owner of an interest in Landlord or any officer, director, partner, principal or employee of Landlord (each a "PROTECTED PERSON") shall be subject to levy, attachment, garnishment, execution or other enforcement procedure for the satisfaction of any such judgment (or other judicial process) nor shall any recourse of any kind whatsoever be sought or obtained directly or indirectly under, for or on account of this Lease, any breach or default by Landlord hereunder, or any other matter relating to the Premises, this Lease, the relationship between Landlord and Tenant, the acts or omissions of Landlord, or any other similar or related matter. The interest of Landlord in and to the Landlord's Affected Property shall consist (when and to the extent the same are held by Landlord) of Landlord's estate in Landlord's Affected Property and Landlord's interest in and to the rents, income, proceeds, receipts, revenues, issues and profits issuing from the Landlord's Affected Property then held by Landlord, any insurance policies with respect to Landlord's Affected Property carried under this Lease and the premiums or proceeds thereof, any money or securities deposited by Tenant with Landlord, any award to which Landlord may be entitled in any condemnation proceedings or by reason of a temporary taking of the Landlord's Affected Property, and any real estate tax refunds accrued to Landlord. In confirmation of the foregoing, if Tenant shall acquire a lien on or interest of any kind in any other property or assets of Landlord, or any property or assets of any kind of any Protected Person, directly or indirectly as a result of, on account of or with respect to a breach or default under this Lease by Landlord, by judgment or otherwise, Tenant shall promptly release such lien or interest by executing and delivering an instrument in recordable form to that effect prepared by Landlord or such Protected Person; provided, however, that such instrument of release shall not release any such lien on

Landlord's interest in and to the Premises. This limitation of Landlord's liability shall not apply to the extent (if any) that Landlord misapplies insurance or condemnation proceeds in a manner other than as required by the Lease or Landlord misappropriates any monies or securities deposited by Tenant with Landlord; in such event, Tenant shall have full recourse against Landlord for the moneys or securities so misapplied or misappropriated without regard to the foregoing provisions of this Article. Nothing in this ARTICLE 43 hereof shall be interpreted as prohibiting Tenant from being awarded specific performance or an injunction (i) to enjoin any breach or default under this Lease by Landlord, (ii) to prohibit Landlord from distributing to its partners at any time that Landlord is in default under this Lease the rents, receipts, revenues, issues and profits from the Landlord's Affected Property or the Parcels, or (iii) to compel the proper application of insurance and condemnation proceeds in accordance with the express provisions of this Lease.

ARTICLE 44
SUCCESSORS AND ASSIGNS

Except as otherwise expressly provided in this Lease, the provisions of this Lease shall bind and benefit the respective successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided, however, that the provisions of this ARTICLE 44 shall not be construed as modifying the provisions of ARTICLE 10 or the conditions or limitations contained in ARTICLE 24.

ARTICLE 45
EXPANSION OPTIONS

SECTION 45.1. FIRST PARCEL B EXPANSION OPTION.

(1) EXERCISE. Subject to the provisions of SECTION 10.11, Landlord hereby grants to Tenant an option (the "FIRST PARCEL B EXPANSION OPTION") to cause this Lease to be amended so as to (i) obligate Landlord to construct on either or both of Parcels B and D an addition (the "FIRST PARCEL B ADDITION") to the Initial Building located on Parcel A and (ii) for all purposes of this Lease, add to and include within the definition of the "Premises" such First Parcel B Addition, add to and include within the definition of the "Land" both of Parcels B and D, and cause the First Parcel B Addition to be deemed to be within the definition of a "Building", all on and subject to the terms and conditions set forth in this ARTICLE 45. The First Parcel B Expansion Option shall be exercisable only during the first seven years of the Term of this Lease (the "FIRST PARCEL B EXPANSION OPTION PERIOD"); if not duly exercised within that period, the First Parcel B Expansion Option shall irrevocably and completely lapse, expire, terminate and be of no effect. Tenant shall exercise the First Parcel B Expansion Option, if at all, by delivering to Landlord within the First Parcel B Expansion Option Period a written notice (the "FIRST PARCEL B EXPANSION NOTICE") stating that Tenant is thereby unconditionally exercising the First Parcel B Expansion Option. Tenant's failure for any reason whatsoever, whether or not within Tenant's control, to timely deliver the First Parcel B Expansion Option Notice to Landlord within the First Parcel B Expansion Option Period shall constitute Tenant's irrevocable election not to exercise the First Parcel B Expansion Option and

its irrevocable waiver and release thereof, and shall automatically and without any notice or any grace or cure period result in the permanent and complete expiration, lapsing and termination of such Option.

(2) (a) TERM. If Tenant duly and timely exercises the First Parcel B Expansion Option and said Option is not terminated pursuant to the Expansion Space Improvement Agreement applicable thereto or SECTION 45.7 hereof, the Term of this Lease with respect to the First Parcel B Addition and Parcels B and D shall commence on the date of substantial completion (as defined in such Expansion Space Improvement Agreement) of the First Parcel B Addition and shall end on the date (which may not be less than ten years or more than twenty years after the commencement of the Term of this Lease as to such First Parcel B Addition) specified by Tenant in the First Parcel B Expansion Notice.

(b) RENT. In addition to all other Rental payable by Tenant under this Lease, Tenant shall pay Landlord, as Fixed Rent for the First Parcel B Addition (the "FIRST PARCEL B EXPANSION FIXED RENT"), an amount per annum equal to the Formula Annual Rent (hereinafter defined) for the First Parcel B Addition, such Fixed Rent to be paid monthly (and prorated for partial months), in twelve equal monthly installments, on the same day of each month as Fixed Rent for Parcel A and the Initial Building is paid under ARTICLE 3 of this Lease. If the First Parcel B Expansion Option is timely and duly exercised, no fixed rent (other than the First Parcel B Expansion Fixed Rent) will be payable for or with respect to the land component of Parcels B and D.

(3) EXPANSION SPACE. The First Parcel B Expansion Space Notice shall specify the size and character of the First Parcel B Addition that Tenant desires to be constructed by Landlord pursuant to such Option and shall set forth Tenant's desired date (the "ESTIMATED FIRST PARCEL B COMPLETION DATE") for the completion of such Addition, which shall not be less than 365 days or more than 640 days after the date on which the Expansion Amendment relating to the First Parcel B Addition is fully executed and delivered by Tenant and Landlord. In no event shall the floor area of the First Parcel B Addition be less than 100,000 Rentable Square Feet or more than the lesser of (i) 300,000 Rentable Square Feet and (ii) the maximum permissible floor area for all improvements situated on Parcel B under then-applicable legal, code, CC&R, and other requirements, in light of the development rights allocable to Parcel B which are then held by Landlord).

SECTION 45.2. SECOND PARCEL B EXPANSION OPTION.

(1) EXERCISE. Subject to the provisions of SECTION 10.11, Landlord hereby grants to Tenant an option (the "SECOND PARCEL B EXPANSION OPTION") to cause this Lease to be amended so as to (i) obligate Landlord to construct on either or both of Parcels B and D an addition (the "SECOND PARCEL B ADDITION") to the Initial Building located on Parcel A or to the First Parcel B Addition (if such Addition shall then exist) and (ii) for all purposes of this Lease, add to and include within the definition of the "Premises" such Second Parcel B Addition, add to and include within the definition of the "Land" both of Parcels B and D (unless such Parcels had previously been leased to Tenant

hereunder pursuant to Tenant's exercise of the First Parcel B Expansion Option), and cause the Second Parcel B Addition to be deemed to be within the definition of a "Building", all on and subject to the terms and conditions set forth in this ARTICLE 45 and subject to the additional condition set out in the following sentence. Anything in this Lease to the contrary notwithstanding, Tenant shall not have, and may not exercise, the Second Parcel B Expansion Option unless either (a) Tenant shall have previously duly exercised the First Parcel B Expansion Option and leased the First Parcel B Addition or (b) Tenant shall have paid to Landlord on the first day (without any extensions, notices or grace periods except as expressly provided in SECTION 45.13) of the Second Parcel B Expansion Period and also on the first day of each succeeding 12-month period within the Second Parcel B Expansion Period (without any extensions, notices or grace periods) the sum of Ninety Thousand Dollars ($90,000.00) in cash. Subject to the preceding sentence, Tenant may exercise the Second Parcel B Expansion Option during the period (the "SECOND PARCEL B EXPANSION OPTION PERIOD") beginning on the first day of the eighth Lease Year and ending on the last day of the twentieth Lease Year (i.e., the Initial Expiration Date). Tenant shall exercise the Second Parcel B Expansion Option, if at all, by delivering to Landlord within the Second Parcel B Expansion Option Period a written notice (the "SECOND PARCEL B EXPANSION NOTICE") stating that Tenant is thereby unconditionally exercising the Second Parcel B Expansion Option. Tenant's failure for any reason whatsoever, whether or not within Tenant's control, to timely deliver the Second Parcel B Expansion Option Notice to Landlord within the Second Parcel B Expansion Option Period shall constitute Tenant's irrevocable election not to exercise the Second Parcel B Expansion Option and its irrevoca ble waiver and release thereof, and shall automatically and without any notice or any grace or cure period result in the permanent and complete expiration, lapsing and termination of such Option. If Tenant has not duly exercised the First Parcel B Expansion Option, then failure to pay the required $90,000.00 sum on the first day of any Lease Year within the Second Parcel B Expansion Option Period (without any extensions, notices or grace periods except as is expressly provided, with respect to the first of such payments only, in SECTION 45.13 hereinbelow) shall result in an automatic, immediate and permanent lapse and termination of the Second Parcel B Expansion Option (but such lapse and termination shall not, by itself, terminate, diminish or affect in any way Tenant's obliga tion to pay all Impositions for or relating to Parcel B unless and until the conditions precedent to the termination of such obligations, as set out elsewhere in this Lease, shall have occurred and been satisfied).

(2) (a) TERM. If Tenant duly and timely exercises the Second Parcel B Expansion Option and said Option is not terminated pursuant to the Expansion Space Improvement Agreement applicable thereto or SECTION 45.7 hereof, the Term of this Lease with respect to the Second Parcel B Addition and (if applicable) Parcels B and D shall commence on the date of substantial completion (as defined in such Expansion Space Improvement Agreement) of the Second Parcel B Addition and shall end on the date (which may not be less than ten years or more than 20 years after the commencement of the Term of this Lease as to such Second Parcel B Addition) specified by Tenant in the Second Parcel B Expansion Notice.

(b) RENT. In addition to all other Rental payable by Tenant under this Lease, Tenant shall pay Landlord, as Fixed Rent for the Second Parcel B Addition (the "SECOND PARCEL B EXPANSION FIXED RENT"), an amount per annum determined as follows: If Tenant duly exercises

the Second Parcel B Expansion Option after having leased the First Parcel B Addition, the annual Second Parcel B Expansion Fixed Rent shall be an amount equal to the Formula Annual Rent for the Second Parcel B Addition; and, if Tenant duly exercises the Second Parcel B Expansion Option without first having leased the First Parcel B Addition, then the annual Second Parcel B Expansion Fixed Rent shall be an amount equal to the sum of $90,000.00 (which shall be the portion of the annual Second Parcel B Expansion Fixed Rent allocable to the land component of Parcels B and D so leased to Tenant) plus the Formula Annual Rent for such Second Parcel B Addition (which shall be the portion of the annual Second Parcel B Expansion Fixed Rent allocable to the Building and any other Improvements - but not the land component - of the Parcels B and D property so leased to Tenant). Second Parcel B Expansion Fixed Rent shall be paid monthly (and prorated for partial months), in twelve equal monthly installments, on the same day of each month as Fixed Rent for Parcel A and the Initial Building is paid under ARTICLE 3 of this Lease.

(3) EXPANSION SPACE. The Second Parcel B Expansion Notice shall specify the size and character of the Second Parcel B Addition that Tenant desires to be constructed by Landlord pursuant to such Option and shall set forth Tenant's desired date (the "ESTIMATED SECOND PARCEL B COMPLETION DATE") for the completion of such Addition, which shall not be less than 365 days or more than 640 days after the date on which the Expansion Amendment relating to the Second Parcel B Addition is fully executed and delivered by Tenant and Landlord. In no event shall the Second Parcel B Addition have a floor area (i) less than 100,000 Rentable Square Feet or (ii) greater than the Maximum Allowable Parcel B-2 Floor Area. For purposes hereof, "MAXIMUM ALLOWABLE PARCEL B-2 FLOOR AREA" means the area, measured by and expressed in terms of Rentable Square Feet, by which (i) the greater of (A) 300,000 Rentable Square Feet or (B) the maximum permissible floor area for all improvements situated on Parcel B under then-applicable legal, code, CC&R, and other requirements, in light of the development rights allocable to Parcel B which are then held by Landlord, exceeds (ii) the floor area of the First Parcel B Addition (if the First Parcel B Expansion Option had not been exercised prior to the exercise of the Second Parcel B Expansion Option, then zero shall be substituted in item (ii) of the foregoing formula).

SECTION 45.3. OFFICE FACILITY OPTION.

(1) EXERCISE. Subject to the provisions of SECTION 10.11, Landlord hereby grants to Tenant an option (the "OFFICE FACILITY OPTION") to cause this Lease to be amended so as to (i) obligate Landlord to construct on Parcel C an addition (the "OFFICE FACILITY ADDITION") to the then-existing improvements located on any one or more of Parcels A, B and D and (ii) for all purposes of this Lease, add to and include within the definition of the "Premises" such Office Facility Addition, add to and include within the definition of the "Land" the land comprising Parcel C, and cause the Office Facility Addition to be deemed to be within the definition of a "Building", all on and subject to the terms and conditions set forth in this ARTICLE 45. The Office Facility Option shall be exercisable only (a) during the first seven years of the Term of this Lease (the "FIRST OFFICE FACILITY OPTION PERIOD"), or (b) during the period (the "SECOND OFFICE FACILITY OPTION PERIOD") beginning on the first day of the eighth Lease Year and ending on the last day of the twentieth Lease Year if Tenant pays to Landlord the sum of $30,000.00 in cash on the first day (without any notices,

extensions or grace periods except as expressly provided in SECTION 45.13) of the eighth Lease Year and on the first day (without any notice, extensions or grace periods) of each Lease Year thereafter until exercise of the option. Tenant shall exercise the Office Facility Option, if at all, by delivering to Landlord within the First Office Facility Option Period (or, if this Option shall not theretofore have lapsed or terminated, the Second Office Facility Option Period) a written notice (the "OFFICE FACILITY NOTICE") stating that Tenant is thereby unconditionally exercising the Office Facility Option. Tenant's failure for any reason whatsoever, whether or not within Tenant's control, to timely deliver the Office Facility Notice to Landlord within the First Office Facility Option Period or, if all of the annual $30,000.00 payments required to activate and continue the effectiveness of the Office Facility Option have been timely paid, within the Second Office Facility Option Period, shall constitute Tenant's irrevocable election not to exercise the Office Facility Option and its irrevocable waiver and release thereof, and shall automatically and without any grace or cure period result in the permanent and complete expiration, lapsing and termination of such Option. Tenant's failure to pay the required $30,000.00 sum on the first day of any Lease Year (without any extensions, notices or grace periods except as is expressly provided, with respect to the first of such payments only, in SECTION 45.13 hereinbelow) within the Second Office Facility Option Period shall result in an automatic, immediate and permanent lapse and termination of the Office Facility Option (but such lapse and termination shall not, by itself, terminate, diminish or affect in any way Tenant's obligation to pay all Impositions for or relating to Parcel C unless and until the conditions precedent to the termination of such obligations, as set out elsewhere in this Lease, shall have occurred and been satisfied).

(2) (a) TERM. If Tenant duly and timely exercises the Office Facility Option and said Option is not terminated pursuant to the Expansion Space Improvement Agreement applicable thereto or SECTION 45.7 hereof, the Term of this Lease with respect to the Office Facility Addition and Parcel C shall commence on the date of substantial completion (as defined in such Expansion Space Improvement Agreement) of the Office Facility Addition and shall end on the date (which may not be less than ten or more than twenty years after the commencement of the Term of this Lease as to such Office Facility Addition) specified by Tenant in the Office Facility Notice.

(b) RENT. In addition to all other Rental payable by Tenant under this Lease, Tenant shall pay Landlord, as Fixed Rent for the Office Facility Addition (the "OFFICE FACILITY FIXED RENT"), an amount per annum determined as follows: If Tenant duly exercises the Office Facility Option during the First Office Facility Option Period, the annual Office Facility Fixed Rent shall be an amount equal to the Formula Annual Rent for the Office Facility Addition, and if the Office Facility Option is exercised during the Second Office Facility Option Period, then the annual Office Facility Fixed Rent shall be an amount equal to the sum of $30,000.00 (which shall be the portion of the annual Office Facility Fixed Rent allocable to the land component of the Parcel C property so leased to Tenant) plus the Formula Annual Rent for such Office Facility Addition (which shall be the portion of the annual Office Facility Fixed Rent allocable to the Building and any other Improvements - but not to the land component - of the Parcel C property so leased to Tenant). Office Facility Fixed Rent shall be paid monthly (and prorated for partial months), in twelve equal monthly installments, on the same day of each month as Fixed Rent for Parcel A and the Initial Building is paid under Article 3 of this Lease.

(3) EXPANSION SPACE. The Office Facility Expansion Notice shall specify the size and character of the Office Facility Addition that Tenant desires to be constructed by Landlord pursuant to such Option and shall set forth Tenant's desired date (the "ESTIMATED OFFICE FACILITY COMPLETION DATE") for the completion of such Addition, which shall not be less than 365 days or more than 640 days after the date on which the Expansion Amendment relating to the Office Facility Addition is fully executed and delivered by Tenant and Landlord. In no event shall the Office Facility Addition have a total floor area less than 75,000 Rentable Square Feet or more than the maximum allocable floor area therefor under applicable provisions of law, CC&R's and other requirements in light of the development rights allocable to Parcel C which are then held by Landlord.

SECTION 45.4. EXERCISE IRREVOCABLE. The delivery of any Expansion Notice under any provision of this ARTICLE 45 shall constitute Tenant's irrevocable, binding commitment to amend this Lease to provide that Tenant leases the Addition described therein together with the land upon which Addition is to be located (a) for the term, for the annual Fixed Rent, and upon such other terms and conditions, as are provided in the applicable provision of this ARTICLE 45 and (b) upon all of the terms and provisions of this Lease which apply to any other portion of the Premises (other than the provisions that set the amount of Fixed Rent, and the Expiration Date, for Parcel A and the Initial Building); provided, however, that Tenant may withdraw and revoke any such Expansion Notice if Tenant delivers to Landlord, before the time Landlord has commenced any construction (including, without limitation, any site work or excavation) of any Improvements of any kind in response to such Expansion Notice, both (i) a written notice (an "OPTION REVOCATION NOTICE"), satisfactory in form and substance to Landlord (acting reasonably), in which Tenant clearly, irrevocably and unconditionally (A) withdraws and revokes the Expansion Notice, (B) releases, waives, relinquishes and terminates any and all rights of Tenant (including, without limitation, any and all rights to any future, further or additional exercise of such Option) to, under or concerning the Option to which such Expansion Notice related, and (C) agrees to pay and reimburse to Landlord on demand all amounts, costs, expenses, losses (but not the loss of profits or gains Landlord anticipated earning from the expansion), and liabilities of any and every kind whatsoever (including, without limitation, reasonable compensation to Landlord for the time, effort and work expended by its officers and employees, and also including all fees, expenses, contract amounts, damages and other amounts paid or payable to any architects, appraisers, consultants, engineers, contractors, attorneys, accountants, Governmental Authorities, or others) which Landlord may pay or incur or become liable for, or may have paid or incurred or become liable for, directly or indirectly for or in connection with such Expansion Notice or Landlord's response thereto (and Tenant's obligations and liabilities under and with respect to, and as provided for in, any such Option Revocation Notice shall constitute obligations of Tenant to Landlord under this Lease, and also "Obligations" guarantied by Guarantor under the Guaranty), and (ii) payment to Landlord of an amount in cash (which may be in the form of a certified check or bank cashier's check payable to Landlord), or delivery to Landlord of an irrevocable letter of credit issued to Landlord by an issuer satisfactory to Landlord and being in form and substance satisfactory to Landlord, in such amount as Landlord in its sole discretion may determine is a reasonable estimate of the maximum total costs and amounts for which Tenant may be or become obligated to pay Landlord pursuant to Tenant's undertaking in such Option Revocation

Notice, as an advance security deposit on account of Tenant's obligations under such Option Revocation Notice. (Landlord will refund to Tenant the amount, if any, by which such security deposit [if made in the form of cash] exceeds the total amount owed by Tenant with respect thereto, promptly after Landlord determines such total amount.)

SECTION 45.5. AMENDMENT. Upon Landlord's timely receipt of any Expansion Notice, this Lease shall be deemed automatically amended to provide, subject to SECTION 45.7 and any applicable provisions of the Expansion Space Improvement Agreement, for the construction and leasing of the applicable Addition as provided hereinabove. Upon determination of the annual Fixed Rent, term, specific land area to be added to the Premises, and floor area and general description of the Building to be constructed thereon, the parties will execute and deliver a written amendment (an "EXPANSION AMENDMENT") to this Lease, setting forth the term, rental and Premises for the applicable Addition. If an Expansion Amendment has not been signed and delivered within six months (without notices, extensions or grace periods) of delivery of the Expansion Notice to which it relates, the related Expansion Option shall automatically and permanently terminate and be void for all purposes, and if such failure to sign and deliver the Expansion Amendment results from a wrongful act or refusal to act by Tenant, Tenant will reimburse Landlord for all costs and expenses of Landlord incurred as a result of or in response to Tenant's Expansion Notice on the same basis as would have applied had Tenant revoked its exercise of such Option pursuant to an Option Revocation Notice.

SECTION 45.6. Omitted.

SECTION 45.7. CONDITIONS PRECEDENT. Tenant's rights, and Landlord's obligations, under and with respect to each and every Expansion Option shall be subject to the satisfaction of all of the following conditions precedent (in addition to any other conditions set out elsewhere in this Lease):

(1) APPROVALS AND PERMITS. Landlord shall have received all approvals, licenses and permits from the City of Jacksonville and all other applicable or relevant Governmental Authorities necessary to permit the construction of the applicable Addition (collectively, "APPROVALS"), in each case by such date as is necessary, without employing overtime work or other exigent or extraordinary means, to enable construction of the relevant Addition to be properly completed by the applicable Estimated Completion Date. In connection with the above, Landlord's obligation shall be limited to making a reasonable and customary good faith effort to obtain the Approvals but shall not include any obligation to pay fees or to accept or agree to exactions or conditions to the Approvals which in Landlord's sole judgment are unreasonable in light of the nature of the particular project or the Approvals sought. Any failure of Landlord to obtain the Approvals shall not constitute a default under this Lease. Tenant hereby irrevocably waives, and releases Landlord from, all liability for all damages and costs (including, without limitation, attorneys fees, expert witness fees and costs, and related expenses) which may be suffered, paid or incurred by Tenant as a result of Landlord's obtaining or failing to obtain the Approvals for any reason except Landlord's intentional, unreasonable and unexcused refusal to file and process an application therefor.

(2) LENDER APPROVALS. Landlord shall, by such date as is necessary, without employing overtime work or other exigent or extraordinary means, to enable construction of the relevant Addition to be properly completed by the applicable Estimated Completion Date, have sought and obtained a Secured Loan to serve as a source of construction financing for the construction of the Addition, on such terms and conditions as are acceptable to Landlord in its sole and absolute discretion. Landlord agrees that, in connection with its efforts to obtain such construction financing: (i) Landlord shall offer, and be willing, to subject its interest in the Addition, the land on which it is to be constructed, and this Lease (as it applies to such land and Addition) to the liens and security interests of such construction lender (subject to any prior rights or interests therein or thereto, and any rights of consent or approval, of any Secured Lender); and (ii) if the only reason Landlord is unable to obtain from third party sources suitable construction financing acceptable to Landlord is that the proposed construction lender requires that it be provided with one or more guaranties of any kind (whether guaranties of payment, of completion, of carry costs, or otherwise; collectively, "LENDER-REQUIRED GUARANTIES"), Lender shall so notify Tenant and give Tenant a reasonable opportunity (but no longer than 15 days after such notice from Landlord to Tenant) to provide to such prospective construction lender, at Tenant's sole cost and liability (and at no cost or liability to Landlord), all of such Lender-Required Guaranties (which may be guaranties from Tenant, from Guarantor, from any other Affiliate of either of them, or any other Person) that would satisfy the proposed construction lender and cause it to be willing to provide construction financing to Landlord on terms and conditions acceptable to Landlord, and if Tenant for any reason refuses or fails to provide such Lender-Required Guaranties within the time period so provided therefor by Landlord, this condition precedent set out in this SUBSECTION (2) shall be deemed unsatisfied and Landlord shall have no obligation of any kind with respect to such Expansion Option, but if there are reasons for Landlord's inability to obtain acceptable construction financing other than or in addition to a requirement for Lender-Required Guaranties, Landlord shall so notify Tenant, in which case Tenant shall have 30 days from its receipt of such notice to deliver to Landlord a written notice (a "LAND EXERCISE NOTICE") in which Tenant clearly, irrevocably and unconditionally (i) modifies its Exercise Notice so as to provide for Tenant's leasing from Landlord hereunder only the land component of the Parcel or Parcels on which the Addition that was the subject of such Exercise Notice would have been constructed, for an annual Fixed Rent of $90,000.00 per year (in the case of either Parcel B Addition) or $30,000.00 per year (in the case of the Office Facility Addition) if such Option was exercised after the seventh Lease Year (the Fixed Rent shall be $1.00 per year for the land component of any Parcel as to which such Option was exercised before the end of the seventh Lease Year), and forever releases Landlord from any and all obligations of any and every kind whatsoever with respect to such Option other than to lease to Tenant such land on the terms and conditions set out herein, (ii) promises promptly to commence, and diligently to prosecute and complete, the construction of the Addition which had been the subject of such Exercise Notice, lien-free and in accordance with all CC&R's, all applicable laws, codes and ordinances, and all provisions of this Lease, all at Tenant's sole cost, liability and risk, and (iii) promises to pay to Landlord, as compensation for remaining ready and willing to perform its obligations concerning such Option and for any work, activities, time or effort it may theretofore have expended in connection with such Exercise Notice, an amount in cash (the "LANDLORD COMPENSATION AMOUNT") equal to five percent (5%) of the Total Construction Cost for such Addition (and to

certify the amount of such Total Construction Cost under oath to Landlord, and to allow Landlord to inspect, copy and audit Tenant's books and records relating thereto), such amount to be paid to Landlord in five substantially equal annual installments as follows: together with Tenant's delivery to Landlord of the Land Exercise Notice, Tenant shall pay Landlord an amount in cash equal to 20% of the amount Tenant estimates in good faith will equal the total Landlord Compensation Amount for such Addition; and, on each of the next four anniversaries of that date, Tenant shall pay Landlord an amount equal to one-fourth (1/4) of the amount by which the total Landlord Compensation Amount for such Addition exceeds the amount Tenant paid Landlord on account thereof when Tenant delivered its Land Exercise Notice relating thereto. All of Tenant's obligations, undertakings and liabilities under and with respect to, and as provided for in, any such Land Exercise Notice shall constitute obligations of Tenant to Landlord under this Lease, and also "Obligations" guarantied by Guarantor under the Guaranty. If Tenant fails for any reason whatsoever to deliver such a Land Exercise Notice to Landlord within such 30-day period, the condition precedent set out in this SUBSECTION (2) shall be deemed unsatisfied and Landlord shall not have any obligation or liability of any kind (including, without limitation, any obligation to lease such land to Tenant or to construct such Addition) with respect to such Expansion Option.

(3) NO NON-CONFORMING ASSIGNMENT. There shall not have occurred (whether voluntarily, by operation of law, pursuant to court order or judicial sale, or otherwise) any sale, assignment, sublease, transfer or disposition of any kind whatsoever of any or all of Tenant's rights of possession of the Premises or interests in, to or under the Lease that did not conform to the applicable conditions and requirements of this Lease.

(4) NO TENANT DEFAULT.

(a) Tenant shall have no right to exercise any Expansion Option at the following times or during the following periods (and the period within which Tenant is allowed to exercise such Options shall not be tolled or extended during such periods or on account thereof): (i) during the time commencing from the date Landlord gives to Tenant a notice of Default under the Lease and continuing until the Default alleged in said notice is fully cured; (ii) during the period of time commencing on the first day following the day any payment or sum of money first becomes due or payable to Landlord from Tenant and is unpaid (and regardless of whether Landlord gave any notice thereof to Tenant or whether any such notice is required before such nonpayment can ripen into an Event of Default) and continuing until the entire amount (together with any late charge or other amount payable thereon or in connection therewith) is paid in full; (iii) at any time after an Event of Default first occurs and at any time when an Event of Default exists (and regardless of whether Landlord gave any notice thereof to Tenant) until fully and properly cured; and (iv) at any time within the 24-month period following the occurrence of the later of two or more Events of Default which occurred within any consecutive 12-month period (even if all of such Events of Default have been cured).

(b) All rights of Tenant under this SECTION 45 shall terminate at Landlord's election (in Landlord's sole, exclusive and unreviewable discretion) expressed in a notice of such termination given by Landlord to Tenant, and be of no further force and effect, notwithstanding Tenant's due and timely exercise thereof, if, after Tenant's delivery of any Expansion Notice and prior to the commencement date of the Term as applicable to the relevant Addition as set out in the Expansion Amendment relating thereto, either (i) an Event of Default shall have occurred and shall then remain uncured, or (ii) Landlord shall have given to Tenant two or more notices of material Defaults under the Lease within the immediately preceding 12- month period.

In the event any of the foregoing conditions is not satisfied or any of the foregoing disqualifications or termination events occurs, then (i) the applicable exercise of the Expansion Option and any related Expansion Amendment or other amendment to this Lease shall be deemed to have been rescinded and withdrawn and shall be void and of no effect, as though the Expansion Option had never been exercised, and (ii) Tenant shall pay to Landlord on demand an amount in cash sufficient fully to compensate and reimburse Landlord for all costs, losses and expenses of any and every kind whatsoever which were paid or incurred by Landlord prior to such termination in connection with or as a result or consequence of Tenant's exercise of such Option, which costs shall include but not be limited to the items (if paid or incurred by Landlord) which are described in the definition of Total Construction Cost and also those items which Tenant would have been obligated to pay Landlord if Tenant had withdrawn or revoked its Exercise Option pursuant to SECTION 45.4.

SECTION 45.8. SUBORDINATION.

The provisions of this SECTION 45.8 shall govern and control over any inconsistent provisions in this Lease. Under no circumstance whatsoever will any Secured Lender or its successors or assigns, or any purchaser at a foreclosure or similar sale, be subject to or have any obligation or liability of any kind whatsoever for, concerning or on account of this ARTICLE 45 or any Expansion Options except as expressly provided otherwise in this paragraph. On the occurrence of any Secured Lender Enforcement Event (defined hereinafter), all of Tenant's rights under this ARTICLE 45, and all of the Options provided for herein, will, to the extent (if any) they apply to any Parcel which is encumbered by a mortgage, deed of trust, lien or security interest held by or in favor of any Secured Lender, automatically be modified and converted into an option solely to lease the land component of the Parcel burdened by such Option on and subject to all of the provisions, terms and conditions set out in this ARTICLE 45 and the remainder of this Lease, and under no circumstances whatsoever shall Landlord, the Secured Lender, any Person purchasing at a foreclosure, trustee's or other sale, or any successor or assign of any of them, have any obligation of any kind whatsoever for or with respect to the construction of any Addition or other Improvement on such Parcel. For purposes hereof, "SECURED LENDER ENFORCEMENT EVENT" means and includes, with respect to any Parcel, any one or more of the following: (i) the entry of a judgment of foreclosure, or any other judgment, order or decree having similar effect, with respect to such Parcel, in favor of any Secured Lender, (ii) the sale of such Parcel, by foreclosure or trustee's sale pursuant to a power of sale or any similar

proceeding, for the benefit of any Secured Lender, (iii) the conveyance of such Parcel to any Secured Lender or its designee in lieu of foreclosure or otherwise on account of any Secured Loan, or (iv) any Secured Lender's becoming the assignee, outright and unconditionally (and not solely for collaterally security purposes) after the occurrence of a default under its Secured Loan, of Landlord's interest under this Lease with respect to such Parcel. After the occurrence of a Secured Lender Enforcement Event with respect to or affecting any Parcel, Landlord will have no further obligation or liability of any kind for or concerning the construction of any Addition, Building or other Improvement on such Parcel. Under no circumstance whatsoever (including, without limita tion, after such Persons may have succeeded to Landlord's interest as lessor under this Lease) will any Secured Lender or any of its successors or assigns or any purchaser at a foreclosure or similar sale have any obligation of any kind to construct, or cause to be constructed, any Addition, Building or other Improvement under or with respect to this ARTICLE 45 or the exercise of Tenant by any Option. Tenant agrees to execute, acknowledge and deliver to Landlord, for no additional consideration, within ten (10) days of Landlord's request therefor, any and all instruments or documents evidencing either such of the agreements, provisions or undertakings set out in this SECTION 45.8 or such termination of rights which, from time to time, may be deemed necessary or desirable by any such mortgagee or beneficiary.

SECTION 45.9. CONSTRUCTION. The construction of all Additions constructed pursuant to the exercise of any Expansion Option will be done in accordance with the provisions of the Expansion Space Improvement Agreement attached as EXHIBIT F.

SECTION 45.10. CERTAIN DEFINITIONS. (1) "TOTAL CONSTRUCTION COST" shall mean, with respect to any particular Addition constructed or to be constructed by Landlord in response to and in consequence of Tenant's exercise of any Expansion Option, an amount (expressed in dollars) equal to 110% of the total amount of all costs of any and every kind whatsoever paid or incurred by Landlord to others (and not including Landlord's own general overhead or administrative costs, but including Landlord's out-of-pocket expenses such as travel expenses of Landlord's partners or employees) for or in connection with the development and construction of the applicable Addition (but not any costs paid or incurred for, or properly allocable to, any other project), including (without limitation) all so-called "hard costs", all costs for labor, services, materials and equipment, and all so-called "soft costs" (including, but not limited to, all costs of obtaining Approvals, appraisals, architectural drawings and specifications, soils, engineering and environmental studies and reports, title insurance, and plats of survey, all escrow charges, brokerage commissions, fees and expenses of attorneys and accountants, and all loan fees, interest and other costs of or in connection with construction financing).

(2) "FORMULA ANNUAL RENT" shall mean, with respect to any particular Addition constructed or to be constructed by Landlord in response to and in consequence of Tenant's exercise of any Expansion Option, that amount which, if paid annually throughout the entire term of the Lease (without regard to possible extensions or renewals that have not yet become final, binding and irrevocable) as applicable to such Addition, in equal monthly installments on the first day of each month of such term, would be sufficient fully and completely to amortize the Total Construction

Cost for such Addition and also provide Landlord with a fair market return (in relation to the return then being obtained in new transactions involving investments in commercial/industrial warehouses of 100,000 or more square feet in the general locality of the metropolitan Jacksonville, Florida area (but extending beyond such area to the extent, if any, necessary or appropriate to find suitable comparables) on its investment in or relating to such Addition (but not the cost of the land component thereof).

SECTION 45.11. ARBITRATION. If the parties fail to agree on the amount of the annual Fixed Rent for any Addition within ten (10) days after either party gives notice to the other of its desire to arbitrate the issue, the issue (i.e., the amount of the annual Fixed Rent for the Addition, determined in accordance with the provisions of SECTION 45.10 and (as the case may be) SECTION 45.1(2)(b), SECTION 45.2(2)(b) or SECTION 45.3(2)(b)) shall be submitted to binding arbitration. Unless mutually agreed otherwise by the parties, all arbitrations shall be conducted in Duval County, Florida, as follows: Not later than 15 days after either party has notified the other party that the issue will be submitted to arbitration, each party will choose one arbitrator and will notify the other party of the arbitrator it had selected; if either party fails to designate its arbitrator within that period, it will be deemed to have waived its right to select an arbitrator for that proceeding and the other party's arbitrator will be the sole arbitrator who, individually, will determine the amount of such annual Fixed Rent; if each party timely designates an arbitrator, those two arbitrators will determine the amount of such annual Fixed Rent for such Addition in accordance with the standards set out in, and the provisions of, SECTION 45.10 (and (as the case may be) SECTION 45.1(2)(b), SECTION 45.2(2)(b) or SECTION 45.3(2)(b)), but if they are unable to agree on such amount within 30 days after both of them were appointed, then (i) if the amount of the annual Fixed Rent as determined by the arbitrator whose amount was the lesser of the two, is 95% or more of the amount of the annual Fixed Rent as determined by the other arbitrator, then the amount of the Fixed Rent shall be the mean average of the respective amounts thereof as determined by each of the two arbitrators, but if the respective amounts of the annual Fixed Rent as determined by the two arbitrators are not as described in the preceding clause (i) (I.E., they are more than 5% apart), then (ii) such two arbitrators shall select a third arbitrator (and shall notify Landlord and Tenant of their selection); such third arbitrator shall, within 30 days after his appointment as such arbitrator, determine and set the amount of such annual Fixed Rent for such Addition in accordance with the standards set out in, and the provisions of, SECTION 45.10 (and (as the case may be) SECTION 45.1(2)(b), SECTION 45.2(2)(b) or SECTION 45.3(2)(b)), and he shall notify both parties in writing of his determination. Each appraiser designated to participate in this arbitration process must be an MAI appraiser who had been actively engaged in commercial real estate activities or appraising of commercial real estate for at least the preceding five years in the Jacksonville, Florida area. Each party shall pay all fees, costs and expenses of the arbitrator it selects and designates; both parties jointly will share equally the fees, costs and expenses of any third arbitrator who is designated by the other two parties. The determination of the amount of annual Fixed Rent by the two arbitrators or, if applicable, by the third arbitrator, as the case may be, in accordance with this Section shall be final, conclusive and binding on the parties.

SECTION 45.12. At Landlord's request at any time or from time to time after the exercise of any of the Options, Tenant will execute and deliver an instrument prepared by Landlord to serve as a separate lease from Landlord to Tenant of the land and Improvements which are the subject of the exercised Option, and separating and removing such land and Improvements from this Lease, to facilitate (i) Landlord's obtaining secured financing with respect to such Option land and Improvements the security for which is limited thereto, and (ii) Landlord's limiting to Parcel A (or any other single Parcel) the collateral of any Secured Lender who makes a Secured Loan secured only by such single Parcel (E.G., so that each such separate lease may be collaterally assigned to any Secured Lender lending upon the security of such single Parcel), provided that the respective rights and obligations of Landlord and Tenant under each of such separate leases are, with respect to the land and improvements that are the subject matter thereof, identical to those provided for in this Lease.

SECTION 45.13. At least 90 days prior to the end of the seventh Lease Year, Landlord will use reasonable efforts to try to remind Tenant that (i) if the First Parcel B Expansion Option was not theretofore exercised, then the Second Parcel B Expansion Option will expire and terminate, and (ii) if the Office Facility Option was not theretofore exercised, then it will expire and terminate, unless Tenant pays to Landlord, by the first day of the eighth Lease Year, the requisite payments provided for in this ARTICLE 45. However, no failure of Landlord to give any such reminder shall be deemed a Landlord Default, create any right in Tenant, result in any liability of Landlord, or have any other effect of any kind whatsoever, except only that in the event of such a failure by Landlord to give such a reminder to Tenant the deadline date as of which such Expansion Options will expire and terminate will be extended to the earlier of (i) the fifteenth (15th) day after the day on which Landlord does give Tenant such a reminder and (ii) the ninetieth (90th) day of the eighth Lease Year.

SECTION 45.14. With respect to any Parcel as to which Tenant then holds an effective, valid, exercisable (and not lapsed or terminated) Expansion Option, Tenant shall have a non-exclusive right, at Tenant's sole cost, expense, liability and risk, to do any or all of the following (in Tenant's discretion) concerning such Parcel, for the sole purpose of enabling Tenant effectively to exclude trespassers and to keep such Parcels clean and free of refuse, rubbish, and Hazardous Substances: (i) to fence such Parcel; and (ii) to take any and all other lawful and reasonable actions necessary or desirable to accomplish the purpose set out in this sentence; provided, however, that Tenant may not (A) do anything which violates any applicable law, ordinance, rule or regulation or the CC&Rs or any provision of this Lease, or (B) exclude Landlord or its licensees, designees or guests, or any Secured Lender, from any Parcel. Tenant hereby agrees to defend, indemnify and hold Landlord harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any kind which Landlord may pay, suffer or incur, or which may be asserted against Landlord, as a result or consequence of, or which concern or relate to, any action taken by Tenant pursuant to or as authorized by the provisions of this SECTION 45.14.

ARTICLE 46
RENEWAL OPTIONS

If no uncured Default then exists, Tenant shall (subject to the provisions of SECTION 10.11) have the option ("RENEWAL OPTION") to extend this Lease for two (2) additional terms of ten (10) years each (individually, a "RENEWAL TERM" and collectively, "RENEWAL TERMS") on the same terms and conditions as provided herein (including, without limitation, the payment by Tenant of all Impositions and other components of Rental) except for the amount of the Fixed Rent. Tenant shall exercise each of the Renewal Options by giving Landlord notice of such exercise (such notice to be given in the same manner and to contain similar information
[to the extent relevant to the renewal] as is provided in SECTION 45.1 with respect to Exercise Notices) not later than one year prior to the expiration of the Term or the previous Renewal Term. The Fixed Rent payable for and in any Renewal Term shall be agreed to by the parties prior to commencement of the particular Renewal Term; provided, however, that if the parties are unable to reach agreement as to the amount of such Fixed Rent, the parties shall submit the matter to binding arbitration pursuant to the provisions of SECTION 45.11, provided, however, that the amount of the annual Fixed Rent payable for and in any Renewal Term shall be equal to the sum of (i) that amount which, if paid annually throughout that particular Renewal Term (without regard to any further renewals or extensions), in equal monthly installments on the first day of each month of such Renewal Term, would be sufficient fully and completely to amortize the Total Construction Cost for any buildings, improvements, rehabilitation, renovation or other work (if any) which Landlord performs, constructs or installs for or in connec tion with such Renewal ("NEW LANDLORD IMPROVEMENTS") and also to provide Landlord with a fair market return on its investment in or relating to such New Landlord Improvements, plus (ii) whichever of the following Tenant, in its discretion, specifies in its notice of exercise of such Option (and if Tenant fails to specify either of the following in its notice of election, then the annual Fixed Rent shall be that specified in the following clause (A)): (A) 95% of the Fair Annual Rental Amount (defined hereinbelow) for the Premises (in their condition as in effect on the first day of the Renewal Term but without taking into consideration any New Landlord Improvements) as of the first day of the Renewal Term; or (B) for each year of the first five years of the Renewal Term an amount equal to 110% of the annual Fixed Rent as in effect on the day immediately preceding the commencement of such Renewal Term, and for each year of the second five years of such Renewal Term an amount equal to 110% of the annual Fixed Rent as in effect during the first five years of such Renewal Term. The decision of the arbitrators as to the amount of the annual Fixed Rent for any Renewal Term shall be final, conclusive and binding on the parties; provided, however, that Tenant may terminate the Lease on the expiration of the Term (or the expiration of the first Renewal Term, if applicable) by giving Landlord written notice to the effect that Tenant objects to the amount of such annual Fixed Rent and has elected to terminate the Lease as of the end of the Term (or the Final Renewal Term, if applicable); such notice must be given by Tenant to Landlord, not later than seven months before the expiration of the Term (or the first Renewal Term, if applicable), except that if the arbitrators' decision has not been rendered by that date, Tenant may deliver such Notice to Landlord not later than 30 days after the arbitrators' decision is rendered. "FAIR ANNUAL RENTAL AMOUNT" shall mean, as of any time, the market rental rate per annum (I.E., the amount of rent payable each year) prevailing at that time for a new lease having a term substantially equal to the Renewal Term to which such Fair Annual Rental Amount is then being applied, with a reputable, fully creditworthy tenant for a comparable building located within a high-quality, comparable industrial park in the

greater Jacksonville, Florida metropolitan area, taking into account all relevant factors (including, without limitation, increases in rent over time in such other comparable leases).

ARTICLE 47
Omitted

ARTICLE 48
LANDLORD DEFAULTS

SECTION 48.1 LANDLORD DEFAULTS. The occurrence of any one or more of the following shall be a "LANDLORD DEFAULT" hereunder:

(a) If Landlord shall fail to pay when due and payable any sum owed by Landlord to Tenant under this Lease, and such failure shall continue for a period of ten days after notice of such default is given to Landlord by Tenant;

(b) If Landlord shall fail to pay when due and payable any Impositions (if any) or other amounts which the provisions of this Lease expressly obligate Landlord to pay to any Person other than Tenant, and such failure shall continue for a period of 21 days after notice of such default is given to Landlord by Tenant;

(c) if Landlord shall fail to perform any of its material duties or obligations set out in this Lease (other than those which are the subject of either of the preceding CLAUSES (a) or (b), inclusive, of this SECTION 48.1) and such failure continues for a period of thirty days after notice thereof is given by Tenant to Landlord specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Unavoidable Delays, reasonably be performed, done or removed, as the case may be, within such 30-day period, in which case no Landlord Default shall be deemed to exist so long as Landlord shall have commenced curing the same promptly after receiving the default notice relating thereto from Tenant and shall thereafter at all times prosecute the same to completion with reasonable diligence, subject only to Unavoidable Delays).

SECTION 48.2 TENANT REMEDIES. After the occurrence of a Landlord Default (and the expiration of the applicable grace or cure period), Tenant shall have the following remedies as its sole and exclusive remedies:

(a) Tenant may institute a lawsuit for the collection of any amounts or damages which may be due and payable by Landlord to Tenant hereunder for which Landlord may be in default, or (to the extent available under applicable law and principles of equity) for specific performance by Landlord of (or an injunction to enjoin Landlord to perform) its obligations hereunder, and if as a result of any such lawsuit Tenant is awarded damages against Landlord, Tenant may deduct and set off the amount of any such final, unappealable award (and interest thereon at the legal "judgment rate" from the date of entry of such judgment order) from and against the next

succeeding installment payments of Fixed Rent coming due and payable by Tenant to Landlord hereunder, provided, however, that in no event shall the amount actually paid by Tenant to Landlord for and on account of Fixed Rent in any month be reduced to less than the total amount of all debt service payments required to be paid by Landlord in such month to Secured Lenders on account of Secured Loans;

(b) Tenant may, at its option but without obligation, without waiving any claim for damages resulting from such Landlord Default, at any time after giving Landlord at least ten days' prior notice of its intention to do so, cause such Landlord Default to be cured for the account of Landlord, and any amount paid or any contractual liability incurred by Tenant in so doing shall be deemed paid or incurred for the account of Landlord, and Landlord agrees to reimburse Tenant therefor on demand. If Landlord fails to reimburse Tenant upon demand for any amount so paid for the account of Landlord under this Section 48.2(b) within fifteen (15) days after receipt from Tenant of written notice of claim for such reimbursement together with such copies of bills, invoices, or other supporting documentation as Landlord may reasonably request, said amount shall accrue interest at the rate of eight percent (8%) per annum and may be deducted and set off by Tenant from and against the next or succeeding installment payments of Fixed Rent coming due and payable by Tenant to Landlord hereunder; provided, however, that in no event shall the amount actually paid by Tenant to Landlord for and on account of Fixed Rent in any month be reduced to less than the total amount of all debt service payments required to be paid by Landlord in such month to Secured Lenders on account of Secured Loans;

(c) Tenant shall have such other remedies (if any) as are expressly provided under the provisions of this Lease.

Tenant may not under any circumstance terminate, or bring a lawsuit or other court action seeking a judicial order for or declaration of the termination of, this Lease for or on account of any Landlord Default.

ARTICLE 49
TITLE INSURANCE

Tenant may, at its option and at its sole cost and expense, obtain such policies of title insurance insuring its leasehold estate and appurtenant easements as Tenant may desire. Landlord will cooperate with Tenant's reasonable requests to assist it in efforts to obtain such title insurance, but Landlord shall not be required to pay or incur any cost, expense, liability or risk in connection therewith.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

CTC INVESTMENTS LIMITED

By: Canpartners Realty, Inc.,
its general partner

_____ By:_____
Witness Name:
Title:

_____
Witness

TENANT:

COACH DISTRIBUTION COMPANY

_____
Witness

By:_____
_____ Name:
Witness Title:

EXHIBIT A

DESCRIPTION OF PARCEL A

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.86 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY; THENCE DUE WEST A DISTANCE OF 575.0 TO THE POINT OF BEGINNING; THENCE SOUTH 00 DEG. 05'25" EAST AND PARALLEL WITH THE WEST LINE OF SAID OFFICIAL RECORD VOLUME 6690, PAGE 1674, A DISTANCE OF 1020.0 FEET; THENCE SOUTH 89 DEG. 54'35" WEST A DISTANCE OF 881.43 FEET; THENCE NORTH 07 DEG. 09'06" EAST A DISTANCE OF 559.61 FEET TO A POINT; THENCE SOUTH 82 DEG. 50'54" EAST A DISTANCE OF 55.0 FEET TO A POINT; THENCE NORTH 10 DEG. 06'45" EAST A DISTANCE OF 290.39 FEET TO A POINT; THENCE NORTH 67 DEG. 06'45" EAST A DISTANCE OF 260.0 FEET TO A POINT; THENCE NORTH 72 DEG. 39'13" EAST A DISTANCE OF 406.10 FEET TO A POINT IN THE WESTERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY, SAID POINT LYING IN A CURVE SAID SURVEY BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE 63.40 FEET, THROUGH A CENTRAL ANGLE OF 72 DEG. 39'13", A CHORD BEARING OF SOUTH 53 DEG. 40'23" EAST AND A CHORD DISTANCE OF 59.24 FEET TO THE POINT OF TANGENT OF SAID CURVE;

THENCE DUE EAST ALONG SAID RIGHT-OF-WAY LINE A DISTANCE OF 29.70 FEET TO THE POINT OF BEGINNING.

EXHIBIT B

TITLE MATTERS

1. Unrecorded Preliminary Development Agreement for Jax International Tradeport, dated July 30, 1987 as amended by instrument recorded August 22, 1988 in Official Record Book 6566, page 708, of the current public records of Duval County, Florida.

2. Resolution No. 88-1223-541 dated and approved December 20, 1988 and recorded December 30, 1988 in Official Record Book 6634, page 1692 and Notice of Adoption recorded January 19, 1989 in Official Record Book 6644, page 922, all of the current public records of Duval County, Florida.

3. Restrictions, covenants, conditions and easements, which include provisions for a private charge or assessment, as contained in the instrument recorded August 2, 1990 in Official Records Book 6941, page 427 ("INITIAL DECLARATION"), together with the joinder and consent and supplement, as recorded in Official Record Book 6941, page 463, Official Record Book 6941, page 458, Official Record Book 6999, page 2023, Official Record Book 7385, page 1290 and Official Record Book 7631, page 1706, all of the Public Records of Duval County, Florida, as amended and recorded against the Premises in the real estate records of Duval County, Florida, from time to time; provided, however, that Landlord will obtain a release from Wilma of its easement rights set forth in the first and second sentences of Article 17 of the Declaration and the option rights and right of first refusal set forth in Articles 18(c)-(e) of the Declaration.

4. Declaration of Conservation Easement as set forth in instrument recorded December 19, 1989, in Official Records Book 6811, page 827, of the Public Records of Duval County, Florida.

5. The nature, extent, or existence of riparian rights are not insured.

6. Rights of others to use the waters of any waterbody extending from the insured land onto other lands.

7. Easement from Skyland Properties, a Florida general partnership to CTC investments Limited, granting adequate means of ingress and egress to the Parcels, which easement does not or will not interfere with Tenant's intended use of the Premises.

8. (a) Governmental police power.

(b) Any law, ordinance or governmental regulation relating to environmental protection.

(c) Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a change in the dimensions or area of any Parcel.

(d) Rights of eminent domain.

(e) Defects, liens, encumbrances, adverse claims or other matters attaching or created subsequent to the Commencement Date unless created, suffered, assumed or agreed to by Landlord, or any person acting, claiming or holding by, through or under Landlord (except Tenant or any Person acting, claiming or holding by, through or under Tenant).

9. City of Jacksonville Resolutions 87-1009-572, 88-448-463, 88-1223-541 and 91-394-202.

10. The Jacksonville International Tradeport Development Guidelines as in effect from time to time.

11. Any matters, encumbrances, claims, charges, exceptions or matters created or suffered, or consented to, by Tenant or any Person acting, claiming or holding by, through or under Tenant.

12. Taxes and assessments levied or assessed for the first Lease Year or assessed subsequent thereto.

13. Any Secured Loans, for which the Secured Lender and Tenant have executed a Nondisturbance Agreement as required by Article 30 of the Lease.

EXHIBIT C

LEASEHOLD IMPROVEMENT AGREEMENT

1. PRELIMINARY PLANS. Landlord shall, at Landlord's expense (as provided below), cause Reynolds, Smith & Hills, Inc. (Reynolds, Smith & Hills, Inc., or any other architect retained by Landlord with respect to the Premises from time to time, is referred to as the "ARCHITECT") to prepare a coordination set of plans and specifications for the Initial Building, related improvements and whatever site work is to be performed or constructed on the Parcels before the Commencement Date, including grading, paving and drainage plans, utility plans (including electricity, potable water, sanitary and storm water sewerage, and telecommunications, if applicable) and connections of each ("PRELIMINARY PLANS"). The Preliminary Plans shall fully comply with the applicable requirements of all Governmental Authorities and CC&R's.

The Preliminary Plans shall be agreed to by both Landlord and Tenant as follows: Landlord shall submit the Preliminary Plans to Tenant on or before the seventh day after delivery to Landlord by Tenant of an executed Lease and an executed Guaranty. Within seven business days after the completed Preliminary Plans have been submitted to Tenant, Tenant agrees to deliver to Architect and Landlord the Preliminary Plans together with either (i) Tenant's written approval of such Preliminary Plans or (ii) Tenant's reasonably requested changes to such Preliminary Plans ("REQUESTED CHANGES") in sufficient detail to permit Architect to prepare revised drawings. Should Tenant fail to deliver the Preliminary Plans with Tenant's approval or Requested Changes to Architect and Landlord within said seven-day period, and should such failure continue for three days after written notice of such failure from Landlord to Tenant, Landlord may construct the Building, related improvements and site improvements (collectively, the "IMPROVEMENTS") according to such Preliminary Plans (subject to Tenant's rights to modify the Preliminary Plans as described in SECTION 2 of this Leasehold Improvement Agreement), and upon Substantial Completion (as defined herein) thereof, Tenant shall be obligated to take possession of the Premises and the Term of the Lease shall commence. If Tenant has timely delivered Requested Changes to Landlord and Architect, then no later than seven business days after receipt by Landlord and Architect of the Requested Changes from Architect, Landlord shall notify Tenant either that Landlord has approved the Requested Changes or that Landlord has disapproved the Requested Changes, in which latter case such notice shall specify Landlord's reasons for disapproval. Landlord's approval of the Requested Changes shall not be unreasonably withheld. If Landlord disapproves the Requested Changes, then the foregoing submission process shall be repeated until the parties agree on the Preliminary Plans. The Preliminary Plans as approved by the parties pursuant to this SECTION 1 of this Leasehold Improvement Agreement shall be referred to herein as the "PLANS"; and, upon such approval, the Plans shall be deemed a part of this Leasehold Improvement Agreement. If Tenant and Landlord are unable to agree upon final Plans after three submissions by Landlord to Tenant, then upon the request of either party, the parties (and all representatives of such parties needed to approve the Plans on behalf of such parties) shall personally attend a meeting at which the parties shall use their best efforts to agree upon the Plans.

2. MODIFICATION TO PLANS. Tenant may, from time to time, modify, amend or change the Plans with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, provided that (i) Tenant provides Landlord and Architect with information regarding each such change in sufficient detail to permit the Architect to prepare working drawings or change orders reflecting such proposed change and (ii) the proposed change is consistent with the scope, quality, intent and purpose of the approved Plans. Tenant shall pay Landlord, within 30 days after Landlord's request for payment, all reasonable costs of every kind (including, without limitation, Architect's fees, fees of Landlord's consultant who reviews such proposed changes for Landlord, and any increase in the Total Construction Cost) resulting from or occasioned by each such proposed or accepted change. No modification, amendment or change to the Plans shall be made unless the same has been certified by the Architect as complying with all applicable laws and the CC&R's.

3. DISCLAIMER: Landlord hereby acknowledges and agrees that the approval by Tenant of the Plans shall neither constitute nor be construed as a certification by Tenant, or any Person claiming or acting by, through or under Tenant, that the Plans meet or otherwise comply with architectural, engineer, or construction industry standards or applicable buildings codes, laws, ordinances, rules or regulations of any governmental authority or other applicable agency.

4. DELAY CAUSED BY TENANT. The Term of the Lease shall commence on the day (the "COMMENCEMENT DATE") on which Substantial Completion (as defined herein) occurs; provided, however, that if Landlord shall be actually delayed in substantially completing the Improvements as a result of any one or more of (a) Tenant's failure to approve, or provide necessary information for, the Plans as and when required hereby, (b) Tenant's changes (or requests for any change) to the Plans, or (c) any other act or omission by Tenant or its agents which actually delays the Landlord in completing the Improvements, then Landlord shall cause the Architect to state in a letter to Landlord and Tenant its opinion as to the date on which Substantial Completion would have occurred but for the Tenant-caused delays, which date shall be and shall constitute the Commencement Date of the Lease for all purposes (including but not limited to the Lease and Section 9 of this Leasehold Improvement Agreement), and Tenant's obligation to commence payment of Fixed Rent for the Premises shall arise as of such date and shall not otherwise be affected or deferred on account of such actual delay.

5. COMMENCEMENT OF CONSTRUCTION. Landlord shall notify Tenant when construction of the Building or related improvements or site improvements has commenced and thereafter will give Tenant monthly construction status reports with a projected date of completion. For purposes of this EXHIBIT C, the terms "COMMENCE CONSTRUCTION" and "COMMENCEMENT OF CONSTRUCTION" shall be deemed to mean the pouring of concrete footers for the Building.

6. ENTRY BY TENANT. Tenant and Tenant's agents may enter the Premises prior to the Commencement Date under Landlord's direction and supervision for purposes of inspecting, measuring, installing or arranging Tenant's Property and otherwise to make the Premises ready for

Tenant's use and occupancy. Such entry prior to the Commencement Date shall constitute a license only and not a lease, and such license shall be conditioned upon (and Tenant agrees to comply with) all of the following: (a) Tenant's acting and working in harmony and not interfering with Landlord and Landlord's agents, contractors, workmen, mechanics and suppliers in being present or doing work on the Premises; (b) Tenant's obtaining in advance Landlord's approval of all contractors, subcontractors and suppliers proposed to be used by Tenant, said approval not to be unreasonably withheld or delayed; (c) Tenant's furnishing Landlord with written evidence of such insurance of Tenant, its contractors and subcontractors as Landlord may reasonably require against liabilities which may arise out of such entry (including, but not limited to, builder's risk, liability and workers' compensation coverage) and (d) Landlord's determination, in the case of each such requested entry by Tenant, that such entry will not interfere in any way with Landlord's work. Tenant agrees that Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's Property placed or installations made on the Premises prior to the Commencement Date, the same being at Tenant's sole risk, and Tenant agrees to protect, defend, indemnify and save harmless Landlord from and against all losses, claims, liabilities, costs, damages, and injuries of any and every kind whatsoever that may result from any such entry by Tenant (including, without limitation, damage to the Improvements, fees and expenses arising out of or connected with the activities of Tenant or its agents, contractors, subcontractors, suppliers or workmen in or about the Premises, and losses, claims, liabilities, costs, damages, damage to the Improvements, fees and expenses related to environmental matters and Hazardous Materials). Except for the indemnity set forth above, Tenant shall not be obligated to pay to Landlord, nor shall Landlord be entitled to charge Tenant, Fixed Rent or any other amounts which may otherwise be due and payable under this Lease by virtue of the exercise by Tenant of the rights and privileges herein.

7. CORRECTION. Landlord agrees to cause to be promptly corrected any material deficiencies in the work, materials, or elements of the work which do not comply with the requirements of the Plans, which are promptly called to its attention during construction by any Governmental Authority or Tenant's "CONSTRUCTION REPRESENTATIVE" (who Tenant shall have designated as its construction representative in a written notice to Landlord within five days after commencement of construction) prior to or at the inspection described in SECTION 11 of this Leasehold Improvement Agreement.

8. DELIVERY DATE. Landlord shall cause Substantial Completion to occur on or before the date (the "DELIVERY DATE") which is 290 days after the later of (i) delivery to Landlord by Tenant of an executed Lease and an executed Guaranty and (ii) execution by Tenant of a development agreement, in form acceptable to the City of Jacksonville, regarding grants from the City of Jacksonville to Tenant for the installation of roads and utilities to serve the Premises; provided, however, that if Substantial Completion has not occurred by the Delivery Date, the Delivery Date shall be extended for an additional 10 days, provided further, that and the Delivery Date shall be further extended for actual delays (collectively, "EXTENSION DELAYS") caused by (a) Unavoidable Delay, (b) Tenant's failure to approve the coordination set of plans and specifications as initially submitted to Tenant or Tenant's failure to approve the Plans as resubmitted to Tenant in accordance with SECTION 1 of this Leasehold Improvement Agreement and/or Tenant's submission of Requested

Changes under SECTION 1 of this Leasehold Improvement Agreement, (c) Tenant's changes (or requests for change) to the Plans or any other Tenant-caused delay described in SECTION 4 of this Leasehold Improvement Agreement, (d) Tenant's failure to provide necessary information as and when required hereby, or (e) any other act of or by Tenant or its agents, representatives, contractors, subcontractors or Persons acting by, through or under Tenant. The Delivery Date shall be extended one day for each day of Extension Delay.

9. FAILURE TO DELIVER PREMISES BY DELIVERY DATE. If Substantial Completion has not occurred by the Delivery Date, as extended, if applicable, an amount of Fixed Rent under the Lease shall be abated in the amount of $40,000.00 for each seven-day week after the Delivery Date (prorated on a daily basis for a 7-day week) that Substantial Completion has not occurred, such sum to increase by $10,000.00 every 14 full days (not prorated on a daily basis) thereafter.

10. SUBSTANTIAL COMPLETION. "SUBSTANTIAL COMPLETION" occurs when all of the following conditions have been satisfied: (a) receipt of a Certificate of Substantial Completion by Architect on AIA Form G704 (or a substantially similar form) relating to the construction of the Improvements; (b) Tenant can use the Premises for its intended purposes without material interference to Tenant conducting its business activities; (c) Final Inspection has occurred; (d) Tenant, its employees, agents and invitees have ready access to, and parking adjacent to, the Building and the Premises (but not necessarily on paved surfaces); (e) necessary utilities (not including natural gas) and plumbing are available (availability through temporary facilities will be acceptable for this purpose; provided, however, that connection to permanent facilities will not result in the unavailability or discontinuance of such utilities with respect to Tenant's use of the Premises thereafter) in capacities not less than as set forth in the Plans, are connected to mains or other appropriate sources, and all utility meters have been set and activated; (f) receipt of a certificate from an engineer stating that no additional easements are required to be granted for the benefit of Parcel A in order for Parcel A and the Improvements located thereon to be provided with access, utility services and drainage, as required by the Lease and this Leasehold Improvement Agreement; (g) receipt of an instrument from Wilma/Skyland Joint Venture, Ltd. (or its successor) regarding the Improvements, in the form described in Section 10.h of the Declaration of Covenants, Conditions, Restrictions and Easements described in the definition of "CC&R's"; and (h) receipt (at Tenant's sole cost and expense) of an update to the existing commitment for title insurance dated prior to (and as close as is reasonably practical to) the date of Substantial Completion, showing no exceptions to title affecting the Premises (or interfering with or limiting Tenant's rights to Parcels B, C or D as set forth in the Lease) other than those shown on Exhibit B or those approved or consented to by Tenant. At Landlord's request, Tenant will execute and deliver to Landlord a written acknowledgment that Substantial Completion has occurred. Acceptance of possession, use or occupancy of the Premises by Tenant shall not be deemed to constitute a waiver of Landlord's duties, obligations or warranties expressly set forth in the Lease.

Landlord shall use reasonable efforts to give Tenant at least fifteen days' advance notice of the estimated date on which Substantial Completion is expected to occur and five days' advance notice of any changes to the estimated Substantial Completion date.

11. INSPECTION. Upon five days' written notice from Landlord to Tenant, Landlord and Tenant's Construction Representative (who shall be deemed to be Tenant's agent for all purposes of this Leasehold Improvement Agreement) shall jointly inspect the Building and Premises, at which inspection Tenant may have all systems demonstrated, and Tenant (or its Construction Representative) and Landlord shall jointly prepare a punch list. Said inspection shall occur between one and twenty days prior to the Commencement Date. The punch list shall list incomplete items of construction necessary adjustments and needed finishing touches. Landlord will cause the punch list items to be completed as soon as reasonably practical after the Commencement Date.

12. LANDLORD'S INSURANCE. Landlord agrees that during the period of Landlord's construction of the Improvements, Landlord will obtain and keep in force, or cause to be obtained or kept in force, at no cost to Tenant, builder's risk insurance, automobile liability insurance and comprehensive general liability insurance against liability for bodily injury and death and property damage, in reasonable and customary amounts and forms. Landlord shall also provide or cause to be provided and kept in force workers' compensation coverage with statutory benefits covering employees of Landlord's contractor (but not employees of Tenant or Tenant's contractors) and with such endorsements as may be reasonably requested by Tenant.

13. COPIES OF PLANS. Upon the Commencement Date, Landlord shall deliver to Tenant two original "as built" surveys of the Premises, two sets of "as built" plans for the Premises (which plans shall identify the location of all offsite utility, drainage and stormwater retention easements benefitting the Premises) and all building systems, and shall deliver to Tenant one copy (or the original, if required by law to be kept at the Premises) of each of the licenses, permits, governmental approvals, warranties, guarantees, utility contracts, operating manuals, maintenance manuals, surveys, plats, engineering reports, environmental reports and soil tests regarding the Premises.

14. ENVIRONMENTAL REPORT. Tenant may, at its sole cost and expense, cause a "Phase I" environmental report of the Parcels to be done by a reputable and experienced firm of independent environmental consulting engineers at any time before the Commencement Date. Such report shall be completed, and a copy to Landlord, thereof (together with a "reliance letter" in customary form addressed to Landlord) delivered not later than the Commencement Date. If such report discloses the existence on the parcels of a violation of any Environmental Laws, Landlord will take all reasonable actions (if any) which, in Landlord's judgment, are appropriate with respect thereto (which may, but need not, include remediation of this violation cited in such report). The existence of any such violation shall not have any effect of any kind whatsoever on whether Substantial Completion, or the Commencement Date, shall be deemed to have occurred.

EXHIBIT D

DESCRIPTION OF PARCEL B

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY, SAID POINT ALSO BEING THE POINT OF BEGINNING; THENCE SOUTH 00 DEG. 05'25" EAST ALONG THE WEST LINE OF LAST MENTIONED LANDS A DISTANCE OF 1019.09 FEET; THENCE SOUTH 89 DEG. 54'35" WEST A DISTANCE OF 575.0 FEET; THENCE NORTH 00 DEG. 05'25" WEST AND PARALLEL WITH THE WEST LINE OF SAID OFFICIAL RECORDS VOLUME 6690, PAGE 1674 A DISTANCE OF 1020.0 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE DUE EAST ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE EASTERLY PROLONGATION THEREOF 575.0 FEET TO THE POINT OF BEGINNING.

EXHIBIT E

DESCRIPTION OF PARCEL C

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY, THENCE DUE WEST A DISTANCE OF 604.70 FEET TO A POINT OF CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE 63.40 FEET, THROUGH A CENTRAL ANGLE OF 72 DEG. 39'13", A CHORD BEARING OF NORTH 53 DEG. 40'23" WEST AND A CHORD DISTANCE OF 59.24 FEET TO THE POINT OF BEGINNING; THENCE SOUTH 72 DEG. 39'13" WEST A DISTANCE OF 406.10 FEET TO A POINT; THENCE SOUTH 67 DEG. 06'45" WEST A DISTANCE OF 260.0 FEET TO A POINT; THENCE NORTH 82 DEG. 50'54" WEST A DISTANCE OF 70.0 FEET TO A POINT; THENCE NORTH 07 DEG. 09'06" EAST A DISTANCE OF 160.0 FEET TO A POINT; THENCE NORTH 23 DEG. 13'00" EAST A DISTANCE OF 478.07 FEET TO A POINT; THENCE SOUTH 69 DEG. 42'24" EAST A DISTANCE OF 619.12 FEET TO THE NORTHWESTERLY RIGHT- OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE SOUTH 23 DEG. 13'00" WEST ALONG SAID PROPOSED NORTHWESTERLY RIGHT-OF-WAY LINE 100.00 FEET TO THE POINT OF CURVE OF SAID PROPOSED RIGHT-OF-WAY LINE, SAID CURVE BEING CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.0 FEET, THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 23.18 FEET, THROUGH A CENTRAL ANGLE OF 53 DEG. 07'48", A CHORD BEARING OF SOUTH 49 DEG. 46'54" WEST AND A CHORD DISTANCE OF 22.36 FEET TO THE POINT OF REVERSE CURVE OF SAID PROPOSED RIGHT-OF-WAY LINE, SAID REVERSE CURVE BEING CONCAVE TO THE

SOUTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 81.76 FEET, THROUGH A CENTRAL ANGLE OF 93 DEG. 41'36", A CHORD BEARING OF SOUTH 29 DEG. 30'01" WEST AND A CHORD DISTANCE OF 72.95 FEET TO THE POINT OF BEGINNING.

EXPANSION SPACE IMPROVEMENT AGREEMENT

1. PRELIMINARY PLANS. Landlord shall, at Landlord's expense (as provided below), cause an architect (the "ARCHITECT") to prepare a set of plans and specifications for the applicable Addition, related improvements and whatever site work is to be performed or constructed on the applicable expansion parcel, including grading, paving and drainage plans, utility plans (including electricity, potable water, sanitary and storm water sewerage, and telecommunications, if applicable) and connections of each ("PRELIMINARY PLANS"). The Preliminary Plans shall fully comply with the applicable requirements of all Governmental Authorities and CC&R's.

The Preliminary Plans shall be agreed to by both Landlord and Tenant as follows: Landlord shall submit the Preliminary Plans to Tenant on or before the 90th day after delivery to Landlord by Tenant of the applicable Expansion Notice. Within 14 business days after the completed Preliminary Plans have been submitted to Tenant, Tenant agrees to deliver to Architect and Landlord the Preliminary Plans together with either (i) Tenant's written approval of such Preliminary Plans or (ii) Tenant's reasonably requested changes to such Preliminary Plans ("REQUESTED CHANGES") in sufficient detail to permit Architect to prepare revised drawings. Should Tenant fail to deliver the Preliminary Plans with Tenant's approval or Requested Changes to Architect and Landlord within said 14-day period, and should such failure continue for seven days after written notice of such failure from Landlord to Tenant, Landlord may construct the applicable Addition, related improvements and site improvements (collectively, the "EXPANSION IMPROVEMENTS") according to such Preliminary Plans (subject to Tenant's rights to modify the Preliminary Plans as described in SECTION 2 of this Expansion Space Improvement Agreement), and upon Substantial Completion (as defined herein) thereof, Tenant shall be obligated to take possession of the Expansion Improvements and the Term of the Lease with respect thereto shall commence. If Tenant has timely delivered Requested Changes to Landlord and Architect, then no later than seven business days after receipt by Landlord and Architect of the Requested Changes from Architect, Landlord shall notify Tenant either that Landlord has approved the Requested Changes or that Landlord has disapproved the Requested Changes, in which latter case such notice shall specify Landlord's reasons for disapproval. Landlord's approval of the Requested Changes shall not be unreasonably withheld. If Landlord disapproves the Requested Changes, then the foregoing submission process shall be repeated until the parties agree on the Preliminary Plans. The Preliminary Plans as approved by the parties pursuant to this SECTION 1 of this Expansion Space Improvement Agreement shall be referred to herein as the "PLANS"; and, upon such approval, the Plans shall be deemed a part of this Expansion Space Improvement Agreement. If Tenant and Landlord are unable to agree upon final Plans after three submissions by Landlord to Tenant, then upon the request of either party, the parties (and all representatives of such parties needed to approve the Plans on behalf of such parties) shall personally attend a meeting at which the parties shall use their best efforts to agree upon the Plans.

2. MODIFICATION TO PLANS. Tenant may, from time to time, modify, amend or change the Plans with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, provided that (i) Tenant provides Landlord and Architect with information regarding each such change in sufficient detail to permit the Architect to prepare working drawings or change orders reflecting such proposed change and (ii) the proposed change is consistent with the scope, quality, intent and purpose of the approved Plans. Tenant shall pay Landlord, within 30 days

after Landlord's request for payment, all reasonable costs of every kind (including, without limitation, Architect's fees, fees of Landlord's consultant who reviews such proposed changes for Landlord, and any increase in the Total Construction Cost) resulting from or occasioned by each such proposed or accepted change. No modification, amendment or change to the Plans shall be made unless the same has been certified by the Architect as complying with all applicable laws and the CC&R's.

3. DISCLAIMER: Landlord hereby acknowledges and agrees that the approval by Tenant of the Plans shall neither constitute nor be construed as a certification by Tenant, or any Person claiming or acting by, through or under Tenant, that the Plans meet or otherwise comply with architectural, engineer, or construction industry standards or applicable buildings codes, laws, ordinances, rules or regulations of any governmental authority or other applicable agency.

4. DELAY CAUSED BY TENANT. The Term applicable to the Expansion Improvements and related parcel shall commence upon Substantial Completion (as defined herein) of the applicable Expansion Improvements; provided, however, that if Landlord shall be actually delayed in substantially completing the applicable Expansion Improvements as a result of any one or more of (a) Tenant's failure to approve, or provide necessary information for, the Plans as and when required hereby, (b) Tenant's changes (or requests for any change) to the Plans, or (c) any other act or omission by Tenant or its agents which actually delays the Landlord in completing the Expansion Improvements, then Landlord shall cause the Architect to state in a letter to Landlord and Tenant its opinion as to the date on which Substantial Completion would have occurred but for the Tenant-caused delays, which date shall be and shall constitute the commencement date for Fixed Rent for the Expansion Improvements for all purposes (including but not limited to the Lease and Section 9 of this Expansion Space Improvement Agreement) and Tenant's obligation to commence payment of Fixed Rent for the Expansion Improvements shall arise as of such date and shall not otherwise be affected or deferred on account of such actual delay.

5. COMMENCEMENT OF CONSTRUCTION. Landlord shall notify Tenant when construction of the Expansion Improvements has commenced and thereafter will give Tenant monthly construction status reports with a projected date of completion. For purposes of this EXHIBIT F, the terms "COMMENCE CONSTRUCTION" and "COMMENCEMENT OF CONSTRUCTION" shall be deemed to mean the pouring of concrete footers for the applicable Addition.

6. ENTRY BY TENANT. Tenant and Tenant's agents may enter the Expansion Improvements prior to the applicable Estimated Completion Date under Landlord's direction and supervision for purposes of inspecting, measuring, installing or arranging Tenant's Property and otherwise to make the Expansion Improvements ready for Tenant's use and occupancy. Such entry prior to the Estimated Completion Date shall constitute a license only and not a lease, and such license shall be conditioned upon (and Tenant agrees to comply with) all of the following: (a) Tenant's acting and working in harmony and not interfering with Landlord and Landlord's agents, contractors, workmen, mechanics and suppliers in being present or doing work on the Expansion Improvements; (b) Tenant's obtaining in advance Landlord's approval of all contractors, subcontractors and suppliers proposed to be used by Tenant, said approval not to be unreasonably withheld or delayed; (c) Tenant's furnishing Landlord with written evidence of such insurance of Tenant, its contractors and

subcontractors as Landlord may reasonably require against liabilities which may arise out of such entry (including, but not limited to, builder's risk, liability and workers' compensation coverage) and (d) Landlord's determination, in the case of each such requested entry by Tenant, that such entry will not interfere in any way with Landlord's work. Tenant agrees that Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's Property placed or installations made on the Expansion Improvements prior to the Estimated Completion Date, the same being at Tenant's sole risk, and Tenant agrees to protect, defend, indemnify and save harmless Landlord from and against all losses, claims, liabilities, costs, damages, and injuries of any and every kind whatsoever that may result from any such entry by Tenant (including, without limitation, damage to the Expansion Improvements, fees and expenses arising out of or connected with the activities of Tenant or its agents, contractors, subcontractors, suppliers or workmen in or about the Expansion Improvements, and losses, claims, liabilities, costs, damages, damage to the Expansion Improvements, fees and expenses related to environmental matters and Hazardous Materials). Except for the indemnity set forth above, Tenant shall not be obligated to pay to Landlord, nor shall Landlord be entitled to charge Tenant, Fixed Rent or any other amounts which may otherwise be due and payable under this Lease by virtue of the exercise by Tenant of the rights and privileges herein.

7. CORRECTION. Landlord agrees to cause to be promptly corrected any material deficiencies in the work, materials, or elements of the work which do not comply with the requirements of the Plans, which are promptly called to its attention during construction by any Governmental Authority or Tenant's "CONSTRUCTION REPRESENTATIVE" (who shall be designated by Tenant shall have designated as its construction representative in a written notice to Landlord within five days after commencement of construction) prior to or at the inspection described in SECTION 11 of this Expansion Space Improvement Agreement.

8. DELIVERY DATE. Landlord shall cause Substantial Completion to occur on or before the date which is the later of the Estimated Completion Date set forth in the Expansion Space Exercise Notice and the 365th day after the parties' approval of the final Plans (the "DELIVERY DATE"); provided, however, that if Substantial Completion has not occurred by the Delivery Date, the Delivery Date shall be extended for an additional 10 days, provided further, that the Delivery Date shall be further extended for actual delays (collectively, "EXTENSION DELAYS") caused by (a) Unavoidable Delay, (b) Tenant's failure to approve the Plans as initially submitted to Tenant, (c) Tenant's changes (or requests for change) to the Plans or any other Tenant-caused delay described in SECTION 4 of this Expansion Space Work Letter; (d) Tenant's failure to provide necessary information as and when required hereby, or (e) any other act of or by Tenant or its agents, representatives, contractors, subcontractors or Persons acting by, through or under Tenant. The Delivery Date shall be extended one day for each day of Extension Delay.

9. FAILURE TO DELIVER PREMISES BY DELIVERY DATE. If Substantial Completion has not occurred by the Delivery Date, as extended, if applicable, an amount of Fixed Rent under the Lease shall be abated in the amount of $10,000.00 for each seven-day week after the Delivery Date (prorated on a daily basis for a 7-day week) that Substantial Completion has not occurred, such sum to increase by $5,000.00 every 14 full days (not prorated on a daily basis) thereafter.

10. SUBSTANTIAL COMPLETION. "SUBSTANTIAL COMPLETION" occurs when all of the following conditions have been satisfied: (a) receipt of a Certificate of Substantial Completion by Architect on AIA Form G704 (or a substantially similar form) relating to the construction of the Expansion Improvements; (b) Tenant can use the Expansion Improvements for its intended purposes without material interference to Tenant conducting its business activities; (c) Final Inspection has occurred; (d) Tenant, its employees, agents and invitees have ready access to, and parking (if contemplated by the Plans) for, the Expansion Improvements (but not necessarily on paved surfaces); (e) necessary utilities (not including natural gas) and plumbing are available (availability through temporary facilities will be acceptable for this purpose) in capacities not less than as set forth in the Plans, are connected to mains or other appropriate sources, and all utility meters have been set and activated; (f) receipt of a certificate from an engineer stating that no additional easements are required to be granted for the benefit of Parcel on which the Expansion Improvements are is located in order for such Parcel and the improvements located thereon to be provided with access, utility services and drainage, as required by the Lease and this Expansion Space Work Letter; (g) receipt of an instrument from Wilma/Skyland Joint Venture, Ltd. (or its successor) regarding the Expansion Improvements, in the form described in Section 10.h of the Declaration of Covenants, Conditions, Restrictions and Easements described in the definition of "CC&R's" and (h) receipt (at Tenant's sole cost and expense) of evidence that no exceptions to title not set forth on Exhibit B as to the Expansion Improvements and the Parcel on which they are located, exist. At Landlord's request, Tenant will execute and deliver to Landlord a written acknowledgment that Substantial Completion has occurred. Acceptance of possession, use or occupancy of the Expansion Improvements by Tenant shall not be deemed to constitute a waiver of Landlord's duties, obligations or warranties expressly set forth in the Lease.

Landlord shall use reasonable efforts to give Tenant at least fifteen days' advance notice of the estimated date on which Substantial Completion is expected to occur and five days' advance notice of any changes to the estimated Substantial Completion date.

11. INSPECTION. Upon five days' written notice from Landlord to Tenant, Landlord and Tenant's Construction Representative (who shall be deemed to be Tenant's agent for all purposes of this Leasehold Improvement Agreement) shall jointly inspect the Expansion Improvements at which inspection Tenant may have all systems demonstrated, and Tenant (or its Construction Representa tive) and Landlord shall jointly prepare a punch list. Said inspection shall occur between one and twenty days prior to the estimated Substantial Completion date. The punch list shall list incomplete items of construction necessary adjustments and needed finishing touches. Landlord will cause the punch list items to be completed as soon as reasonably practical after the Substantial Completion of the Expansion Improvements.

12. LANDLORD'S INSURANCE. Landlord agrees that during the period of Landlord's construction of the Expansion Improvements, Landlord will obtain and keep in force, or cause to be obtained or kept in force, at no cost to Tenant, builder's risk insurance, automobile liability insurance and comprehensive general liability insurance against liability for bodily injury and death and property damage, in reasonable and customary amounts and forms. Landlord shall also provide or cause to be provided and kept in force workers' compensation coverage with statutory benefits

covering employees of Landlord's contractor (but not employees of Tenant or Tenant's contractors) and with such endorsements as may be reasonably requested by Tenant.

13. COPIES OF PLANS. Upon the date of commencement of the Expansion Fixed Rent, Landlord shall deliver to Tenant two original "as built" surveys of the Expansion Improvements, two sets of "as built" plans for the Expansion Improvements and all building systems, and shall deliver to Tenant one copy (or the original, if required by law to be kept at the Expansion Improvements) of each of the licenses, permits, governmental approvals, warranties, guarantees, utility contracts, operating manuals, maintenance manuals, surveys, plats, engineering reports, environmental reports and soil reports.

EXHIBIT G

DESCRIPTION OF PARCEL D

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST, AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT, THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY; THENCE SOUTH 00 DEG. 05'25" EAST ALONG THE WEST LINE OF LAST MENTIONED LANDS A DISTANCE OF 1019.09 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 00 DEG. 05'25" EAST ALONG SAID WEST LINE A DISTANCE OF 116.88 FEET TO THE SOUTHWEST CORNER OF SAID LANDS; THENCE SOUTH 02 DEG. 41'27" WEST A DISTANCE OF 110.13 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE ALONG SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE SOUTH, 89 DEG. 54'35" WEST A DISTANCE OF 133.21 FEET TO THE POINT OF CURVE OF SAID PROPOSED RIGHT-OF- WAY, SAID CURVE BEING CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 815.0 FEET; THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 362.17 FEET, THROUGH A CENTRAL ANGLE OF 25 DEG. 27'40', ALONG A CHORD BEARING OF SOUTH 77 DEG. 10'45" WEST A CHORD DISTANCE OF 359.20 FEET TO THE POINT OF REVERSE CURVE IN SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE, SAID REVERSE CURVE BEING CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 560.0 FEET, THENCE ALONG THE ARC OF SAID CURVE 319.63 FEET, THROUGH A CENTRAL ANGLE OF 32 DEG. 42'10", ALONG A CHORD BEARING OF SOUTH 80 DEG. 48'01" WEST A CHORD DISTANCE OF 315.32 FEET TO THE POINT OF TANGENT OF SAID CURVE; THENCE CONTINUE ALONG SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE, NORTH 82 DEG. 50'54" WEST A DISTANCE OF 695.80 FEET; THENCE DEPARTING FROM SAID

PROPOSED NORTHERLY RIGHT-OF-WAY LINE AND RUN THROUGH AN EXISTING LAKE THE FOLLOWING DESCRIBED COURSE; NORTH 07 DEG. 09'06" EAST A DISTANCE OF 270.39 FEET; THENCE NORTH 89 DEG. 54"35' EAST A DISTANCE OF 1456.43 FEET TO THE POINT OF BEGINNING.

EXHIBIT H

VENDORS' WARRANTIES - INITIAL BUILDING

Warranty		Extended Warranties/Cost	
Description	Duration	Description	Cost
Structural includes framing, slab, walls, foundation and masonry includes all parts and labor	4 years	None available	
Roof includes parts and labor	10 years	Add'l 5 years includes parts and labor	$100,000
HVAC includes 1 year parts and labor includes 5 years compressor		Add'l 4 years includes parts and labor	$60,000
Elevator includes parts and labor	1 year	Add'l 4 years includes parts and labor	$20,000
Plumbing includes parts and labor	2 years	Add'l 3 years includes parts and labor	$30,000
Sprinklers includes firepump, sprinkler piping, sprinkler heads minor repair of sprinklers heads and alarm bells under normal conditions	2 years	Add'l 3 years includes items specified in original warranty	$20,000
Electrical includes parts and labor	2 years	Add'l 3 years includes parts and labor	$30,000

EXHIBIT I

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT is made as of _____, 19___, by and between _____ ("Viewing Party") and COACH DISTRIBUTION COMPANY, a Delaware corporation ("Tenant").

W I T N E S S E T H

WHEREAS, CTC INVESTMENTS, LTD., a Florida limited partnership ("Landlord"), and Tenant have entered into a certain Agreement of Lease dated as of October 13, 1994 ("Lease") relating to certain property situated in the Jacksonville International Tradeport, Jacksonville, Florida ("Premises");

WHEREAS, the Lease provides that Landlord and persons specifically authorized by Landlord shall have the right to enter the Premises at any reasonable time with reasonable notice to show the Premises to prospective purchasers, tenants and secured lenders ("Viewing Parties"), provided that the Viewing Parties agree to respect the confidentiality of proprietary or confidential matters relating to Tenant or the Premises which are disclosed to them when they are on the Premises exercising the right of entry provided in the Lease ("Confidential Information").

NOW, THEREFORE, it is hereby mutually covenanted and agreed by and between the parties hereto as hereinafter set forth.

Section 1. Viewing Party agrees to respect the confidentiality of Confidential Information. [Insert this sentence in Agreement signed by Landlord: Landlord also agrees that it will not cause any Viewing Party to enter within and view the Premises without obtaining from such Viewing Party a confidentiality agreement substantially in the form of this Agreement.] Viewing Party agrees that it will not disclose any Confidential Information relating to the design, manufacture or distribution of Tenant's products. The undertakings concerning nondisclosure set out in this Section 1 do not apply to (i) any information in the public domain, (ii) any information obtained from any source other than from Viewing Party's personal entry into the Premises, or (iii) any information disclosed pursuant to any applicable law or any order or formal written request of any court or governmental agency.

Section 2. The undertakings set out herein concerning nondisclosure apply, with respect to any Confidential Information obtained from any particular entry onto the Premises, for a period of two years after such entry.

Section 3. In the event of a dispute hereunder in the enforcement of the terms of this Confidentiality Agreement, the prevailing party shall be entitled to recover its reasonable attorneys fees and costs from the non-prevailing party.

Section 4. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

Section 5. This Confidentiality Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement as of the date first above written.

VIEWING PARTY

_____

By:_____

TENANT

COACH DISTRIBUTION COMPANY
a Delaware corporation

By:_____

_____
Print Name
Its_____ President

EXHIBIT M

ILLUSTRATIVE AMORTIZATION SCHEDULE
(MORTGAGE AMORTIZATION SCHEDULE 20 YEAR TERM - 9.50% INTEREST RATE)

	MONTH	PRINCIPAL OUTSTANDING
COMMENCEMENT DATE == >	0	15,000,000
	1	14,978,930
	2	14,957,694
	3	14,936,289
	4	14,914,715
	5	14,892,970
	6	14,871,053
	7	14,848,963
	8	14,826,697
	9	14,804,256
	10	14,781,636
	11	14,758,838
	12	14,735,859*
	24	14,445,503*
	36	14,126,330*
	48	13,775,479*
	60	13,389,808*
	72	12,965,859*
	84	12,499,835*
	96	11,987,559*
	108	11,424,441*
	120	10,805,434*
	132	10,124,993*
	144	9,377,019*
	156	8,554,811*
	168	7,651,001*
	180	6,657,490*
	192	5,565,375*
	204	4,364,871*
	216	3,045,219*
	228	1,594,595*
	240	0

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

* MONTHLY PRINCIPAL REDUCTION WILL OCCUR IN ACCORDANCE WITH THE PRINCIPLES UNDERLYING THE FOREGOING IN THE MONTHS BETWEEN THOSE EXPLICITLY INDICATED IN THE ABOVE TABLE.

Exhibit 10.6

"Parcel B"

AGREEMENT OF LEASE

between

CTC INVESTMENTS LIMITED

("Landlord")

and

SARA LEE CORPORATION

("Tenant")

Dated as of October 23, 1998

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EXHIBITS

Exhibit	Exhibit Caption	First Reference in Lease
A	Description of Parcel A	Section 1
B	Title Matters	Section 1
C	Leasehold Improvement Agreement	Section 1
D	Description of Parcel B	Section 1
D-1	Description of Parcel B-1	Section 1
E	Description of Parcel C	Section 1
F	Omitted	
G	Description of Parcel D	Section 1
H	Warranties	Section 12.4
I	Confidentiality Agreement	Section 21.1
J	Omitted	
K	Estoppel Letter	Section 32.1
L	Environmental Indemnity	Section 30.3
M	Illustrative Amortization Schedule	Section 9.1(d)
N	Preliminary Site Drawing	Section 1

LEASE

This AGREEMENT OF LEASE is made and entered into as of October 23, 1998, by and between CTC INVESTMENTS LIMITED, a Florida limited partnership having an office at 9665 Wilshire Blvd., Suite 200, Beverly Hills, California 90212 ("LANDLORD"), and SARA LEE CORPORATION, a Maryland corporation, which is successor by merger to Coach Distribution Company, a Delaware corporation, having an office at 410 Commerce Boulevard, Carlstadt, New Jersey 07072 ("TENANT").

W I T N E S S E T H:

A. Landlord and Tenant's predecessor are parties to that certain Lease dated as of October 13, 1994 (which, as such document may heretofore have been amended, and as it may be amended, modified or restated from time to time hereafter, is referred to herein as the "ORIGINAL LEASE") which relates primarily to certain premises ("PARCEL A") described therein and, among other things, gives Tenant certain rights relating to the Premises, particularly as set out in Article 45 of the Original Lease. Tenant has exercised the First Parcel B Expansion Option (that term being defined for purposes hereof as it is defined in the Original Lease) as provided in Section 45.1 of the Original Lease. This Lease sets out all of the parties' agreements with respect to that First Parcel B Expansion Option and it completely replaces and supersedes Section 45.1 of the Original Lease, which Section 45.1 the parties hereby agree and declare is terminated for all purposes and is of no further force or effect.

B. It is hereby mutually covenanted and agreed by and between the parties hereto that this Agreement of Lease is made and entered into by them upon the terms, covenants and conditions herein set forth, and that for good and valuable consideration (the receipt and sufficiency of which are acknowledged by both of them) they agree as follows.

ARTICLE 1
CERTAIN DEFINITIONS

The terms defined in this ARTICLE 1 shall, for all purposes of this Lease, have the following meanings:

"AFFILIATE," when used with respect to any Person (hereinafter defined), shall mean any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of the foregoing definition, "CONTROL" (including "control by" and "under common control with") shall mean ownership of fifty percent (50%) or more of each class of the authorized and outstanding stock of a corporation and fifty percent (50%) or more of all of the interests in a partnership, trust or other business entity (determined without regard to cash flow preferences and similar items).

"ASSOCIATION" shall mean the Jacksonville International Tradeport Owner's Association, Inc., a Florida non-profit corporation, and its successors and assigns.

"BUILDINGS" shall mean and include, collectively, at any time, all buildings (including, without limitation, footings, foundations, building systems, and the interior of such buildings), structures, Equipment (hereinafter defined), fixtures, and other improvements and appurtenances of every kind and description then erected, constructed, placed or existing upon the Land (hereinafter defined). "BUILDING" shall mean and refer to any one of the Buildings.

"BUSINESS DAYS" shall mean all days which are not a Saturday, Sunday or a day observed as a legal holiday by either the State of Florida, the State of California or the federal government.

"CAPITAL IMPROVEMENT" shall have the meaning provided in SECTION 13.1.

"CC&R'S" shall mean and include, collectively, the following: City of Jacksonville Resolutions 87-1009-572, 88-448-463, 88-1223-541 and 91-394-202; the Jacksonville International Tradeport (Phase One - Northeast Quadrant) Declaration of Covenants, Conditions, Restrictions and Easements made as of July 24, 1990 by Wilma/ Skyland Joint Venture, Ltd., as amended and recorded against the Premises in the real estate records of Duval County, Florida, from time to time; Notice of Adoption of a Development Order recorded in Volume 6644, page 922, of the real estate records of Duval County, Florida; Amendment to Preliminary Development Agreement recorded in Volume 6566, page 708, of the real estate records of Duval County, Florida; the Jacksonville International Tradeport Development Guidelines as in effect from time to time; and any other instru ment imposing conditions, covenants, easements or restrictions on all or any part of the Parcels (defined hereinafter) or the use thereof, which either are in effect on the effective date of this Lease (hereinafter defined) or are identified on EXHIBIT B attached hereto, as such documents or instruments be amended, modified or restated from time to time.

"COMMENCEMENT DATE" shall have the meaning ascribed to it in the Leasehold Improvement Agreement.

"CONSTRUCTION AGREEMENTS" shall mean and include all contracts or agreements for construction, Restoration (hereinafter defined), Capital Improvement, rehabilitation, alteration, conversion, extension, repair or demolition performed pursuant to this Lease.

"CREDIT RATING" shall, at any time, mean, with respect to any Person, the rating then given by Moody's Investors Service or Standard & Poor's Corp., as the case may be, or their respective successors, to the longest-term unsecured, unsubordinated debt issue (which shall have at least ten years remaining to its maturity at that time) of such Person then outstanding (but if such Person does not then have outstanding any debt issue having at least ten years remaining to maturity which is then rated by Moody's or Standard & Poor's, it shall be deemed to have no Credit Rating for purposes of this Lease).

"DECLARATION OF EASEMENTS" shall mean that certain Declaration of Easements, Shared Use and Maintenance Agreement dated as of October __, 1998, relating to the Parcels and executed by Landlord (in its capacity as the owner of the Parcels) and joined in or consented to by Tenant and one or more other persons, as the same may be amended, modified, supplemented or restated from time to time.

"DEFAULT" shall mean any condition or event which constitutes or, after notice or lapse of time, or both, would constitute an Event of Default (hereinafter defined).

"EQUIPMENT" shall mean and include all fixtures, equipment and personal property of any kind which is or becomes incorporated in or attached to and used or usable in the use or operation of the Premises at any time during the Term or any Renewal Term (hereinafter defined), excluding, however, any of the foregoing which are owned, leased, or used by (a) tenants or occupants of the Premises (including, without limitation, Tenant or an Affiliate of Tenant) which such tenants or occupants have the express right to remove pursuant to the terms of this Lease (including, without limitation, Tenant's Property [hereinafter defined]), (b) contractors engaged in improving or maintaining the same, or (c) utility companies providing utilities to all or any part of the Parcels.

"EXPIRATION DATE" shall have the meaning provided in ARTICLE 2.

"FINAL INSPECTION" shall mean, with respect to any Building or improvement, an inspection thereof made by the appropriate department or agency of the City of Jacksonville, Florida as a result of which Tenant may legally occupy and use such Building or improvement.

"FINAL PLANS" shall mean, with respect to any Building or other structure, the drawings and specifications therefor filed with the Building Department of the City of Jacksonville, Florida (or its successor or substitute under applicable laws or ordinances), on the basis of which the Final Inspection thereof will be done.

"FISCAL YEAR" shall mean a twelve-month period commencing July 1 and ending June 30, any portion of which occurs during the Term or any Renewal Term.

"FIXED RENT" shall have the respective meanings provided in SECTION 3.1(A) or ARTICLE 46 hereof.

"GOVERNMENTAL AUTHORITY (OR AUTHORITIES)" shall mean and include the United States of America, the State of Florida, the County of Duval, the City of Jacksonville, and any agency, depart ment, commission, board, bureau, instrumentality or political subdivision of any of the foregoing, now existing or hereafter created, having jurisdiction over the Parcels or any portion thereof, or any officer or official of any of the foregoing acting in his official capacity.

"IMPOSITIONS" shall have the meaning provided in SECTION 4.1.

"INITIAL BUILDING" shall mean the Building which Landlord is to cause to be constructed on the Land prior to the Commencement Date, for which Tenant has heretofore reviewed and approved a coordination set of architectural drawings and specifications prepared by Landlord's architect.

"INITIAL TERM" shall mean the period commencing on the Commencement Date and expiring at 11:59 p.m. local Jacksonville, Florida, time on the date (the "INITIAL EXPIRATION DATE") which is the first to occur of June 30, 2015 and, if earlier, the date on which this Lease expires or is canceled or terminated pursuant to any of the conditions, provisions or covenants of this Lease or pursuant to law.

"LAND" shall mean, collectively, Parcel B-1 and Parcel B (both terms are defined hereinafter).

"LANDLORD" shall mean CTC Investments Limited, a Florida limited partnership, and its successors and assigns; provided however, that from and after such time (if any) as Landlord's interest in and to this Lease shall be assigned or transferred outright (and not just for collateral security purposes) in accordance with the provisions of this Lease, then from and after the effective date of such outright assignment or transfer and until the next permitted assignment or transfer (if any) occurs, the term "LANDLORD" shall mean the permitted assignee or transferee.

"LATE CHARGE RATE" shall have the meaning provided in ARTICLE 6.

"LEASE" shall mean this Agreement of Lease as it may from time to time be amended, modified, extended, restated or renewed.

"LEASE YEAR" shall mean, in the case of the first Lease Year, the period beginning on the Commencement Date and ending on the day immediately preceding the first anniversary of the Commencement Date. Each subsequent Lease Year shall mean a twelve-month period beginning on an anniversary of the Commencement Date (so that, for example, the second Lease Year shall mean and refer to the 12-month period beginning on the first anniversary of the Commencement Date and ending on the day immediately preceding the second anniversary of the Commencement Date), except that the last Lease Year may be less than twelve months if this Lease expires or terminates on a date which is not the day immediately preceding an anniversary of the Commencement Date, and in such case any annual amounts payable under this Lease (including, without limitation, Fixed Rent) shall be prorated for such last Lease Year.

"LEASEHOLD IMPROVEMENT AGREEMENT" shall mean that certain agreement substantially in the form of EXHIBIT C attached hereto, which Landlord and Tenant have executed or will execute substantially simultaneously with the execution of this Lease.

"NOTICE" shall have the meaning provided in SECTION 26.1.

"OPTION" shall mean and refer to a Renewal Option.

"ORIGINAL LEASE" shall have the meaning provided in Recital A.

"PARCEL A" shall mean the parcel of land described on EXHIBIT A attached hereto.

"PARCEL A BUILDING" shall mean the building which, on the date of this Lease, is situated on Parcel A, an approximate drawing showing the location of the perimeter walls of which is attached hereto as EXHIBIT N attached hereto.

"PARCEL B" shall mean the parcel of land described on EXHIBIT D attached hereto.

"PARCEL B-1" shall mean the parcel of land described on EXHIBIT D-1 attached hereto.

"PARCEL C" shall mean the parcel of land described on EXHIBIT E attached hereto.

"PARCEL D" shall mean the parcel of land described on EXHIBIT G attached hereto.

"PARCELS" shall mean, collectively, at any time, Parcels A, B, B-1, C and D and any Buildings and other improvements then situated thereon.

"PARKING/DRIVEWAY FACILITIES" shall mean, at any time, the South Access Roadway and such other parking lots and driveways (if any) as are then in existence and are necessary for the use and operation of, or access to, the Buildings, and which are located on the Parcels but outside the boundaries of the Land, and which Landlord and Tenant have identified, in a writing signed by both of them, as being Parking/Driveway Facilities under and for purposes of this Lease. Parking/Driveway Facilities will initially include (i) the portions situated on Parcel D of (A) the cross-hatched and shaded area adjacent to and immediately to the south of the presently intended site for the Initial Building and (B) the strip of land extending south and westward from such cross- hatched and shaded area and indicated as an intended driveway, and (ii) the portion situated on Parcel B of the cross-hatched and shaded area in the northeast portion of Parcel B identified as "Parcel B Parking", all as shown on the preliminary site drawing attached hereto as EXHIBIT N. Such initial Parking/Driveway Facilities are referred to herein as the "INITIAL PARKING/DRIVEWAY FACILITIES"; and the strip of land described in clause (ii) of the preceding sentence has, for the present time, been designated by Landlord as the South Access Roadway (defined generally hereinbelow).

"PERSON" shall mean and include an individual, corporation, partnership, joint venture, estate, trust, unincorporated association, tenancy-in-common, other business entity, Governmental Authority, and any federal, state, county or municipal government or any bureau, department, authority, agency or officer thereof.

"PREMISES" shall mean the Land and the Initial Building.

"RENEWAL OPTION" shall have the meaning provided in ARTICLE 46.

"RENEWAL TERM" shall have the meaning provided in ARTICLE 46.

"RENTABLE SQUARE FEET" shall mean, with respect to any rentable space in a Building, the total floor area of the space in the Building, expressed in square feet, measured to the outside surface of the Building, based on the as-built drawings of the Building, determined by the Architect in accordance with professional standards of measurement for similar type buildings (to the extent applicable).

"RENTAL" shall have the meaning provided in SECTION 3.4.

"REQUIREMENTS" shall have the meaning provided in SECTION 14.1(a).

"RESTORATION" shall have the meaning provided in SECTION 8.1(c).

"RESTORATION FUNDS" shall have the meaning provided in SECTION 8.2(a).

"RESTORE" shall have the meaning provided in SECTION 8.1(c).

"SECURED LENDER" shall mean a lender which is the holder or beneficiary of a Secured Loan (or any assignee thereof) which, in the case of a construction loan, shall be an institutional lender.

"SECURED LOAN" shall mean any loan of any kind (including, without limitation, any renewal, extension, or modification of any Secured Loan, and any Secured Loan which refinances any Secured Loan) which is secured by any mortgage, deed of trust or other security instrument (whether or not recorded) which constitutes or creates a lien, encumbrance or security interest on any portion of or interest in Landlord's interest in and to the Premises; provided, however, that the aggregate principal amount outstanding under Secured Loans shall not at any time exceed the sum of Ten Million Dollars ($10,000,000.00) plus the aggregate Total Construction Cost (if any) in respect of all Restorations (to the extent, if any, paid for with Secured Loan proceeds or Landlord's own funds).

"SOUTH ACCESS ROADWAY" shall mean that portion which lies entirely within Parcel D, of a 3-lane roadway or other right of way that will provide access from the Land across Parcel D to Stone Drive, the specific location of which South Access Roadway may be designated, or relocated from time to time, by Landlord or the owner of Parcel D, provided that (i) any location to which it is moved provides Tenant with reasonably equivalent access and (ii) unless such move is either reasonably necessary to accommodate Tenant's exercise of an Option or is made at Tenant's written request, Landlord shall construct at its expense a new roadway substantially equivalent to the one it replaced (including curb, gutter, and median strips, if any) and pay the cost of Tenant's moving its sign from the former roadway.

"TAXES" shall have the meaning provided in SECTION 4.3(a).

"TENANT" shall mean Sara Lee Corporation, a Maryland corporation; provided, however, that after such time (if any) as all of Tenant's right, title and interest in, to and under this Lease and the leasehold estate hereby created shall have been assigned or transferred in accordance with the terms of this Lease, then from and after the effective date of such assignment or transfer and the assumption hereof by a permitted assignee pursuant to a written assignment agreement satisfactory to Landlord and all Secured Lenders and the release of the assigning Tenant from its obligations hereunder as provided in SECTION 10.2 below, and until the next permitted assignment or transfer (if any), the term "Tenant" shall mean the permitted assignee or transferee.

"TENANT'S PROPERTY" shall have the meaning provided in SECTION 11.2.

"TERM" shall have the meaning provided in ARTICLE 2.

"TOTAL CONSTRUCTION COST" shall have the meaning provided in ARTICLE 45.

"UNAVOIDABLE DELAYS" shall mean actual delays suffered as a direct result of (i) strikes, lockouts, acts of God, enemy action, civil riots or inability to obtain labor or materials due to governmental restrictions, (ii) the wrongful failure of a party hereto to grant any consent or approval to the other, (iii) fire or other casualty or other causes beyond the control of the obligated party, and (iv) the breach or default of the other party to this Lease in the performance of its obligations under this Lease, or other act of such other party or any Person acting or claiming by, through or under such other party, which directly prevents the obligated party from performing its obligation hereunder; provided, however, that in each instance the party claiming unavoidable delay shall have notified in writing the other party thereof not later than five (5) Business Days after the incident causing the delay shall have occurred and become known to the claiming party.

ARTICLE 2
PREMISES AND TERM OF LEASE

Landlord does hereby demise and lease the Premises to Tenant for the Term, and grants to Tenant, its guests, invitees and licensees, for the Term, all easements, rights and privileges appurtenant thereto, and Tenant does hereby lease and accept the Premises from Landlord, all subject to the following matters (collectively, the "PERMITTED EXCEPTIONS"): the matters set forth on EXHIBIT B attached hereto and made a part hereof; the Declaration of Easements; and, such other matters which either (i) result from the acts of Tenant or any Person acting or claiming by, through or under Tenant or (ii) have been or may hereafter be approved by Tenant (Tenant agrees that it will not withhold or delay its approval unreasonably).

TO HAVE AND TO HOLD unto Tenant for the Term. For all purposes of this Lease, "TERM" means the period commencing on the Commencement Date and expiring at 11:59 p.m. local Jacksonville, Florida, time on the date (the "EXPIRATION DATE") which is the first to occur of (1) the last to occur of (a) the Initial Expiration Date, (b) the day preceding the tenth anniversary of the

commencement of the First Renewal Term if Tenant exercises the First Renewal Option but not the Second Renewal Option, and (c) the day preceding the tenth anniversary of the commencement of the Second Renewal Term if Tenant exercises both Renewal Options pursuant to ARTICLE 46, and (2) such earlier date upon which the term of this Lease shall expire or be canceled or terminated pursuant to any of the conditions, provisions or covenants of this Lease or pursuant to law. Promptly following the Commencement Date, and also promptly following the due exercise of any Renewal Option, the parties hereto shall enter into an agreement or memorandum in recordable form and otherwise reasonably satisfactory to the parties hereto, confirming (as the case may be) either the Commencement Date or the Expiration Date as then known to the parties.

Landlord also hereby grants to Tenant a non-exclusive easement (which Landlord may, at any time and from time to time, on reasonable notice to Tenant, unilaterally relocate to any other location within the Parcels that will provide Tenant with a reasonably equivalent substitute) to use the Parking/Driveway Facilities for and during the Term. Landlord retains, and reserves the right to transfer, any and all development rights applicable to the Premises which are not utilized in connection with the Initial Building, except that Landlord will not transfer such of those retained development rights (if any) as may be necessary to permit the construction of additional Buildings for Tenant pursuant to those Expansion Options under the Original Lease as have not lapsed or terminated or been fully exercised and satisfied.

ARTICLE 3
RENT

SECTION 3.1.

(a) For and with respect to the Initial Term, Tenant shall pay to Landlord with respect to the Premises rent ("FIXED RENT") in an amount equal to the sum of the Total Construction Cost and the additional amount which, if the Fixed Rent were paid in equal monthly installments on the first day of each full or partial calendar month during the Initial Term of this Lease (I.E., to the Initial Expiration date, and without regard to any possible renewals or extensions of the Term) would be sufficient to provide Landlord with a return of ten and one-half percent (10.5%) per annum on the Total Construction Cost amount. When the actual Total Construction Cost amount has finally been ascertained, Landlord will notify Tenant of the amount thereof and of the total amount, and the monthly installment amount, of the Fixed Rent, and Tenant will acknowledge the same in writing to Landlord.

(b) In the event Tenant duly exercises any of the Renewal Options, Tenant shall pay Fixed Rent for the Premises for the applicable Renewal Term as determined in accordance with, and provided in, ARTICLE 46.

(c) Fixed Rent for the Initial Term shall be due and payable in equal monthly installments in advance, on the Commencement Date and on the first day of each calendar month thereafter during the Initial Term, and (as to any Renewal Term) on the first day of such Renewal Term and on the first day of each calendar month thereafter during such Renewal Term. The monthly installment of Fixed Rent for any partial calendar month shall be prorated based on the number of actual days in such partial calendar month. Except as may be provided in SECTIONS 8.1(b),

9.1(a) or 23.3, any portion of the total Fixed Rent for the Initial Term which has not been paid on the penultimate day of the Initial Term shall be paid in full on the last day of the Initial Term. Except as may be provided in SECTIONS 8.1(b), 9.1(a) or 23.3, any portion of the total Fixed Rent for any Renewal Term which has not been paid on the penultimate day of such Renewal Term shall be paid in full on the last day of such Renewal Term.

SECTION 3.2.

(a) Fixed Rent (as the amount of such Fixed Rent may be adjusted as expressly provided in SECTION 9.3(c) and Article 46) shall be absolutely net to Landlord without any abatement, counterclaim, offset, exception, qualification, or (except such as is expressly provided for in SECTION 48.2 hereof) deduction or reduction whatsoever.

(b) Except for debt service on any indebtedness owed by Landlord to a Person other than Tenant, and except as expressly required to be paid by Landlord or another Person by the express provisions of any provision herein, Tenant shall pay all costs, expenses and charges of any and every kind and nature whatsoever (including, without limitation, Impositions [defined hereinafter], Taxes and insurance) of, for or relating to the Premises or the ownership, use, opera tion, management, maintenance and repair thereof, which arise or become due or payable for, during, with respect to, or after (but attributable to a period falling within) the Term, even though Tenant may not own, lease, or have any right to use or occupy some or all of such Parcels. Imposi tions, Taxes, and all other amounts payable by Tenant hereunder shall be prorated for any partial Lease Year within the Term.

SECTION 3.3. [INTENTIONALLY OMITTED.]

SECTION 3.4. All amounts of any and every kind whatsoever payable by Tenant pursuant to this Lease (collectively, "RENTAL"), including (without limitation) Fixed Rent, Impositions and all other amounts payable by Tenant under this Lease (other than Late Charges) shall constitute rent under this Lease, and all of the portions, amounts or components of Rental which are to be paid to Landlord pursuant to the provisions of this Lease shall be paid by wire transfer of immediately available funds in accordance with written wire transfer instructions provided by Landlord to Tenant from time to time, and all of the portions, amounts or components of Rental which are payable to any Persons other than Landlord shall be paid in full to the proper payees thereof, timely and by the time provided therefor in this Lease (or if the time for such payments is not expressly provided for in this Lease, then before the same becomes delinquent or past-due or any late payment penalty or charge becomes due with respect thereto. All Rental paid under this Lease to Persons other than Landlord who are the proper payees thereof shall be, and be construed as, payments made by Tenant for the benefit of Landlord. Tenant shall pay all Rental provided for in this Lease notwithstanding any casualty, destruction of the Buildings and other improvements, act of God, or any other event or occurrence of any kind and notwithstanding that Tenant does not own, lease, occupy or use (or have any right to acquire, lease, occupy or use) some or all of the Parcels, and in no event whatsoever

shall there ever be any diminution or abatement of any Rental except in the specific circumstances, and to the specific extent, if any, expressly and specifically provided in this Lease.

SECTION 3.5. [INTENTIONALLY OMITTED.]

SECTION 3.6. [INTENTIONALLY OMITTED.]

SECTION 3.7. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct amount of any Rental shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

SECTION 3.8. If any of the Fixed Rent, Impositions or any other Rental payable under the terms and provisions of this Lease shall be or become uncollectible, reduced or required to be refunded because of any rent control or similar act or law enacted by a Governmental Authority, Tenant shall enter into such agreements and take such other steps (without additional expense or liability to Tenant) as Landlord may reasonably request and as may be legally permissible to permit Landlord to collect the maximum rents which from time to time during the continuance of such legal rent restriction may be legally permissible (and not in excess of the amounts reserved therefor under this Lease). Upon the termination of such legal rent restriction, (a) the Rental in question shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination, and (b) if permitted by law, Tenant shall pay to Landlord, to the maximum extent legally permissible, an amount equal to (i) the amount of the Rental in question which would have been paid pursuant to this Lease but for such legal rent restriction less (ii) the amounts with respect to such Rental paid by Tenant during the period such legal rent restriction was in effect, plus interest on the net excess of (i) over (ii) at a reasonable rate agreed upon by the parties (and absent such agreement, at the rate of 8% per annum).

SECTION 3.9. Tenant may terminate this Lease if Tenant delivers to Landlord, before the time Landlord has commenced any construction (including, without limitation, any site work or excavation) of any Improvements of any kind on the Land, both (i) a written notice (a "TERMINATION NOTICE"), satisfactory in form and substance to Landlord (acting reasonably), in which Tenant clearly, irrevocably and unconditionally (A) withdraws and revokes the Expansion Notice delivered to Landlord pursuant to Section 45.4 of the Original Lease, (B) releases, waives, relinquishes and terminates any and all rights of Tenant (including, without limitation, any and all rights to any future, further or additional exercise of its option to lease the Land) to, under or concerning the Option to which such Expansion Notice related, and (C) agrees to pay and reimburse to Landlord on demand all amounts, costs, expenses, losses (but not the loss of profits or gains Landlord anticipated earning from the expansion), and liabilities of any and every kind whatsoever (including, without limitation, reasonable compensation to Landlord for the time, effort and work expended by its officers and employees, and also including all fees, expenses, contract amounts, damages and other amounts paid

or payable to any architects, appraisers, consultants, engineers, contractors, attorneys, accountants, Governmental Authorities, or others) which Landlord may pay or incur or become liable for, or may have paid or incurred or become liable for, directly or indirectly for or in connection with such Expansion Notice or Landlord's response thereto (and Tenant's obligations and liabilities under and with respect to, and as provided for in, any such Termination Notice shall constitute obligations of Tenant to Landlord under this Lease), and (ii) payment to Landlord of an amount in cash (which may be in the form of a certified check or bank cashier's check payable to Landlord), or delivery to Landlord of an irrevocable letter of credit issued to Landlord by an issuer satisfactory to Landlord and being in form and substance satisfactory to Landlord, in such amount as Landlord in its sole discretion may determine is a reasonable estimate of the maximum total costs and amounts for which Tenant may be or become obligated to pay Landlord pursuant to Tenant's undertaking in such Termination Notice, as an advance security deposit on account of Tenant's obligations under such Termination Notice. (Landlord will refund to Tenant the amount, if any, by which such security deposit [if made in the form of cash]exceeds the total amount owed by Tenant with respect thereto, promptly after Landlord determines such total amount.)

ARTICLE 4
IMPOSITIONS

SECTION 4.1. Tenant covenants and agrees to pay or cause to be paid, as hereinafter provided, at Tenant's option either to Landlord or to the Governmental Authority or other Person imposing the same or to whom the same may be due and payable, all of the following items (collectively, "IMPOSITIONS") which accrue in or relate to any period beginning on or after the Commencement Date (except to the extent, if any, that any of such items are paid by the Association): (a) Taxes (defined hereinafter) and real property assessments, (b) personal property taxes, (c) occupancy and rent taxes, (d) water, water meter and sewer rents, rates and charges, (e) excises, (f) levies, (g) license and permit fees, (h) service charges with respect to police protection, fire protection, common area maintenance, sanitation and water supply, if any, (i) Association assessments and charges, and (j) fines, penalties and other similar or like charges applicable to the foregoing and any interest or costs with respect thereto (only to the extent incurred by reason of Tenant's wrongful act or omission or Tenant's failure timely to pay the same or otherwise fully and timely to comply with any provision of this Lease), to the extent that at any time during the Term, such items listed in clauses (a) through (j) of this SECTION 4.1 are assessed, levied, confirmed, imposed upon, or would grow or become due and payable out of or in respect of, or would be charged with respect to: (A) the Premises or any personal property, Equipment or other facility used in the operation thereof, (B) any document (other than this Lease) by which Tenant directly or indirectly creates or transfers any interest or estate in the Premises, (C) the use and occupancy of the Premises by Tenant or any Person by, through or under Tenant, or (D) the Rental (or any portion thereof) payable by Tenant hereunder. Each such Imposition, or installment thereof, during the Term shall be paid at least five (5) days before the last day the same may be paid without fine, penalty, interest or additional cost; provided, however, that if, by law, any Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same in such installments and shall be responsible for the payment of such installments only

(including, without limitation, any interest or late payment charges payable thereon or in connection therewith); provided, however, that all such installment payments relating to periods prior to the date definitely fixed for the expiration of the Term shall be made prior to the Expiration Date.

SECTION 4.2. If Tenant, or Landlord upon receipt from Tenant, is paying any Imposition directly to the Governmental Authority or other Person imposing the same, then each party, from time to time upon the request of the other party, shall furnish evidence reasonably satisfactory to the requesting party evidencing the payment of the Imposition.

SECTION 4.3.

(a) "TAXES" shall mean and include (i) any and all real property or other AD VALOREM taxes assessed or levied against or with respect to the Premises or any part thereof, and (ii) sales, rental, or other similar taxes on commercial rents and (iii) fines, penalties and other similar or like governmental charges applicable to the foregoing taxes or charges and any interest or costs with respect thereto.

(b) Nothing herein contained shall require Tenant to pay municipal, state or federal income, inheritance, estate, succession, capital levy, transfer or gift taxes of Landlord, or any corporate franchise tax imposed upon Landlord or any gross income or gross receipts taxes imposed upon Landlord, unless such tax is imposed in lieu of any of the taxes described in the preceding SECTION 4.3(a).

SECTION 4.4. Any Imposition relating to a fiscal period of the imposing Governmental Authority or other Person, a part of which period is included within the Term and a part of which is included in a period of time prior to or after the Term, shall be apportioned between Landlord and Tenant as of the Commencement Date or Expiration Date, as the case may be, so that Tenant shall pay that portion of such Imposition which that part of such fiscal period included in the period of time on or after the Commencement Date and before the Expiration Date.

SECTION 4.5. Tenant shall have the right, to the extent permitted by law, at its own expense, to contest the amount or validity, in whole or in part, of any Imposition it is obligated hereunder to pay, by appropriate proceedings diligently conducted in good faith. Notwithstanding the provisions of SECTION 4.1 hereof, payment of such Imposition shall be postponed if, and only as long as none of the Parcels nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited or lost, in which event the Tenant shall pay such Imposition or post a bond or other security sufficient to postpone forfeiture or levy. Upon the termination of such proceedings, including appeals, it shall be the obligation of Tenant to pay the amount of such Imposition or part thereof as finally determined in such proceedings or appeals, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith.

SECTION 4.6. Tenant shall have the right, to the extent permitted by law, and at Tenant's sole cost and expense, to seek a reduction in the valuation of the Premises assessed for real property tax purposes and to prosecute any action or proceeding in connection therewith; provided, however, that during the last year of the Term (including any Renewal Term, if applicable), Landlord (and not Tenant) shall have the right (but no obligation), at Landlord's cost and expense, to seek a reduction in the valuation of the Premises assessed for real property tax purposes and to prosecute any action or proceeding in connection therewith.

SECTION 4.7.

(a) Landlord shall not be required to join in any proceedings referred to in SECTION 4.5 or 4.6 hereof unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Landlord, in which event Landlord shall join and cooperate in such proceedings or permit the same to be brought in its name, but shall not be liable for the payment of any costs or expenses in connection with any such proceedings, and Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from and against, any and all costs or expenses which Landlord may reasonably pay, sustain or incur in connection with any such proceedings.

(b) Tenant shall not be required to join in any proceedings referred to in the proviso at the end of 4.6 hereof unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Tenant, in which event Tenant shall join and cooperate in such proceedings or permit the same to be brought in its name, but shall not be liable for the payment of any costs or expenses in connection with any such proceedings, and Landlord shall reimburse Tenant for, and indemnify and hold Tenant harmless from and against, any and all costs or expenses which Tenant may reasonably pay, sustain or incur in connection with any such proceedings.

SECTION 4.8. Any certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Imposition asserting non-payment of such Imposition shall be PRIMA FACIE evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill, at the time or date stated therein.

ARTICLE 5
MONTHLY DEPOSITS

From and after the occurrence of a monetary Event of Default hereunder, at Landlord's request Tenant shall deposit with Landlord, on a monthly basis together with Fixed Rent, one-twelfth of such amount as, in Landlord's reasonable judgment, is necessary so that Landlord will have sufficient funds on deposit to pay when due all Taxes, Impositions and insurance required to be paid by Tenant hereunder. In the event that at any time Landlord reasonably believes that it will have insufficient funds on hand based on the foregoing deposits, Landlord may require additional deposits, as necessary. Any such deposits shall be maintained by Landlord in a segregated interest-bearing

account. All such deposits shall be deemed the property of Tenant and held in trust by Landlord, and all income thereon shall be deemed Tenant's income for purposes of federal and other income taxes, but Tenant shall not have access to, or direct the withdrawal or payment of, any funds in such account. If after payment of Taxes, Impositions and insurance for any Taxable Year, Landlord continues to hold any excess funds (including interest) which had been deposited by Tenant with Landlord, Landlord shall within thirty (30) days after payment of the Taxes, Impositions and insurance for said Taxable Year return any excess funds to Tenant, provided, however, that if an Event of Default exists (and any applicable cure period has expired), such excess may continue to be held, or may be credited, by Landlord against future amounts due or to become due or payable by Tenant hereunder.

ARTICLE 6
LATE CHARGES

If payment of any Fixed Rent, Impositions or any other Rental shall not have been paid in accordance with the provisions of SECTION 3.1, SECTION 3.4, or any other applicable provision hereof by the seventh day after the date on which such amount was due and payable under this Lease, a late charge ("LATE CHARGE") on the amount overdue at the rate ("LATE CHARGE RATE") of fifteen percent (15%) per annum from the date on which such amount was first due and payable until the date paid in full, shall at Landlord's option be payable as partial damages for Tenant's failure to make prompt payment, in addition to any other right or remedy of Landlord under this Lease. Late Charges shall be payable on demand. Nothing contained in this ARTICLE 6 and no acceptance of Late Charges by Landlord, shall be deemed to extend or change the time for payment of Fixed Rent, Impositions or any other Rental. No failure by Landlord to insist upon the strict performance by Tenant of its obligations to pay Late Charges shall constitute a waiver by Landlord of its right to enforce the provisions of this ARTICLE 6 in any instance thereafter occurring. The provisions of this ARTICLE 6 relate only to the imposition of Late Charges and shall not be construed in any way to create any grace period with respect to any Default or to extend the grace periods or notice periods provided for in ARTICLE 25.

ARTICLE 7
INSURANCE

SECTION 7.1.

(a) Subject to the provisions herein, throughout the Term (including any Renewal Terms), Tenant at its sole cost and expense shall:

(i) keep all Buildings or cause all Buildings to be kept insured under an "All Risk of Physical Loss" form of policy, also providing coverage for loss or damage by water, flood, subsidence and earthquake, and including coverage for changes in ordinances and laws by governmental authority resulting in consequential and contingent liabilities or increases in costs of construction, with such limits as are reasonably required by Landlord

from time to time, and with deductibles not to exceed $100,000.00, except that the deduct ible may be $250,000.00 for loss or damage by flood and $500,000.00 for loss or damage by subsidence or earthquake, and excluding from such coverage normal settling only, and including war risks when and to the extent obtainable from the United States government or an agency thereof; such insurance to be in the amount set forth in the "agreed amount clause" endorsement to the policy in question, which endorsement shall be attached to the policy, provided that such amount shall be sufficient to prevent Landlord and Tenant from becoming co-insurers under provisions of applicable policies of insurance; and in the absence of such "agreed amount clause" endorsement, such insurance shall meet the requirements of this SECTION 7.1(A)(I) and shall be in an amount not less than one hundred percent (100%) of the actual full replacement cost (without reduction for depreciation or other matters) of all Buildings.

(ii) provide and keep, or cause to be provided and kept, in force comprehensive general liability insurance against liability for bodily injury and death and property damage, it being agreed that such insurance shall be in an amount as may from time to time be reasonably required by Landlord, but not less than $20,000,000.00 combined single limit for liability for bodily injury, death and property damage; such insurance shall include all of the Premises and all sidewalks adjoining or appurtenant to the Premises, shall contain blanket contractual coverage and shall also provide the following protection:

(1) completed operations;

(2) personal injury protection (exclusions a and c of current forms deleted);

(3) sprinkler leakage-water damage legal liability; and

(4) fire legal liability, if not otherwise covered under the comprehensive form of public liability insurance.

(iii) provide and keep, or cause to be provided and kept in force, automobile liability and property damage insurance for all owned, non-owned and hired vehicles insuring against liability for bodily injury and death and for property damage in an amount as may from time to time (but not more often than once every three (3) years) be reasonably required by Landlord but not less than $3,000,000.00 combined single limit, such insurance to contain the so-called "occurrence clause";

(iv) provide and keep, or cause to be provided and kept in force, workers' compensation providing statutory benefits for all persons employed by Tenant at or in connection with the Premises;

(v) if a sprinkler system shall be located in any portion of any Building, provide and keep, or cause to be provided and kept in force, sprinkler leakage insurance in amounts reasonably required by Landlord;

(vi) provide and keep, or cause to be provided and kept, in force boiler and machinery insurance in an amount as may from time to time be reasonably required by Landlord but not less than $10,000,000.00 per accident on a combined basis covering direct property loss and loss of income and providing for all steam, mechanical and electrical equipment, including without limitation, all boilers, unfired pressure vessels, piping and wiring;

(vii) provide and keep, or cause to be provided and kept, in force such other insurance in such amounts as either (A) Landlord may reasonably require (including, without limitation, insurance against loss or damage to landscaping and to irrigation and lawn sprinkler systems) or (B) Landlord may from time to time be required to carry by any Secured Lender, in either such case against such other insurable risks or hazards as at the time are commonly insured against in the case of prudent owners of like buildings, improvements and property.

(b) All insurance provided or caused to be provided by Tenant as required by this Section 7.1 (except the insurance under SECTION 7.1(a)(iv)) shall name Tenant as a named insured and Landlord as a named insured and a loss payee and shall include a so-called "Landlord Protective Insurance" rider or endorsement providing, among other things, that Landlord has full rights to the full amount of the policy. The coverage provided or caused to be provided by Tenant as required by SECTIONS 7.1(a)(i), 7.1(a)(v) and 7.1(a)(vi), 7.1(a)(vii) and any property insurance required to be maintained pursuant to SECTION 7.1(a) shall also name as an additional insured and (if Landlord so requests) also as an additional loss payee, under a standard noncontributing mortgagee clause, each Secured Lender which Landlord requests Tenant so to name. The coverage provided or caused to be provided by Tenant as required by SECTIONS 7.1(a)(ii) and 7.1(a)(iii) and any liability insurance provided or caused to be provided by Tenant shall also name each Secured Lender as an additional insured.

SECTION 7.2.

(a) The loss under all policies required by any provision of this Lease insuring against damage to the Buildings by fire or other casualty shall be payable jointly to Landlord or its designee, Tenant and (if Landlord so designates) Secured Lenders, for application in accordance with ARTICLE 8 hereof.

(b) All insurance required by any provision of this Lease shall be in such form as is reasonably acceptable to Landlord and shall be issued by any insurance company licensed and authorized to do business in the State of Florida and having a Best's Insurance Reports (or any successor publication of comparable standing) rating of A XIII (or the then-equivalent of such rating)

or better or by any other insurance company approved in writing by Landlord. All policies referred to in this Lease shall be procured, or caused to be procured, by Tenant, at no expense to Landlord and for periods of not less than one (1) year. Prior to the commencement of the term of each such policy, Tenant shall deliver to Landlord the following: (i) a certificate of insurance issued by the insurance carrier (not a broker or agent) evidencing all coverages required by this Lease and the respective amounts and limits thereof, such certificate to be satisfactory in all respects to Landlord and to each Secured Lender (in each such Secured Lender's absolute and unqualified discretion); and (ii) such additional evidence of insurance (if any) as any Secured Lender may, in its absolute discretion, require. Tenant hereby agrees to defend, indemnify and hold harmless Landlord and all Secured Lenders from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever which any or all of them may pay, incur or sustain, or which may be asserted against them, as a consequence or result of Tenant's having failed to obtain, carry or maintain any insurance coverage required by the provisions of this Lease. A similar certificate of insurance for any new or renewal policy that replaces any policy expiring during the Term or any Renewal Term, together with any additional evidence of such insurance that any Secured Lender may, in its absolute discretion, require, shall be delivered to Landlord as aforesaid at least twenty-five (25) days prior to the date of expiration of the old policy, together with proof reasonably satisfactory to Landlord that all premiums thereon have been paid for at least the first twelve months following the date of such certificate.

(c) Tenant and Landlord shall cooperate in connection with the collection of any insurance moneys that may be due in the event of loss, and Tenant and Landlord shall execute and deliver such proofs of loss and other instruments which may be reasonably required for the purpose of obtaining the recovery of any such insurance moneys.

(d) All property insurance policies as required by this Lease shall provide in substance that all adjustments for claims shall be made with the written consent of Landlord subject to the respective rights of Tenant and any Secured Lender as an insured or additional insured to participate in making such adjustment.

(e) Tenant shall not violate or permit to be violated any of the conditions or provisions of any insurance policy required hereunder, and Tenant shall so perform and satisfy or cause to be performed and satisfied the requirements of the companies writing such policies so that at all times companies of good standing, reasonably satisfactory to Landlord (as provided in SECTION 7.2(B) hereof), shall be willing to write and continue such insurance.

(f) Each policy of insurance required to be obtained or caused to be obtained by Tenant as herein provided, and each certificate or memorandum therefor issued by the insurer, shall contain (i) a provision that no act or omission of Tenant, Landlord or any Secured Lender shall affect or limit the obligation of the property insurance company to pay Landlord or any Secured Lender the amount of any loss sustained, (ii) an agreement by the insurer that such policy shall not be canceled or modified without at least thirty (30) days' prior written notice to Landlord and each Secured Lender, and (iii) a provision authorizing the waiver of subrogation by Tenant and Landlord of any

right to recover the amount of any loss resulting from the negligence of the other or its agents, employees or licensees.

SECTION 7.3. Notwithstanding any contrary provision contained in this Lease, Tenant hereby waives any and all rights of recovery, claim, action, or cause of action against Landlord or its partners, agents, contractors or employees, for any loss or damage that may occur to the Premises or the Parcels, or any property of Tenant therein or thereon, by reason of fire, the elements, or any other cause which is, or is required to be, insured against under insurance policies carried or required to be carried by Tenant under this Lease, regardless of cause or origin, including negligence of Landlord or its partners, agents, contractors or employees, and Tenant covenants that no insurer shall hold any right of subrogation against Landlord or any of such other Persons and all such insurance policies shall be amended or endorsed to reflect such waiver of subrogation.

SECTION 7.4. The insurance required by this Lease, at the option of Tenant, may be effected by blanket and umbrella policies issued to Tenant covering the Premises and other properties owned or leased by Tenant; provided, however, that any such blanket policies shall (a) separately set forth the amount of the insurance applicable to the Premises, (b) otherwise comply with the provisions of this Lease, and (c) afford the same protection and rights to Landlord as would be provided by policies individually applicable to the Premises.

ARTICLE 8
USE OF INSURANCE PROCEEDS

SECTION 8.1.

(a) If all or any part of any of the Buildings or access thereto shall be destroyed or damaged in whole or in part by fire or other casualty, Tenant shall give to Landlord immediate notice thereof.

(b) If any such casualty damage or destruction shall (i) occur at any time during the last two years of the Term or any Renewal Term, (ii) render the Premises or a substantial portion thereof unusable for Tenant's uses hereunder (or the permitted uses of Tenant's assignee or sublessee), and (iii) cost more than $3,000,000.00 to restore, then Landlord or Tenant may in their sole discretion (but subject to any conditions precedent set out elsewhere in this SECTION 8.1), by written notice given to the other within ten (10) days after such damage or destruction, terminate this Lease (except that if, within such 10-day period, Tenant notifies Landlord that it wishes to extend such period from 10 days to any date specified in the notice which is not later than three months after the date of such damage or destruction, and Tenant acknowledges in writing that it will continue to pay all Rental hereunder and be responsible for all other obligations of Tenant hereunder for and during such period, then if no Default has occurred such 10-day period shall be extended to the date requested in such notice for the benefit of both Landlord and Tenant, each of whom may terminate this Lease during that period as provided in this sentence), in which case Landlord may obtain and retain all insurance proceeds payable for or on account of such damage or loss for Landlord's own

account and, if Tenant makes the payments to Secured Lenders (if any) required by the last sentence of this paragraph, this Lease shall thereafter be of no further effect; provided, however, that Tenant shall have the right to nullify any Landlord termination by duly and timely exercising any Renewal Option pursuant to ARTICLE 46 (if then available for exercise pursuant to the provisions of said ARTICLE 46). If, as a result of casualty damages or destruction of the Parcel A Building, the Original Lease is duly and properly terminated in accordance with the provisions of Section 8.1(b) thereof, then Landlord or Tenant may in their sole discretion terminate this Lease by written notice given by one of them to the other within ten (10) days after notice was first given of the termination of the Original Lease, in which case Tenant shall make the payments to Secured Lenders (if any) required by the last sentence of this paragraph, and after Tenant makes all of such payments this Lease shall be of no further effect. If Tenant terminates this Lease and the insurance proceeds paid to Landlord are insufficient to satisfy all amounts due on outstanding Secured Loans, then Tenant, on behalf of Landlord, shall pay to each Secured Lender such Secured Lender's share of such deficiency so that all of such Secured Loans shall be paid and satisfied in full (and Tenant's payment of such deficiency shall be a condition precedent to the effectiveness of Tenant's termination of this Lease); provided, however, that the aggregate amount Tenant shall be obligated so to pay to all of the Secured Lenders on account of all of the Secured Loans taken together shall be calculated in the same manner, and shall be subject to the same limitation as to the principal indebtedness component thereof, as is applicable to the Shortfall (defined hereinafter).

(c) If any such damage or destruction does not result in termination of this Lease in accordance with SECTION 8.1(B), and provided that all monies or proceeds received by Landlord and Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) are deposited into a segregated interest-bearing escrow account (which account is not available to satisfy claims of such Secured Lender's general creditors) with Secured Lender and made available for Restoration (defined herein), Tenant, at its sole cost and expense, for the benefit of Landlord, whether or not such damage or destruction shall have been insured or insurable, and whether or not insurance proceeds (if any) shall be sufficient for the purpose, with reasonable diligence (subject to Unavoidable Delays) shall repair, alter, restore, replace and rebuild or allow Landlord (at Tenant's sole cost and expense) to repair, alter, restore, replace and rebuild (collec tively, "RESTORE"; and the work with respect thereto is referred to herein collectively as "RESTORA TION") or cause to be Restored the same, to at least the extent of the value and as nearly as practicable to the character of the Building existing immediately prior to such occurrence (but in all events in compliance with all applicable laws and codes and the CC&Rs) and otherwise in substantial conformity with the Final Plans therefor; and Landlord shall in no event be called upon to Restore any Building or to pay any of the costs or expenses thereof. In the event all monies or proceeds received by Landlord and Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) are, through no fault of Tenant, not (within a reasonable time after such receipt thereof) made available for Restoration and are not maintained in an escrow account maintained by Secured Lender, Tenant, at Tenant's option, may terminate this Lease upon at least 15 Business Days' prior written notice to Landlord and Secured Lender, in which event Tenant shall (if such monies are not, within such 15-day period, deposited with the Secured Lender or otherwise made available for Restoration) be relieved of all obligations hereunder (but any such

purported termination by Tenant will be ineffective if, within such 15-day period, such monies are deposited with the Secured Lender or otherwise made available for Restoration). If Tenant either (i) fails or neglects to Restore or cause to be Restored with reasonable diligence (subject to Unavoidable Delays) the Buildings or the portions thereof so damaged or destroyed or (ii) having so commenced such Restoration, fails to complete or cause to be completed the same with reasonable diligence (subject to Unavoidable Delays) in accordance with the terms of this Lease, then Landlord or Secured Lender may complete such Restoration for Tenant's account and at Tenant's sole cost and expense. For purposes of ARTICLES 8 and 9, the "RESTORING PARTY" shall mean Tenant; or, if Tenant allows Landlord, and Landlord (in its sole and absolute discretion) agrees, to be responsible for the Restoration, or if Landlord undertakes to restore in the event Tenant refuses or otherwise fails diligently to restore, Restoring Party shall then mean Landlord.

SECTION 8.2.

(a) Subject to the provisions of SECTION 8.3, Secured Lender shall release to Restoring Party or to Restoring Party and its contractor(s) from time to time, upon the following terms and conditions, any monies or proceeds received by Landlord or Secured Lender from insurance provided herein (payable to either, both or jointly) (other than rent insurance) or cash or the proceeds of any security deposited with Secured Lender pursuant to SECTION 8.5 (collectively, "RESTORATION FUNDS"). Secured Lender shall release to Restoring Party, as hereinafter provided, the Restoration Funds, for the purpose of Restoration to be made by Restoring Party to Restore the Buildings to a value not less than their value prior to such fire or other casualty. Such Restoration shall be done in accordance with, and subject to, the provisions of ARTICLE 13, including, without limitation, the maintenance of the insurance coverage referred to in SECTION 13.1(d). The Restoration Funds shall be paid to or for the account of Restoring Party from time to time in installments as the Restoration progresses, upon application to be submitted from time to time by Restoring Party to the Secured Lender(s) as described in SECTION 8.3. The amount of any installment to be paid to or for the account of Restoring Party shall be such portion of the total Restoration Funds as the cost of work, labor, services, materials, fixtures and equipment theretofore incorporated in the Restoration bears to the total estimated cost of the Restoration, less (i) all payments thereto fore made to or for the account of the Restoring Party out of the Restoration Funds and (ii) a sum equal to ten percent (10%) of the amount so determined, the sums held back pursuant to this clause (ii) to be paid to or for the account of Restoring Party in the last installment of Restoration Funds upon the final completion of the Restoration. Upon payment in full for the Restoration, the balance (if any) of the Restoration Funds consisting of insurance proceeds shall be paid first to reimburse Tenant for the reasonable out-of-pocket costs (if any) paid by Tenant to the engineer or architect described in SECTION 8.2(b) for its cost estimate referred to therein, then to reimburse Landlord for the reasonable costs (if any) paid by Landlord to the engineer or architect described in SECTION 8.2(b) for its cost estimate referred to therein, then subject to the rights of any Secured Lender named as an insured, any remainder shall be paid to Landlord for its own account and, to the extent such balance consists of sums deposited by Tenant, shall (after first paying to Landlord therefrom an amount necessary to reimburse it for the reasonable costs, if any, paid by Landlord to the engineer or architect described in SECTION 8.2(b) for its cost estimate referred to therein) be paid over to Tenant. Subject to the

provisions herein, in the event that the Restoration Funds are insuffi cient for the purpose of paying for the Restoration, Tenant nevertheless shall be required to cause the Restoration to be made, and shall pay or cause to be paid any additional sums required for the Restoration.

(b) Prior to the making of any Restoration which Tenant is required to make pursuant to SECTION 8.1, Tenant shall furnish Landlord with an estimate of the cost of such Restoration, prepared by a licensed professional engineer or registered architect approved by Landlord and (if Landlord so requests) any Secured Lender, which approval shall not be unreasonably withheld. Landlord, at its election, may engage a licensed professional engineer or registered architect to prepare its own estimates of the cost of such Restoration.

(c) In the event of damage to or destruction of any Building, if any emergency situation arises involving imminent danger either to human life or safety or of further substantial damage to the Premises, Tenant may (at Tenant's sole cost, expense, liability and risk) take such emergency actions on a temporary basis as are necessary to avoid such danger, but Tenant shall not be relieved of any of its obligations under this Lease (including, without limitation, its obligations concerning Restoration or the application of all insurance proceeds to Restoration) and none of such obligations shall be reduced, diminished, deferred or affected in any way.

SECTION 8.3. The following shall be conditions precedent to each payment made to Restoring Party as provided in SECTION 8.2:

(a) there shall be submitted to the other party and the Secured Lender disbursing the Restoration Funds a certificate from the aforesaid engineer or architect (and, if required by the Secured Lender, also a similar certificate from such Secured Lender's own inspecting architect or engineer) stating (i) that the sum then requested to be withdrawn either has been paid by Restoring Party or is justly due to contractors, subcontractors, materialmen, engineers, architects or other Persons (whose names and addresses shall be stated) who have rendered or furnished work, labor, services, materials, fixtures or equipment for the work and giving a brief description of such work, labor, services, materials, fixtures or equipment and the principal subdivisions or categories thereof and the several amounts so paid or due to each of said Persons in respect thereof, and stating in reasonable detail the progress of the Restoration up to the date of said certificate; (ii) that the sum then requested does not exceed the value of the work, labor, services, materials, fixtures and equipment described in the certificate; (iii) that the balance of the Restoration Funds held by Secured Lender will be sufficient, upon completion of the Restoration, to pay for the same in full, and stating in reasonable detail an estimate of the cost of such completion; and (iv) that to the best of such persons's knowledge all work had been done in a good and workmanlike manner and in substantial compliance with the plans and specifications therefor which had been approved by Landlord and/or Secured Lender and with all applicable laws, ordinances and the CC&R's; and

(b) there shall be submitted to the other party and to the Secured Lender disbursing the Restoration Funds a contractor's sworn statement or affidavit in statutory form relating to all work done to date for which payment is then being requested from the general contractor and

all appropriate subcontractors, together with supporting lien waivers in statutory form from the general contractor and all subcontractors and materialmen (all tiers) filing notices to owner or otherwise may have a lawful claim to a lien, as well as all other customary documentation (if any) as may reasonably be required by any Secured Lender; and

(c) with respect to any final payment, Restoring Party shall furnish to the other party and the Secured Lenders a final contractor's affidavit (with supporting lien waivers) in statutory form and an affidavit from Restoring Party that all parties having rights to lien the Premises have been paid in full; and

(d) at the time of making such payment, no uncured Event of Default exists (the condition precedent described in this clause (d) may be waived in writing by Landlord, in its absolute discretion, unilaterally and without the joinder or consent of any other Person).

SECTION 8.4. If any material loss, damage or destruction occurs, Restoring Party shall furnish or cause to be furnished to the other party and all Secured Lenders holding a lien on or security interest in any of the damaged property or otherwise affected by such loss, at least ten (10) days before the commencement of any Restoration which Restoring Party is required or elects or is deemed to have elected to make pursuant to SECTION 8.1, the following:

(a) complete plans and specifications for the Restoration of the Building, prepared by a licensed professional engineer or registered architect whose qualifications shall meet with the reasonable approval of the other party and such Secured Lenders, and, at the request of the other party, any other drawings, information and samples that the other party may reasonably request, all of the foregoing to be subject to the other party's and such Secured Lenders' review and approval for substantial conformity with the Final Plans;

(b) a general contract to perform the Restoration work for a stipulated sum or for cost plus a fee with an upset price, in form assignable to the other party and such Secured Lenders, made with a reputable and responsible contractor, providing in substance for (i) the completion of the Restoration with reasonable diligence, subject to Unavoidable Delays, in accordance with said plans and specifications, free and clear of all liens, encumbrances, security agreements, interests and financing statements, and (ii) a payment and performance bond by sureties reasonably satisfactory to the other party and such Secured Lenders, naming the contractor as principal and the other party and such Secured Lenders as dual obligees, in a penal sum equal to the amount of such contract, or a clean irrevocable negotiable letter of credit or other security reasonably satisfactory to the other party and such Secured Lenders in an amount equal to the amount of such contract; and

(c) if Landlord is not the Restoring Party, an assignment to Landlord of the contract so furnished and the bond, letter of credit or other security so provided, such assignment to be duly executed and acknowledged by Tenant, and acknowledged by the contractor, sureties and other parties, and by its terms to be effective only upon any termination of this Lease or upon Land lord's re-entry upon the Premises following an Event of Default, prior to the complete performance

of such contract, such assignment also to include the benefit of all payments made on account of said contract including payments made prior to the effective date of such assignment.

SECTION 8.5. If the estimated cost of any Restoration which Tenant is required to make pursuant to SECTION 8.1 exceeds the net insurance proceeds received by Landlord or the Secured Lender disbursing the Restoration Funds, then, prior to the commencement of such Restoration, or thereafter if it is determined that the cost to complete the Restoration exceeds the unapplied portion of such insurance proceeds, Tenant shall deposit with such Secured Lender a bond, cash, irrevocable letter of credit or other security reasonably satisfactory to such Secured Lender and Landlord in the amount of such excess, to be held and applied in accordance with the provisions of SECTION 8.2, as security for the timely and proper completion of the work free of liens.

SECTION 8.6. Except as otherwise expressly and specifically provided herein, this Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable hereunder by Tenant, by reason of damage to or total, substantial or partial destruction of the Buildings or any part thereof or by reason of the untenantability of the same or any part thereof, for or due to any reason or cause whatsoever, or because of any taking of all or part of the Premises by the power of eminent domain, or any other event or occurrence, and Tenant, notwithstanding any law or statute, present or future, irrevocably releases and waives any and all rights to terminate this Lease or to quit or surrender the Premises or any part thereof; and Tenant expressly agrees that its obligations hereunder (including, without limitation, the payment of Rental payable by Tenant hereunder) shall continue under all circumstances without abatement, suspension, diminution or reduction of any kind, as though the Buildings had not been damaged or destroyed and no part of the Premises had been taken.

SECTION 8.7. For purposes of ARTICLES 8 and 9, if at the time of Restoration there is no Secured Lender, Tenant and Landlord agree that Landlord's original construction lender shall act as Secured Lender for the sole purpose of holding and disbursing the Restoration Funds. If Landlord's original construction lender is unwilling, or at any time refuses, to act as Secured Lender for those purposes, Tenant and Landlord shall select an institutional lender or a title insurance or trust company with offices in Jacksonville, Florida, mutually agreeable to both parties to act as said Secured Lender for such purposes.

SECTION 8.8. In no event (other than as a result of a due and proper termination of this Lease effected in accordance with the express provisions hereof) shall there be any abatement, reduction or diminution of Rental in the event of any casualty regarding, relating to or affecting the Premises, Tenant agreeing to pay full Rental hereunder at all times after any and all such casualties have occurred regardless of whether Tenant is then able to use or occupy the Premises and regardless of whether or not any Restoration is being carried out.

ARTICLE 9
CONDEMNATION

SECTION 9.1.

(a) If at any time during the Term or any Renewal Terms, the whole or substantially all of the Premises, Buildings, and Parking/Driveway Facilities shall be taken or sold under threat or notice thereof for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among Landlord, Tenant and those authorized to exercise such right, this Lease and the Term or any Renewal Terms shall, on written notice of such termination given by Landlord or Tenant to the other not later than five Business Days after the effective date of such taking or sale, terminate effective as of the date of such taking or sale and the Rental payable by Tenant hereunder shall be paid to and apportioned as of the date of such taking or sale. If at any time during the Term or any Renewal Term the Original Lease is duly and properly terminated by Landlord or Tenant in accordance with the provisions of Section 9.1(a) thereof, this Lease and the Term or any Renewal Terms shall, by written notice of the termination of this Lease given by Landlord or Tenant to the other not later than five Business Days after the notice of such termination of the Original Lease is first given thereunder, terminate effective as of the date of the termination of the Original Lease, and the Rental payable by Tenant hereunder shall be paid to and apportioned as of such date.

(b) If the whole or substantially all of the Premises, Buildings, and Park ing/Driveway Facilities shall be taken as provided in this SECTION 9.1, the proceeds of any condemnation awards shall be paid and distributed as follows: (i) there shall first be paid to Landlord an amount equal to the total of all amounts due on or outstanding under all Secured Loans (but the amount so paid to Landlord under this clause (i) on account of the aggregate principal amount outstanding under the Secured Loans shall be subject to the same limitation as applies in calculating the amount of the Shortfall [defined hereinbelow]); (ii) there shall next be paid to Tenant a sum equal to the then-unamortized cost (determined on the basis of Tenant's accounting records, which Tenant shall keep in a manner consistent with generally accepted accounting principles) of any Capital Improvements taken in such taking and which were made to the Premises by Tenant and paid for by Tenant with its own funds (and not with insurance or condemnation proceeds), less the cost of any work with respect to such Capital Improvements which was performed by Landlord for Tenant without any charge to Tenant or were otherwise paid for by Landlord, whether before or after the execution and delivery of this Lease; and (iii) the balance of the award, if any, shall be paid to Landlord.

(c) Each of the parties agrees to execute and deliver any and all documents that may be reasonably required in order to facilitate collection by them of such awards in accordance with the provisions of this ARTICLE 9.

(d) If the whole or substantially all of the Premises shall be taken, and the total of the entire principal amount outstanding and all interest and other amounts (including, without

limitation, all prepayment premiums, penalties and charges) of any and every kind which have accrued or will accrue or be payable under all Secured Loans as of the time the same are to be paid and satisfied in full as contemplated herein as a result of the condemnation exceeds the amount of the award paid to Landlord pursuant to clause (i) of SECTION 9.1(b) (the amount of such excess is referred to herein as the "SHORTFALL"), or if this Lease shall be terminated as provided in Section 9.1(a) hereof, then Tenant on behalf of Landlord shall pay to each Secured Lender such Secured Lender's share of the Shortfall so that all of the Secured Loans (and all amounts payable in respect thereof) shall then be paid and satisfied in full. Solely for purposes of determining the amount of any Shortfall hereunder, the total principal amount (not including interest, prepayment penalties or premiums, or other charges or amounts) of all Secured Loans taken into consideration shall not exceed the sum of (i) $10,000,000.00 reduced in proportion to, and in accordance with the same time schedule as is applicable to, the regularly-scheduled principal amortization (if any) applicable to the first long-term Secured Loan obtained by Landlord to refinance the construction loan for the Initial Building, plus (ii) the then-outstanding aggregate principal balance of Secured Loans (as they may theretofore have been amortized in accordance with their respective terms) which financed costs paid or incurred for or in connection with any Restorations. (Solely for purposes of illustration, attached as EXHIBIT M is a sample amortization schedule showing the amounts that would be required to be paid to the holders of Secured Loans at various times under the factual assumptions concerning the Secured Loans set out in that exhibit.) Landlord shall have no obligation to disclose to Tenant the principal amortization schedule, or any other fact or matter relating to the amount of the indebtedness thereunder, under or concerning any Secured Loan until such time, if any, as Landlord makes a demand upon Tenant for payment of a Shortfall hereunder.

SECTION 9.2. For purposes of this ARTICLE 9, the "DATE OF TAKING" shall be deemed to be the earlier of (i) the date on which actual possession of the whole or substantially all of the Premises, or a part thereof, as the case may be, is acquired by any lawful power or authority pursuant to the provisions of the applicable federal or Florida state law, or (ii) the date on which title to the Premises or the aforesaid portion thereof shall have vested in any lawful power or authority pursuant to the provisions of the applicable federal or Florida state law.

SECTION 9.3.

(a) If part but less than substantially all of the Premises or Buildings shall be taken as provided in this ARTICLE 9, and there has been no taking or impairment of parking therefor or access thereto that would materially adversely affect Tenant's use of the remaining facilities, then this Lease and the Term or any Renewal Terms shall continue unaffected, without abatement of the Rental or diminution of any of Tenant's obligations hereunder except as otherwise expressly provided in SECTIONS 9.3(b) and 9.3(c).

(b) If part but less than substantially all of the Premises, Buildings, Park ing/Driveway Facilities or access thereto shall be taken, and if the governing Secured Loan documents of the Secured Lenders whose Secured Loans are secured by the portions of the Premises affected by such taking require that there be paid to such Secured Lenders, on account of their

respective Secured Loans, any amounts (collectively, the "SECURED LOAN REQUIRED PAYDOWN AMOUNT") because of such taking, then there shall be paid to such Secured Lenders from the condemnation award an aggregate amount equal to such Secured Loan Required Paydown Amount provided that it does not exceed the Proportional Loan Reduction Amount (defined hereinafter); and if the total net amount (after paying reasonable costs of collection) of all monies or proceeds received by Landlord or Secured Lender from condemnation award proceeds (payable to either, both or jointly) is insufficient therefor, Tenant shall pay such amount (subject to the limitations concerning the maximum amount of the principal indebtedness component of the Secured Loans as is set out at the end of SECTION 9.1(d)) as a Shortfall hereunder, but if the total of all such net proceeds received from condemnation awards exceeds the Proportional Loan Reduction Amount (if any), such excess shall be deposited into a segregated interest-bearing escrow account with a Secured Lender (or alternative institution as provided herein with respect to insurance proceeds) and made available for Restoration. Under the circumstances described in the preceding sentence, Tenant agrees, at its sole cost and expense, for the benefit of Landlord, whether or not the award or awards, if any, shall be sufficient for the purpose, to proceed with reasonable diligence (subject to Unavoidable Delays) to Restore or cause to be Restored any and all remaining parts of the Buildings not so taken so that the latter shall be a complete, rentable, self-contained architectural unit in good condition and repair. Subject to the provisions and limitations in this ARTICLE 9, Landlord and any Secured Lender shall make available to Restoring Party as much of that portion of the actual award (less all reasonable expenses of collection incurred by Landlord or Secured Party, and less the Secured Loan Required Paydown Amount [but not more than the Proportional Loan Reduction Amount], if any, paid to Secured Lenders; the net amount of such proceeds, after such reductions, is referred to herein as the "RESTORATION APPLICATION AMOUNT") received by Landlord or Secured Lender, if any, as may be necessary to pay the cost of Restoration of the part of the Buildings remaining. If, through no fault of Tenant, either (i) the Restoration Application Amount is not made available for Restoration and is not maintained in an escrow account maintained by a Secured Lender or appropriate alternative escrowee (Landlord shall have the right, but no obligation, to make up any deficiency in the Restoration Application Amount from its own funds), or (ii) if the Secured Loan Required Paydown Amount is greater than the Proportional Loan Reduction Amount and Landlord does not make up any deficiency in the Restoration Application Amount resulting therefrom, then Tenant, at Tenant's option, may terminate this Lease and thereby avoid any obligation with respect to such Restoration by giving Landlord and all Secured Lenders notice of its election to terminate within 15 days of Tenant's receiving notice that less than the Restoration Application Amount will be so deposited and made available for Restoration (but notwithstanding such termination by Tenant, Tenant will still be obligated promptly to pay to the Secured Lenders the entire Shortfall amount [if any] --subject to the limitations concerning the maximum amount of the principal indebtedness component of the Secured Loans as is set out at the end of Section 9.1(d) -- by which the Secured Loan Paydown Amount [but not to exceed, for this purpose, the Proportional Loan Reduction Amount] exceeds the total net proceeds [after the deductions described hereinabove) of the condemnation award received by Landlord or Secured Lenders). Tenant's right to terminate this Lease as provided in the preceding sentence shall irrevocably and unconditionally lapse, expire and be of no further force or effect automatically if Tenant fails to give Landlord such a notice of termination within such 15-day period. Such Restoration, the estimated cost thereof, the payments to Restoring Party on account of the cost

thereof, Landlord's and each Secured Lender's rights to perform the same and to perform Tenant's obligations with respect to condemnation proceeds held by each of such Persons, shall be done, determined, made and governed in accordance with and subject to the provisions of ARTICLES 8, 9 and 13. Any balance of the award held after completion of the Restoration shall be paid to Landlord, and any cash (and the proceeds of any security) deposited by Tenant with Secured Lender pursuant to SECTION 9.4 remaining after completion of the Restoration shall be paid to Tenant. Each of the parties agrees to execute and deliver any and all documents that may be reasonably required in order to facilitate collection of the awards. If the portion of the award made available by Landlord or Secured Lender is insufficient for the purpose of paying for the Restoration, Tenant shall nevertheless be required to make or cause to be made the Restoration and to pay or cause to be paid any additional sums required for the Restoration. For purposes hereof, "PROPORTIONAL LOAN REDUCTION AMOUNT" means, at any time, the amount (expressed in dollars) equal to the product of multiplying the aggregate outstanding principal balances of all Secured Loans affected by the condemnation or other taking by the fraction of which the numerator is the total number of Rentable Square Feet taken or otherwise lost as a result of such condemnation or other taking and the denominator is the total number of Rentable Square Feet in the Buildings encumbered by such Secured Loans immediately before the effective ness of such condemnation or taking.

(c) If a taking of the nature described in SECTION 9.3(a) occurs and after the Restoration of any Building the number of Rentable Square Feet of such Building is less than the number prior to such taking and Restoration, then, from the date of such taking the annual Fixed Rent payable for and with respect to that Building shall be the amount determined by multiplying (i) the annual Fixed Rent per Rentable Square Foot by (ii) the number of Rentable Square Feet of the Restoration Building in question remaining after the taking (as shown on the "as-built" drawings of the Restored Building) and as recertified by the Architect.

SECTION 9.4. If the estimated cost of any Restoration required by the terms of this ARTICLE 9 exceeds the condemnation award (after deducting all reasonable expenses of collection) received by Landlord and Secured Lenders, then, prior to the commencement of such Restoration or thereafter if it is determined that the cost to complete the Restoration exceeds the unapplied portion of such award, Tenant shall deposit with a Secured Lender (or suitable alternative escrowee as provided hereinabove) a bond, cash, irrevocable letter of credit or other security reasonably satisfac tory to Landlord and Secured Lenders in the amount of such excess, to be held and applied by Secured Lender in accordance with the provisions of SECTION 9.3, as security for the completion of the work free of public improvement, vendors', mechanics', laborers' or materialmen's statutory or other similar liens.

SECTION 9.5. If the temporary use of the whole or any part of the Premises shall be taken at any time during the Term or any Renewal Term for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement, Tenant shall give prompt notice thereof to Landlord. Except as expressly and specifically provided in this ARTICLE 9, the Term and any Renewal Terms shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental payable by Tenant hereunder without reduction or

abatement, and Tenant shall be entitled to receive for itself any award or payments for such use; provided, however, that if the taking is for a period beginning during, but extending beyond the end of, the Term or any Renewal Term, such award or payment shall be appor tioned between Landlord and Tenant as of the last day of the Term or any Renewal Term.

SECTION 9.6. In case of any governmental action not resulting in the taking or condemnation of any portion of the Premises but creating a right to compensation therefor, such as the changing of the grade of any street upon which the Premises abut, then, except as otherwise provided in this ARTICLE 9, this Lease shall continue in full force and effect without reduction or abatement of Rental and, subject to the rights of the Secured Lenders, and any award shall be determined by applicable law.

SECTION 9.7. Notwithstanding any contrary provision in this Article, with respect to any condemnation or similar taking that occurs after the end of the sixteenth Lease Year, Tenant shall not be obligated to pay any Shortfall except a Shortfall that relates only to Secured Loans the proceeds of which financed or refinanced the costs of constructing one or more Additions or other improvements other than the Initial Building as in place on the Commencement Date. The preceding sentence shall not be construed as limiting or restricting in any way Tenant's obligations for or concerning Restorations.

SECTION 9.8. Anything contained herein to the contrary notwithstanding, Landlord shall not settle or compromise any taking or other governmental action creating in Tenant either a right to compensation or an obligation to pay all or part of the Secured Loans as provided in this ARTICLE 9 without the prior consent of Tenant, which consent shall not be unreasonably withheld or delayed.

SECTION 9.9. Notwithstanding anything herein to the contrary, in connection with any taking or threat thereof, Tenant shall be entitled, at its sole expense, to make a separate claim, and to prove and receive an award, for (a) the value of Tenant's Property to the extent the same is taken, (b) any Capital Improvement owned by Tenant pursuant to ARTICLE 45, and (c) any business damages, moving allowances and other expenses or claims permitted by law, if any; and Landlord shall not be entitled to any portion of any award made solely for such items.

ARTICLE 10
ASSIGNMENT, SUBLETTING AND MORTGAGES

SECTION 10.1. Subject to the provisions of this Lease that apply thereto, Tenant shall have the absolute right, at any time when no Event of Default shall have occurred and remain uncured, upon prior written notice to Landlord, to sublet, assign or otherwise transfer all or any part of its interest in the Premises or the Lease, without Landlord's approval, written or otherwise, so long as Tenant's assignee's or sublessee's use of the Premises or part thereof is in all respects subject to, and complies with and conforms to, the provisions of this Lease and the CC&R's and all applicable laws, rules, statutes, codes, ordinances and regulations.

SECTION 10.2. In the event Tenant duly assigns this Lease, in conformity with all of the applicable provisions of this Lease, to an assignee who has assumed all of Tenant's obligations under the Lease pursuant to a written assumption agreement satisfactory in all respects to Landlord and all Secured Lenders, then, if Tenant's assignee (or a guarantor who executes and delivers to Landlord a written agreement guaranteeing the payment and performance of all obligations of such assignee under or concerning this Lease, which written guaranty agreement is substantially identical to the Guaranty executed by Guarantor (those two capitalized terms having the same respective meanings for all purposes of this Lease as the respective meanings given to them in the Original Lease) and delivered to Landlord substantially simultaneously with and in connection with the execution of the Original Lease or is otherwise satisfactory in form and substance to Landlord and all Secured Lenders, respectively, in their sole, absolute and arbitrary discretion) then has a Credit Rating equal to or better than A1 from Moody's and AA minus from Standard & Poor's, and if Tenant pays Landlord a sum equal to 1% of the principal balance of all then-outstanding Secured Loans (to the extent that such amount is charged by, or paid or payable to, Secured Lenders holding such Secured Loans, for, on account of, or as a consequence of such assignment or such release), Tenant shall be freed and released from all of its agreements, covenants, and obligations under this Lease. Otherwise, Tenant shall remain primarily liable hereunder and with respect to this Lease. Tenant shall in all events remain primarily liable under this Lease after, and notwithstanding, any Subleases (defined hereinafter).

SECTION 10.3. If Tenant's entire interest under this Lease is duly assigned and Landlord is given notice thereof, Landlord shall accept Rental from the assignee and, if an Event of Default has occurred and is continuing, may (in its discretion) collect and enforce Rental directly from the assignee. If the Premises or any part thereof are sublet, used or occupied by any Person other than Tenant, Landlord may, in its discretion, if an Event of Default has occurred and is continuing, collect and enforce Rental directly from the subtenant or occupant. References in this Lease to use or occupancy by others (that is, any Person other than the Tenant) shall not be construed as limited to subtenants and those claiming through subtenants, but rather as including also licensees, concession aires, operators and others claiming under or through Tenant immediately or remotely a legal right of possession or occupancy of the Premises or any portion thereof (all such persons being referred to individually in this Lease as a "SUBTENANT" and collectively as "SUBTENANTS").

SECTION 10.4. Notwithstanding anything to the contrary contained in this Article, if Tenant shall at any time or times during the Term or any Renewal Term of this Lease desire to assign this Lease or sublet all or part of the Premises, Tenant shall give thirty days prior written notice thereof to Landlord (or 90 days prior written notice if Tenant wishes for itself to be released from its obligations and liability under and in respect of this Lease under Section 10.2), which notice shall be accompanied by a statement setting forth in reasonable detail the identity and business address of the proposed assignee or Subtenant, its proposed use of the Premises, and (in the case of a sublease) a detailed description of the portion of the Premises to be subleased. No assignment or sublease shall be valid or effective unless such notice has been duly given.

SECTION 10.5. Notwithstanding anything to the contrary contained in this ARTICLE 10, it shall be a condition precedent to any assignment or subletting that each assignee shall expressly assume and agree to be subject to and bound by and personally obligated and liable for, and each sublessee shall agree to be subject to, all of the covenants, agreements, terms, provisions and conditions contained in this Lease, except such (if any) as by their nature are clearly and inherently irrelevant or inapplicable, in each such case pursuant to a written instrument satisfactory to Landlord (acting reasonably) which is signed by such assignee or sublessee and delivered to Landlord. Subject to SECTION 10.2: Tenant shall and will remain fully liable for the payment of all Rental due and thereafter to become due hereunder and for the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and all acts and omissions of any assignee or Subtenant or anyone claiming under or through any assignee or Subtenant which shall be in violation of any of the provisions of this Lease, and any such violation shall be deemed to be a violation by Tenant.

SECTION 10.6. With respect to each and every Sublease authorized under the provisions of this Lease, it is further agreed as follows:

(a) No subletting shall be for a term (including renewal or extension options) ending later than one day prior to the expiration of the Term or any relevant Renewal Term (if exercised) of this Lease.

(b) No Subtenant shall take possession of the Premises or any part thereof until an executed counterpart of such Sublease, conforming with the applicable provisions and requirements of this Lease, has been delivered to Landlord.

(c) Each Sublease shall expressly provide that (1) it is subject and subordinate to this Lease and to the matters to which Tenant's rights or interests under this Lease is or shall be subordinate, and that in the event of Landlord's termination of or re-entry or dispossess under this Lease, Landlord may, at its option and without the consent of the Subtenant, take over all of the right, title and interest of Tenant, as sublessor, under such Sublease, and (2) such Subtenant shall, if requested to do so by Landlord (in Landlord's absolute discretion), attorn to Landlord pursuant to the then-executory provisions of such Sublease or, at Landlord's option, enter into a direct lease on identical terms with Landlord for the balance of the unexpired term of the Sublease, except that Landlord shall not under any circumstance whatsoever be (i) liable for any previous act or omission of Tenant under or concerning such Sublease, (ii) subject to any offset, not expressly provided for in such Sublease, which theretofore accrued to such Subtenant against Tenant, (iii) liable for any security deposited by such Subtenant which has not been transferred to Landlord, (iv) bound by any previous modification of such Sublease not approved by Landlord, (v) bound by any prepayment of more than one month's rent, (vi) bound by any covenant of Tenant to undertake or complete any construction or improvement of the Premises or any portion thereof demised by such Sublease, or (vii) bound by any obligation of Tenant or any other Person to make any payment to, on behalf of, or for the account or benefit of, the Subtenant.

(d) Each Sublease shall expressly provide, in addition to such other matters as are required pursuant to this ARTICLE 10, that (1) the Subtenant will not pay any rent or other sums under the Sublease for more than one month in advance of the due date for any corresponding Rental obligation under this Lease, and (2) on the termination of this Lease pursuant to ARTICLE 25, upon Landlord's request the Subtenant will promptly deliver to Landlord "as-built" drawings of any and all construction, alteration, renovation or Restoration work performed or caused to be performed in the space demised under such Subtenant's Sublease, and if any construction, alteration, renovation or Restoration work with respect to such space is then proposed or in progress, such Subtenant's drawings and specifications, if any, for such work.

SECTION 10.7. Tenant shall make reasonable efforts to cause all Subtenants to comply with their obligations under their respective subleases or occupancy, operating, license and concession agreements, as the case may be (individually, a "SUBLEASE" and collectively, "SUBLEASES"), and Tenant shall enforce with reasonable diligence all of its rights and remedies as the sublessor or licensor thereunder in accordance with the terms of each of the Subleases.

SECTION 10.8. The fact that a violation or breach of any of the terms, provisions or conditions of this Lease results from or is caused by an act or omission by any of one or more Subtenants or (unless Tenant has been released from its obligations hereunder in connection with an assignment to such assignee as provided hereinabove) by an assignee shall not relieve Tenant of Tenant's obligations to cure, and to be responsible for all of the consequences, of such violation or breach.

SECTION 10.9. To secure the prompt and full payment by Tenant of the Rental and the faithful performance by Tenant of all of the other terms and conditions herein contained on its part to be kept and performed, Tenant hereby assigns, transfers and sets over unto Landlord, subject to the conditions hereinafter set forth in this SECTION 10.9, all of Tenant's right, title and interest in and to all assignments of its interest under this Lease and all Subleases, and hereby confers upon Landlord and its agents and representatives a right of entry in, and sufficient possession of, the Premises to permit and insure the collection by Landlord of the rentals and other sums payable under the Subleases and such lease assignments, and further agrees that the exercise of the right of entry and qualified possession by Landlord shall not constitute an eviction of Tenant from the Premises or any portion thereof; provided, however, that Landlord may not enforce, or exercise any remedies under, such assignment to Landlord until (a) an Event of Default shall have occurred and all applicable cure periods shall have expired, or (b) this Lease, the Term or any Renewal Terms shall be canceled or terminated pursuant to the terms, covenants and conditions hereof, or (c) there occurs repossession under a dispossess warrant or other judgment, order or decree of a court of competent jurisdiction and then only as to such of the Subleases (if any) that Landlord may elect to take over and assume.

SECTION 10.10. Tenant shall deliver to Landlord on or before each December 31st during the Term and any Renewal Terms, a schedule of any lease assignment and all Subleases, if any, which schedule shall include the respective names of any assignee and all Subtenants and, with respect to each Sublease, a description of the space sublet, the expiration date, any extension or renewal options, rentals and other payment obligations, and any other information relating to such Subleases

which Landlord reasonably requests. From time to time during the Term and any Renewal Terms, Landlord may change the date on which Tenant is required to deliver such schedule by giving Tenant thirty (30) days' prior notice thereof; provided, however, that Tenant shall not be required to deliver such schedule more than twice in any period of twelve consecutive months.

SECTION 10.11. Notwithstanding anything to the contrary in this Lease, under no circumstance whatsoever may Tenant directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, transfer, convey, grant, sell, encumber, pledge or dispose of any of the Renewal Options, or any other right or option of Tenant which is granted or expressed in ARTICLE 46, nor may Tenant contract or agree to do any of the foregoing, except to an assignee of all of Tenant's right, title, estate and interest in and to this Lease and the Premises who acquires such interest in compliance with the provisions of SECTION 10.1 hereof, and any document, instrument, agreement, grant, contract or other act or thing purporting to or agreeing to accomplish or effect any of the foregoing to or in favor of a Person other than an assignee satisfying the requirements of this SECTION 10.11 shall be absolutely and completely invalid, void ab initio, and of no force or effect whatsoever.

SECTION 10.12. INTENTIONALLY OMITTED

SECTION 10.13. Prior to the Commencement Date, except for any Secured Loan, Landlord shall not, whether voluntarily, involuntarily, or by operation of law or otherwise, assign, encumber, pledge, grant a security interest in, or otherwise transfer all or any portion of Landlord's interest in this Lease or the Premises without obtaining the prior written consent of Tenant, which may be given or withheld in Tenant's sole discretion. For purposes of this SECTION 10.13, if Landlord is a corporation or partnership, and if at the time prior to the Commencement Date the Person or Persons which owns or own a majority voting control of such corporation's shares or the general partner's interest in such partnership, as the case may be, ceases or cease to own, directly or indirectly, a majority of those voting control shares or general partner's interest, as the case may be, whether by operation of law or otherwise, any such event shall be deemed to be an assignment of this Lease as to which Tenant's prior consent shall be required. After the Commencement Date, Landlord may assign, encumber, mortgage, pledge, grant a security interest in, or transfer all or any part of its interest in the Lease and the Premises without restriction or limitation of any kind, provided that the Person or Persons who then acquire or own Landlord's interest in the Lease or Premises, including without limitation the purchaser or transferee in any sale or transfer, must have the capability to and expressly agree in writing to assume and carry out any and all agreements, covenants and obligations of Landlord hereunder, in which event the original Landlord shall be freed and relieved of, and released from, all of its agreements, covenants and obligations under the Lease. Anything in the preceding portions of this SECTION 10.13 or elsewhere in this Lease to the contrary notwithstanding, Landlord may, at any time or from time to time, freely and without restriction or limitation of any kind, assign, encumber, mortgage, pledge, grant a security interest in, or transfer all or any part of its right, title, interest or estate in, under or to the Lease, the Premises and the Parcels to any Secured Lender (or such Secured Lender's designee in the case of a conveyance in lieu of foreclosure) or to any purchaser at a foreclosure, trustee's, or other similar sale; and any and all Secured Lenders, their

designees, and such purchasers, and their successors, purchasers and assigns, shall be free of all of the restrictions and limitations set out in the preceding sentences of this SECTION 10.13.

SECTION 10.14. Tenant shall not place any advertising signs on the Premises or otherwise advertise for subtenants or lease assignments without Landlord's prior written approval, which Landlord will not withhold unreasonably; provided, however, that in no event shall Tenant place any advertising signs on the Premises within the final two years of the Term or any Renewal Term. Any advertising sign which Tenant does place or allow to remain on the Premises shall at all times be clean, neat, dignified and in first-class condition. Without limiting the generality of the preceding sentence: no advertising sign or other advertisement shall be placed, or be allowed to remain, on the Premises in violation of any applicable law, code, ordinance or CC&Rs; no advertising sign shall remain on the Premises for longer than six months without being removed or replaced by a new sign which satisfies all of the requirements of this SECTION 10.14; and, any advertising sign placed or allowed to remain on the Premises shall expressly state that any available space is being offered by the lessee thereof for assignment or sublet.

SECTION 10.15.

(a) Tenant may from time to time mortgage or grant a security interest in its rights under this Lease (including its option and other rights hereunder) and its leasehold interest in the Premises (a "LEASEHOLD MORTGAGE"), but only on and subject to all of the conditions and provisions applicable to an outright assignment of Tenant's interest hereunder as set out herein. On and subject to the satisfaction of all such conditions and provisions, the holder of any Leasehold Mortgage (a "LEASEHOLD MORTGAGEE") may be granted all rights and privileges of the Tenant under this Lease and may exercise any or all such rights in accordance with the provisions of the Leasehold Mortgage, but Landlord shall have no obligation to recognize or deal with any Leasehold Mortgagee unless and until all of such conditions and provisions have been fully satisfied and complied with. Tenant hereby agrees to defend, indemnify and hold Landlord harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind which Landlord may pay, suffer or incur, or which may be asserted against Landlord, as a result or consequence of Landlord's dealing with or taking any action (or refraining from taking any action) requested by any Leasehold Mortgagee.

(b) Within 30 days after being requested in writing to do so by Tenant, Landlord will deliver to Tenant or any Leasehold Mortgagee designated in writing by Tenant to Landlord a reasonable estoppel letter confirming (subject to such exceptions, qualifications, limitations or clarifications, if any, that Landlord may consider appropriate) the following: (i) the existence of this Lease and any amendments or modifications thereto, (ii) the absence of any material defaults under this Lease by Tenant known to Landlord or, if such defaults exist, identifying them, (iii) the Rental payable under this Lease and whether any waivers or concessions have been granted by Landlord with respect thereto, and (iv) such other information readily available to Landlord as Tenant or such Leasehold Mortgagee may reasonably request.

(c) Landlord agrees that if requested to do so in writing by Tenant and any one Leasehold Mortgagee, Landlord will (a) send to such Leasehold Mortgagee, at its address theretofore furnished to Landlord by Tenant in a written notice hereunder, a copy of any notice of default which Landlord may thereafter give under this Lease to Tenant, and (b) accept from such Leasehold Mortgagee any complete curing of any Default by Tenant hereunder on the same basis, within the same period of time, and subject to the same conditions, as Landlord would have been obligated to accept if such cure had been effected by Tenant. Landlord shall not be required to subordinate any of its rights, titles, estates or interests to any Leasehold Mortgage.

ARTICLE 11
LANDLORD'S AND TENANT'S PROPERTY

SECTION 11.1.

(a) Tenant acknowledges that the Buildings and all of the materials and Equipment incorporated therein are the property of Landlord, and Tenant agrees that, except for Tenant's Property, all materials and Equipment incorporated into any Building at any time during the Term shall immediately become and constitute the property of Landlord, and that title to all of the Buildings and such materials and Equipment shall continue in Landlord.

(b) Tenant covenants and agrees that all Construction Agreements between Tenant and any contractor shall include the following provision VERBATIM: "[contractor] [subcontractor] [materialman] shall look solely to [Tenant] [contractor] [subcontractor] for payment for any and all materials sold, delivered or installed and for all services performed and labor provided, it being expressly understood and agreed that Landlord shall not be liable in any manner for payment or otherwise to [contractor] [subcontractor][materialman] for or in connection with any such materials, services or labor, and Landlord shall have no obligation to pay any compensation to [contractor][subcontractor] [materialman] for or on account of such services, labor or materials becoming incorporated in the Premises of [insert name of the Landlord]; and [contractor] [subcontractor] [materialman] shall not under any circumstance have or assert any lien or claim for lien against the Premises or Landlord's right, title, interest or estate therein or thereto."

SECTION 11.2. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment and other fixtures and personal property, whether or not attached to or built into the Premises, which are installed in the Premises by or for the account of Tenant and which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of movable personal property installed by or on account of Tenant and located in the Premises (herein collectively called "TENANT'S PROPERTY"), shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the term of this Lease or within 30 days after the Expiration Date; provided, however, that if any of Tenant's Property is removed at any time (whether before or after the Expiration Date), Tenant shall repair or pay the cost of repairing any damage to the Premises or to the Building resulting from the installation and

removal thereof; and provided further, that it shall be a condition of Tenant's allowing any of Tenant's Property to remain on the Premises after the Expiration Date that it be in such condition and location that Landlord and its designees shall at all times after the Expiration Date have full and free access to all parts of the Premises (including, without limitation, all interior portions of all Buildings) to do any repairs, replacements, construction, maintenance, improvements or other work that Landlord may wish to do, and Landlord is hereby irrevocably granted full and complete authority to move any and all of Tenant's Property, at Tenant's cost and expense, to the extent reasonably necessary or useful to permit or facilitate Landlord's doing any of such work, and Landlord shall have no liability or responsibility of any kind for or on account of any damage to or destruction of Tenant's Property which results from the foregoing (except for any such damage caused by Landlord's malicious or willful damage thereto).

SECTION 11.3. [INTENTIONALLY OMITTED.]

SECTION 11.4. Any items of Tenant's Property which shall remain in the Premises after the 30th day following the Expiration Date shall be deemed to have been abandoned, and in such case all such items shall automatically be and become Landlord's property, and may be retained by Landlord as its property or removed and disposed of by Landlord, without accountability, in such manner as Landlord shall determine, at Tenant's expense. Landlord shall have no obligation to Tenant with respect to any items of Tenant's Property remaining in the Premises after the Expiration Date. Tenant shall pay to Landlord, on demand, the total amount of the expenses paid or incurred by Landlord for or in connection with the removal, storage and disposition of such items, less the net salvage amount (if any) actually received by Landlord therefor.

ARTICLE 12
REPAIRS; SERVICES

SECTION 12.1. Except for Landlord's construction and (if any) repair obligations expressly set forth herein, Tenant, at its sole cost and expense, throughout the Term and all Renewal Terms (if exercised), shall take good care of the Parcels including, without limiting the generality of the foregoing, all structural components (including but not limited to all roofs, foundations, slabs, and supporting members), non-structural items, building systems, parking areas, driveways and other paved surfaces, and sidewalks and curbs in front of or adjacent to the Parcels, all landscaping and all irrigation and landscape watering systems, all water, sewer and gas connections, pipes and mains which service the Parcels and which neither the City of Jacksonville, the Association, Wilma's successor in interest under the Initial Declaration as amended, nor a utility company is obligated to repair and maintain, and all Equipment, and shall keep and maintain the Parcels in good and safe order and working condition, and make all repairs therein and thereon necessary to keep the same in good and safe order and working condition and to comply with all applicable laws (including but not limited to the Americans with Disabilities Act), ordinances, orders, rules, regulations, codes and requirements of the City of Jacksonville and all other Governmental Authorities, howsoever the necessity or desirability of such repairs may occur, except for: (a) ordinary wear and tear (but Tenant

shall be obligated to perform reasonable maintenance and shall also be obligated to perform all appropriate repairs as and when they become necessary even if they are necessitated by the effect of ordinary wear and tear); (b) damage by the elements, fire and other casualties unless Tenant is required by the provisions of this Lease, applicable law or the CC&Rs to repair and except that Tenant shall do such repairs, maintenance and other things described hereinabove to the extent that such damage is covered by insurance carried or required to be carried by Tenant hereunder; or (c) repairs or maintenance required as a result of the wrongful acts or wrongful failure to act of Landlord (but Tenant shall be required to do such repairs or maintenance to the extent that the same is covered by insurance carried or required to be carried by Tenant hereunder). (The provisions of this SECTION 12.1 shall not be construed as negating Tenant's authority to make alterations to the extent expressly permitted by other provisions of this Lease.) The necessity and adequacy of repairs made or to be made shall be measured by standards which are appropriate for buildings of similar age, construction and use that are situated in the City of Jacksonville, Florida. Tenant shall not commit or suffer, and Tenant shall use all reasonable precautions to prevent, waste, damage, or injury to the Parcels. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with (i) all rules, orders, regulations and requirements of the Florida Board of Fire Underwriters or any successor thereto and (ii) all applicable laws, ordinances, orders, rules, regulations, codes and requirements of the City of Jacksonville and all other Governmental Authorities, and (iii) the CC&R's. When used in this Lease, the terms "REPAIR" or "REPAIRS" shall include all alterations, additions, installations, replacements, removals, renewals and Restorations. With respect to the repair of the Premises required as a result of any casualty or taking, if any of Tenant's obligations under this SECTION 12.1 shall be inconsistent with the requirements for Restoration under ARTICLES 8 and 9 hereof, the provisions of ARTICLES 8 and 9 shall govern.

SECTION 12.2. Tenant, at its sole cost and expense, shall keep and maintain in clean and orderly condition the public and common portions and areas of the Parcels as necessary and keep clean and free from dirt, rubbish, obstructions and encumbrances, the sidewalks, driveways, parking areas, grounds, and curbs on, in front of or adjacent to the Parcels, and the plazas on the Parcels. Without limiting the generality of the foregoing, Tenant shall, at its expense, be responsible for causing the observance and compliance with all requirements for the landscaping, irrigation, maintenance, repair, cleanliness and condition of the Parcels as set out in the CC&Rs or in Section 12 of the Agreement for Purchase and Sale between Wilma (or its Affiliate) and Landlord pursuant to which Landlord purchased and acquired the Parcels; provided, however, that nothing herein shall be deemed to obligate Tenant to be responsible for the initial installation of irrigation equipment or landscaping as required therein.

SECTION 12.3. Tenant's maintenance obligations shall include but not be limited to:

a. Cleaning of the windows, both interior and exterior, no less frequently than every six months.

b. Painting of the exterior surface of the tilt-up panels with the appropriate materials in a timely fashion to insure that each Building maintains a professional exterior appearance.

c. Maintain the electrical circuitry with appropriate cleaning and inspection by an electrician on an annual basis.

d. Follow and perform the maintenance guidelines as outlined in the operational and maintenance manuals for each and every piece of equipment or material installed in or on any Building by the Landlord.

e. Maintain the landscape as required by the CC&R's.

f. Maintain the exterior masonry that forms the exterior of the office portion of each Building.

g. Maintenance of the parking lots (including repairs caused by ordinary wear and tear).

SECTION 12.4. Effective as of the Commencement Date, Landlord assigns to Tenant all assignable warranties from contractors, vendors, manufacturers and others that Landlord may obtain in connection with its construction or installation of any Building (including, without limitation, any Equipment) or other improvement on the Land (each such warranty being referred to herein as a "VENDOR'S WARRANTY"). Vendors' Warranties so assigned in connection with the construction of the Initial Building shall be substantially in accordance with those described on EXHIBIT H hereto in the column captioned "WARRANTY", if any. (If Tenant timely so requests of Landlord in writing, Landlord will cooperate in efforts by Tenant to obtain, at Tenant's sole cost, any of the additional warranty extensions from vendors as are described on EXHIBIT H, but Landlord shall have no liability or obligation of any kind under or concerning such additional warranty extensions or on account of their unavailability.) Landlord warrants to Tenant (such warranty being referred to herein as "LANDLORD'S BACKUP WARRANTY") that the Initial Building constructed by Landlord for Tenant on the Land and leased by Landlord to Tenant under this Lease will be free of substantial defects in materials and workmanship for a period of one year from the Commencement Date; provided, however, that (i) with respect to such items as are also the subject of a Vendor's Warranty, (A) Landlord's Backup Warranty as set out and described in the preceding portion of this sentence will be for a period of two years (except for elevator, as to which it will remain one year) from the Commencement Date, and (B) Tenant shall not have, and will not assert, any claim against Landlord under or with respect to Landlord's Backup Warranty except for a claim as to which Tenant has first made reasonably diligent efforts, in good faith, to obtain performance from the warrantor under the Vendor's Warranty but such warrantor has failed to perform under its Vendor's Warranty, and (ii) Landlord's Backup Warranty is the sole and exclusive warranty of Landlord concerning the Parcels, and Tenant shall not have or assert (and Tenant irrevocably waives and disclaims) any other warranty or basis for a claim in the nature of a warranty claim against Landlord for or concerning any Building or other improvement or the condition, quality, materials, workmanship, fitness, usefulness or utility

thereof. For purposes of satisfying the one-year or two-year periods (as the case may be) applicable to Landlord's Backup Warranty, Tenant will be deemed to have asserted a claim thereunder as of the date when Tenant shall have asserted such claim with reasonable particularity, in writing, to and against the relevant vendor and shall have delivered a complete copy of such written claim to Landlord.

ARTICLE 13
CHANGES, ALTERATIONS AND ADDITIONS

SECTION 13.1. Subject to ARTICLES 8, 9 and 13, neither Tenant nor Landlord shall demolish, replace or materially alter any Building or any part thereof, or make any addition thereto, or construct any additional building on the Land, whether voluntarily or in connection with any mainte nance, repair or Restoration required by this Lease (collectively, "CAPITAL IMPROVEMENTS"; and, individually, a "CAPITAL IMPROVEMENT"), unless the following requirements and, if applicable, the additional requirements set forth in SECTION 13.2, are met:

(a) Each Capital Improvement shall be made with reasonable diligence (subject to Unavoidable Delays) and in a good and workmanlike manner and in compliance with (i) all applicable licenses, permits and authorizations and all applicable building and zoning laws, (ii) all other applicable laws, ordinances, orders, rules, regulations and requirements of all Governmental Authorities, (iii) the orders, rules, regulations and requirements of any Board of Fire Underwriters having jurisdiction or any similar body exercising similar functions, and (iv) all applicable requirements of the CC&Rs.

(b) Each Capital Improvement shall substantially conform to the plans and specifications for the Capital Improvement, as the same may be approved pursuant to SECTION 13.2 or, if SECTION 13.2 is not applicable thereto, the Final Plans therefor.

(c) Any Capital Improvement undertaken by Tenant shall be constructed so that the Landlord's interest in the Premises and the property and assets (including, without limitation, all Rental payable under this Lease) of, or funds appropriated to, Landlord, shall at all times be free of liens, claims for lien, security interests or other encumbrances for or on account of labor, services or materials supplied or claimed to have been supplied to or for the benefit of, or installed in, the Premises.

(d) No Capital Improvement shall be undertaken until the party undertaking the Capital Improvement ("RESPONSIBLE PARTY") shall have delivered to the other ("NONRESPONSIBLE PARTY") insurance policies or abstracts thereof issued by responsible insurers, bearing notations evidencing the payment of premiums or accompanied by other evidence satisfactory to Nonresponsible Party of such payments, for the following insurance, which shall be kept in full force and effect until the substantial completion of the Capital Improvement:

(i) comprehensive general liability insurance, naming Responsible Party as the insured and Nonresponsible Party and each Secured Lender as additional insureds, such insurance to insure against liability for bodily injury and death and for property damage in an amount as provided in SECTION 7.1(a)(ii), such insurance to include operations-premises liability, contractor's protective liability on the operations of all subcontractors, completed operations, broad form contractual liability (designating the indemnity provisions of the Construction Agreements if such coverage is provided by a contractor), and if the contractor is undertaking foundation, excavation or demolition work, an endorsement that such operations are covered and that the "XCU Exclusions" have been deleted;

(ii) automobile liability and property damage insurance as described in SECTION 7.1(a)(iii);

(iii) workers' compensation providing statutory benefits for all Persons employed in connection with the construction at the Premises;

(iv) builder's all-risk insurance written on a completed value basis with limits and other coverage (including coverage for changes in ordinances and laws by Government Authorities resulting in consequential and contingent liabilities or increases in the cost of construction, with such limits as are reasonably required by Nonresponsible Party). In addition, such insurance (x) shall contain an authorization for the waiver of subrogation by Tenant and Landlord, and an endorsement stating that "permission is granted to complete and occupy," and (y) if any offsite storage location listed with Responsible Party's insurer is used, shall cover, for full insurable value, all materials and equipment which have been delivered to and are stored at any such offsite storage location and which are intended for use with respect to the Premises.

Any proceeds received pursuant to the insurance coverage required under SECTION 13.1(d)(iv) shall be paid in accordance with the provisions of SECTION 7.2(a). Responsible Party shall comply with the provisions of SECTIONS 7.1(b), 7.2(b) and 7.2(d) - 7.2(f) with respect to the policies required by this SECTION 13.1(d). If under the provisions of any casualty, liability or other insurance policy or policies then covering the Premises or any part thereof any consent to such Capital Improvement by the insurance company or companies issuing such policy or policies shall be required to continue and keep such policy or policies in full force and effect, Responsible Party shall obtain such consents and pay any additional premiums or charges therefor that may be imposed by said insurance company or companies.

(e) Nonresponsible Party shall not refuse to join in the applications for such licenses, permits and authorizations, provided the same are made without cost or expense to Nonresponsible Party and will not in any way diminish the development rights of any Parcel which is not included within the Premises. Copies of all required permits and authorizations, certified to be true copies thereof by Responsible Party shall be delivered to Nonresponsible Party prior to the commencement of any Capital Improvement.

SECTION 13.2. Responsible Party shall furnish to Nonresponsible Party at least ten (10) days before the commencement of any Capital Improvement, the items described in SECTION 8.4 with respect to the Capital Improvements.

SECTION 13.3. Tenant shall pay to Landlord, within ten (10) days after Landlord's demand therefor, Landlord's reasonable costs and expenses of reviewing plans and specifications incurred by it if it is the Nonresponsible Party.

SECTION 13.4. Title to all additions, alterations, improvements and replacements made to the Building, including, without limitation, Capital Improvements, shall be the property of the Responsible Party until the Expiration Date, at which time title thereto and ownership thereof shall (if not already vested in Landlord) automatically vest in Landlord as provided in SECTION 11.1(a), without any obligation by Landlord to pay any compensation therefor to Tenant, or at Landlord's request, Tenant shall, at Tenant's cost, promptly remove the Capital Improvements and restore the Premises to their original condition.

SECTION 13.5. [INTENTIONALLY OMITTED.]

SECTION 13.6. Responsible Party shall use reasonable efforts to cause its contractors and all other workers at the Premises connected with any maintenance, repairs, Restorations, additions, alterations, improvements and replacements made to the Building, including, without limitation, any Capital Improvements, to work harmoniously with each other and with the contractors and other workers of Nonresponsible Party, and neither party shall engage in or permit, nor shall use reasonable efforts to suffer, any conduct which may disrupt such harmonious relationship.

ARTICLE 14
REQUIREMENTS OF PUBLIC AUTHORITIES AND OF INSURANCE UNDERWRITERS AND POLICIES; OBLIGATIONS UNDER OTHER SUPERIOR AGREEMENTS

SECTION 14.1.

(a) Unless required by the express provisions of this Lease to have been obtained or caused to be obtained by Landlord or another Person claiming by, through or under Landlord, throughout the Term or any Renewal Terms (if exercised) Tenant, at its sole cost and expense, shall (i) timely obtain and thereafter keep in full force and effect all licenses, permits, authorizations and approvals of Governmental Authorities required for the use, occupancy, operation, maintenance, repair and insurability of the Premises, and (ii) unless caused by the negligence or wrongful acts of Landlord, promptly comply with and discharge of record any violations of any and all applicable present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes, resolutions and executive orders now existing or hereafter created, of all Governmental Authorities and of any and all of their departments and bureaus and of any applicable Fire Rating Bureau or other body exercising similar functions (collectively, "REQUIREMENTS") affecting the Premises without

regard to the nature of the work required to be done, whether ordinary or extraordinary, foreseen or unforeseen or involving or requiring any Capital Improvements, structural changes, alterations or additions in or to the Premises and whether or not such changes, alterations or additions are required on account of any particular use to which the Premises or any part thereof may have been, then are being, or are proposed by Tenant (or anyone holding by, through or under Tenant) to be, put. Tenant also shall comply with any and all provisions and requirements of any casualty, liability or other insurance policy required to be carried by Tenant under the provisions of this Lease.

SECTION 14.2. Tenant shall have the right, after notice to Landlord, to contest by appropriate legal proceedings the validity of any Requirements or the application thereof, at Tenant's sole cost and expense, but only so long as neither the Parcels nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited or lost, or becoming unavailable to Landlord or any Secured Lender or diminished in value. During such contest, compliance with any such contested Requirements may, subject to the following provisions of this Section, be deferred by Tenant. Any such proceeding instituted by Tenant shall be begun as soon as is reasonably possible after the issuance of any such contested matter and shall be prosecuted in good faith and with reasonable diligence to a final determination by the court or other Governmental Authority having final jurisdiction. Notwithstanding the foregoing, Tenant promptly shall comply with any such Requirements and compliance shall not be deferred if at any time the Parcels, or any part thereof, or any interest of Landlord or a Secured Lender, shall be in danger of being forfeited or lost or becoming unavailable to Landlord or any Secured Lender or diminished in value, or if Landlord or a Secured Lender shall be in danger of being subject to criminal or civil liability, penalty or other sanction by reason of noncompliance therewith. Landlord shall cooperate with Tenant in any such contest to the extent Tenant may reasonably request, provided that Landlord shall not thereby incur or be subject to any costs, expenses or liabilities (unless Landlord or another Person claiming by, through or under Landlord and for whose acts Landlord is responsible hereunder, is responsible for the noncompliance); and Tenant hereby agrees to reimburse, defend, indemnify and hold harmless Landlord for all such costs, expenses, claims and liabilities including, without limitation, reasonable attorneys' fees and expenses. Tenant shall defend, indemnify and hold Landlord harmless from and against all and any costs, expenses, losses, damages or liabilities that Landlord may sustain by reason of Tenant's failure or delay in complying with any Requirements for which Tenant is responsible and which is not caused by the wrongful act of Landlord or another Person claiming by, through or under Landlord and for whose acts Landlord is responsible hereunder, including, without limitation, any proceeding brought by Tenant. In the event that Tenant, as a result of such contest, receives any reimbursement or other payment on account of the cost of compliance with the contested Requirement, which compliance was performed by Landlord or any Secured Lender, then Tenant shall receive and hold the same in trust for Landlord or such Secured Lender (as the case may be) and, within ten (10) days after receiving the same, Tenant shall deliver the amount of such reimbursement or other payment to Landlord or such Secured Lender, as the case may be, less, however, the amount of the reasonable costs and expenses incurred by Tenant in such proceeding.

SECTION 14.3. Prior to the Commencement Date, Landlord, at its sole cost and expense, and from and after the Commencement Date, Tenant, at its sole cost and expense, shall perform and comply with and cause the Premises to comply with all of, and shall not do or permit anything which would violate any of, the terms, covenants and conditions (to the extent susceptible of performance and compliance by Tenant) which are applicable to the Parcels and pertain to any period of time during the Term or any Renewal Terms, under (a) the CC&Rs and all other laws, ordinances, covenants, orders, documents, restrictions, agreements and other matters listed on EXHIBIT B attached hereto and (b) any other covenants, documents, restrictions, agreements and other matters affecting the Parcels (or any of them) which are entered into or become effective after the date of this Lease to which Landlord (in the case of Landlord's obligation under this Section) or Tenant (in the case of Tenant's obligation under this Section) is a party or to which it consents.

ARTICLE 15
LEASEHOLD IMPROVEMENT AGREEMENT

Substantially simultaneously with the execution of this Lease, Landlord and Tenant will execute the Leasehold Improvement Agreement, in a form substantially identical to EXHIBIT C attached hereto but with such modifications, revisions and changes to such form (if any) as they may mutually agree upon. However, if by the 30th day following the date of this Lease Landlord and Tenant shall have failed, for any reason whatsoever, to execute a separate Leasehold Improvement Agreement, they shall be contractually bound by each and every one of the terms, conditions and provisions of EXHIBIT C attached hereto as though they had executed such EXHIBIT C independently of their execution of this Lease.

ARTICLE 16
DISCHARGE OF LIENS; BONDS

SECTION 16.1. Tenant shall not create or cause to be created any lien, encumbrance, security interest or charge upon any property or assets (including, without limitation, any Rental payable hereunder) of Landlord, or upon the estate, rights or interest of Landlord in the Parcels or the Premises or any part thereof or in or concerning this Lease.

SECTION 16.2. Subject to Tenant's rights to contest which are expressly set out herein, if at any time any mechanic's, laborer's or materialman's lien created or caused to be created by Tenant or arising as a result of any act or omission of, or relating to any contract of Tenant or any Person claiming or acting by, through or under Tenant shall be filed against Landlord's interest in the Parcels or the Premises or any part thereof, or if any public improvement lien created or caused to be created by Tenant shall be filed against any property or assets of Landlord, then Tenant, within twenty (20) days after actual notice of the filing thereof, or such shorter period as may be required by a Secured Lender, shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien to be discharged of record within the period aforesaid, then, in addition to any other right or remedy, Landlord may, but

shall not be obligated to, cause the same of record to be discharged as aforesaid in any manner permitted by law. Any amount so paid by Landlord, including all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Landlord in connection therewith, together with interest thereon at the Late Charge Rate from the respective dates of Landlord's making of the payment or incurring of the costs and expenses until paid in full, shall constitute additional Rental payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand. Notwithstanding the foregoing provisions of this SECTION 16.2, Tenant shall not be required to discharge of record any such lien (i) which was not created or caused to be created by Tenant (or any Person acting by, through, for or under Tenant) or did not arise as a result of any act or omission of, or relate to any contract of, Tenant (or any Person acting by, through, for or under Tenant), or (ii) during such time as Tenant is in good faith contesting the same (but only as long as neither the Landlord's interest in the Premises nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in danger of being forfeited, lost or diminished in value).

SECTION 16.3. Except for Restorations or Capital Improvements performed or installed by Tenant as expressly authorized by the provisions of this Lease, nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or services or the furnishing of any materials for any improvement, alteration or repair of any of the Parcels or any part thereof, nor as giving Tenant (or any Person acting by, through, for or under Tenant) any right, power or authority to contract for or permit the rendering of any labor or services or the furnishing of materials that could give rise to the filing of any lien against any of the Parcels or any part thereof or any property or assets (including, without limitation, any Rental payable hereunder) of Landlord. Notice is hereby given that Landlord shall not be liable for any work or services performed or to be performed at or for the benefit of the Parcels or for any materials furnished or to be furnished at or for the benefit of the Parcels for any of the foregoing, and that no mechanic's or other lien for such work or materials shall attach to or affect the estate or interest of Landlord in and to the Parcels or any part thereof or any property or assets (including, without limitation, any Rental payable hereunder) of Landlord.

ARTICLE 17
REPRESENTATIONS

SECTION 17.1. Landlord represents and warrants as follows (all of the following representa tions and warranties are made as of the Commencement Date unless expressly stated below to be made as of a different date):

(a) To the best of Landlord's knowledge, the Premises comply with all applicable laws, ordinances, rules and regulations of Governmental Authorities, including but not limited to Environmental Laws and the Americans with Disabilities Act. Landlord will provide at Landlord's expense all permits, authorizations and approvals required for the construction of the Initial Building

and will promptly comply with and discharge of record any violations of any and all present Requirements.

(b) Except for the rights of Secured Lenders under collateral security documents securing Secured Loans and except for any rights which are junior and subordinate to, and are not inconsistent with, any of the rights or options granted to Tenant by this Lease, the Premises are not subject to any outstanding agreement for sale, option, lease, or other rights of any Person other than Tenant to acquire an interest therein. Landlord has not received any notice of violation by the Premises of any CC&R's, Restrictions or Requirements which has not been cured, dismissed or withdrawn, and Landlord covenants that it will immediately notify Tenant in writing upon Landlord's receipt of notice of any such violation.

(c) To the best of Landlord's actual knowledge, except as disclosed in writing to Tenant, all improvements and systems, whether mechanical or structural, on or within the Premises (including, but not limited to, Equipment installed by Landlord, roofs, exterior walls, floors, HVAC, electrical, plumbing and roads and parking lots) have been constructed in accordance with the Plans (as defined herein) and are in good working condition. (The Warranty set out in the preceding sentence is in addition to, and not in limitation or restriction of, Landlord's Backup Warranty.) All Vendors' Warranties made by third party contractors or vendors relating to the Initial Building that are identified on EXHIBIT H attached hereto (under the column headed "Warranty") are assignable to Tenant without the consent of any third party (or such consent has been or will be obtained) and effective as of the Commencement Date will be assigned by Landlord to Tenant. Landlord agrees to assist Tenant in purchasing (at Tenant's sole cost) the extended warranties offered by equipment manufacturers or suppliers as listed on EXHIBIT H, if requested in writing to do so by Tenant.

(d) Landlord is authorized to do business in the State of Florida and to own the Parcels and the Premises, and has full power and authority to enter into and perform this Lease in accordance with its terms. The persons executing this Lease on behalf of the Landlord have been duly authorized to do so. This Lease is a legal, valid and binding obligation of Landlord and is enforceable against Landlord in accordance with its terms.

(e) Prior to the Commencement Date, Landlord will not permit AD VALOREM taxes on the Parcels to become delinquent.

(f) Except in connection with any Secured Loan (including, without limitation, any loan to finance the construction by Landlord of the Initial Building and any loan which refinances any such loan), and except for any matter identified on EXHIBIT B, after the date of this Lease Landlord will not convey or dedicate any portion of, or execute, grant or convey any lien, easement, license or other encumbrance on, the Premises without the prior written consent of Tenant, which consent Tenant agrees shall not unreasonably be withheld or delayed. Tenant acknowledges that it has examined, and found acceptable, the status of title to the Premises (including, without limitation, all covenants and easements burdening the Premises) as in effect on the date of this Lease.

(g) Landlord holds (or before the Commencement Date will acquire) fee simple title to the Premises, and Landlord has (or will by that date have) the right to lease the Premises. So long as Tenant is not in default hereunder, Tenant shall have the peaceful and quiet use and possession of the Premises and any easements appurtenant thereto which have expressly been granted to Tenant hereunder, without hindrance on the part of Landlord, and Landlord shall warrant and defend Tenant such peaceful and quiet use and possession against the claims of all persons acting or claiming by, through or under Landlord, subject to the matters set forth on EXHIBIT B.

SECTION 17.2. Landlord represents that as of the date of execution of this Lease there is, and as of the Commencement Date there will be, no pending litigation adversely affecting the Premises.

SECTION 17.3. Tenant acknowledges and agrees as follows: (i) Landlord has made no representation regarding subsurface conditions on or affecting the Premises, and Landlord has delivered to Tenant the Report of Geotechnical Exploration dated June 17, 1994 by Law Engineering and Environmental Services as Law Project No. 442-07133-01, and Tenant is relying on said report but not on any representation or statement of Landlord; (ii) except as expressly set out herein, no representation, statement, or warranty of any kind, express or implied, has been made by or on behalf of Landlord in respect of the Parcels, the status of title to the Parcels, the zoning or other laws, regulations, ordinances, rules and orders applicable thereto, Taxes, Impositions, or the use that may be made of the Premises; except as expressly set out herein, no representation, statement or warranty of any kind, express or implied, has been made by or on behalf of Landlord that would entitle or permit Tenant to have any abatement, reduction, set-off, counterclaim, defense or deduction with respect to any Rental or other sum payable hereunder, and Tenant has relied on no such representation, statement or warranty, and in no event whatsoever shall Landlord be liable by reason of any claim of false, inaccurate or misleading representation or misrepresentation or breach of warranty with respect thereto.

SECTION 17.4. Tenant represents and warrants that Tenant is, and at all times from the date hereof through the end of the Term will be, authorized to do business in the State of Florida and to lease, use and operate the Premises as provided or contemplated in this Lease, and Tenant has full power and authority to enter into and perform its obligations under this Lease in accordance with its terms. The persons executing this Lease on behalf of the Tenant have been duly authorized to do so. This Lease is a legal, valid and binding obligation of Tenant enforceable against Tenant in accordance with its terms.

ARTICLE 18
LANDLORD NOT LIABLE FOR INJURY OR DAMAGE, ETC.

Except to the extent (if any) expressly provided herein, neither Landlord nor any Secured Lender, respectively, shall in any event whatsoever, unless caused by its own negligence or wrongful act or by the acts of any Person claiming by, through or under it or (in the case of Landlord) by Landlord's failure to perform its obligations herein, be liable for any injury, damage or loss to Tenant or to any Person claiming by, through or under Tenant, happening on, in or about the Premises or

the Parcels or their appurtenances (including, without limitation, street and sidewalk areas) nor for any injury or damage to the Premises or the Parcels or to any property belonging to Tenant or any Person claiming by, through or under Tenant, which may be caused by or result from any of the following occurring on or after the Commencement Date: (a) any fire or other casualty, (b) any action of wind, water, lightning or any other of the elements, (c) any use, misuse or abuse of any Building or any portion thereof, or other acts or negligence of Tenant, any Subtenant, licensee, invitee or contractor of Tenant or any Subtenant, happening on, in or about the Premises or the Parcels or their appurtenances (including, without limitation, street and sidewalk areas), (d) the condition of the Premises or the Parcels during the Term or any defect in the Land, any Building, the Equipment or any other equipment, machinery, wiring, apparatus or appliances whatsoever now or hereafter situated in, at, upon or about the Premises or the Parcels, or any leakage, bursting or breaking up of the same, (e) any failure or defect of water, heat, gas, chilled water, steam, electric light or power supply, or of any apparatus, machinery or appliance in connection therewith, (f) any gasoline, oil, steam, gas, electricity, chemicals, water, rain, snow or mud which may leak, run or flow from the river, roadways, streets, subsurface areas and facilities, sewers, mains, pipes, conduits, Equipment, or any other facilities, equipment, machinery, wiring, apparatus or appliances whatsoever, now or hereafter situate in, at, upon, about or in the vicinity of the Premises or Parcels or (g) any other cause whatsoever.

ARTICLE 19
INDEMNIFICATION OF LANDLORD

SECTION 19.1. Tenant hereby agrees to defend, indemnify and save Landlord harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses of any and every kind whatsoever (including, without limitation, reasonable engineers', architects' and attorneys' fees and disbursements) which may be imposed upon or incurred by or asserted against Landlord by reason of any of the following occurring during the Term or any Renewal Term (if exercised), except to the extent (if any) either caused by the negligent act of Landlord or any Person acting by, through or under Landlord or covered by insurance under which the insurer has acknowledged its liability to Landlord (Landlord shall have no obligation to carry or maintain any such insurance or to waive or release any rights of subrogation against Tenant in connection with any such insurance which it may decide to carry):

(a) the negligence or wrongful act or omission of Tenant or any Person acting, or holding by, through or under Tenant;

(b) any work or thing done in, on or about the Premises or any part thereof by a Person other than Landlord or a Person acting by, through or under Landlord;

(c) any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance or management of the Premises or any part thereof or of any sidewalk or curb adjacent thereto after the Commencement Date;

(d) any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Premises or any part thereof or in, on or about any sidewalk or curb adjacent thereto;

(e) any failure on the part of Tenant timely to pay Rental or to perform or comply with any of the covenants, agreements, warranties, terms or conditions contained in this Lease on Tenant's part to be performed or complied with;

(f) any lien or claim which may be filed, asserted or alleged to have arisen against or on Landlord's interest in the Premises or the Premises created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant, or any lien or claim of lien which may be filed, asserted or alleged to have arisen out of this Lease and created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant against any property or assets (including, without limitation, any Rental) of Landlord under the laws of the State of Florida or of any other Governmental Authority or any liability created or caused to be created by Tenant or any Person acting, claiming or holding by, through or under Tenant which may be asserted against Landlord with respect thereto;

(g) any failure on the part of Tenant or any Person acting, claiming or holding by, through or under Tenant to keep, observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in any Construction Agreements, Subleases or other contracts and agreements affecting the Premises, on Tenant's part to be kept, observed or performed;

(h) any contest permitted pursuant to the provisions hereof; or

(i) any breach by Tenant or any Person acting, holding or claiming by, through or under Tenant of any provision applicable to the Premises under (1) any of the CC&R's, (2) any agreement affecting any of the Parcels which is entered into or becomes effective after the Commencement Date to which Tenant is a party or to which Tenant consents or (3) any agreement, document, covenant, guideline or other matter listed on EXHIBIT B attached hereto (except agreements between Landlord and a Secured Lender).

SECTION 19.2. The obligations of Tenant under this ARTICLE 19 shall not be affected in any way by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies.

SECTION 19.3. If any claim, action or proceeding is made or brought against Landlord against which Landlord is indemnified pursuant to SECTION 19.1 or any other provision of this Lease, then, upon demand by Landlord, Tenant, at its sole cost and expense, shall diligently resist or defend such claim, action or proceeding in Landlord's name. The foregoing notwithstanding, Landlord may engage its own attorneys to defend it or to assist in its defense.

SECTION 19.4. The provisions of this ARTICLE 19 shall survive the Expiration Date with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or expense arising out of or in connection with any action or failure to take action or any other matter occurring during the Term or any Renewal Term of this Lease.

SECTION 19.5. When a claim is caused by the joint negligence or willful conduct of Tenant and Landlord or Tenant and a Person unrelated to Tenant (except Tenant's agents, employees, officers, contractors, licensees, or invitees), Tenant's duty to defend, indemnify and save Landlord harmless shall be in proportion to Tenant's allocable share of the joint negligence or willful misconduct.

ARTICLE 20
INDEMNIFICATION OF TENANT

SECTION 20.1 Landlord hereby agrees to defend, indemnify and save Tenant harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses of any and every kind whatsoever (including, without limitation, reasonable engineers', architects' and attorneys' fees and disbursements) which may be imposed upon or incurred by or asserted against Tenant by reason of any of the following caused by the negligence or wrongful act or wrongful omission (but, nothing in this SECTION 20.1 shall be deemed to create or impose on Landlord any obligation or liability of any kind which is in the nature of, or has the same or similar effect as, a warranty of, concerning, relating to or on account of any construction by Landlord or its agents or contractors of any Building, structure or other improvements of any kind, and further, as to omissions after the Commencement Date, Landlord's undertakings hereunder shall apply only if Landlord was obligated by the express provisions of this Lease to act otherwise) of Landlord or its officers, employees, agents, contractors, licensees or invitees (except to the extent, if any, either caused by the negligence of Tenant or any Person acting by, through or under Tenant or covered by insurance under which the insurer has acknowledged its liability to Tenant) or required by the provisions of this Lease to be covered by insurance):

(a) any work or thing done in, on or about the Premises or any part thereof by (or any Person acting for Landlord);

(b) any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance or management of the Premises or any part thereof or of any sidewalk or curb adjacent thereto by Landlord before the Commencement Date, or any actual use or act of Landlord occurring after the Commencement Date;

(c) any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Premises or any part thereof or in, on or about any sidewalk or curb adjacent thereto before the Commencement Date;

(d) any failure on the part of Landlord to perform or comply with any of the covenants, agreements, warranties, terms or conditions contained in this Lease on Landlord's part to be performed or complied with; or

(e) any failure or breach on the part of Landlord to keep, observe or perform any of the terms, covenants, agreements provisions, conditions, or limitations contained in any other contract or agreement affecting the Premises, on Landlord's part to be kept, observed or performed and not to be performed by Tenant pursuant to the provisions of this Lease.

SECTION 20.2. The obligations of Landlord under this ARTICLE 20 shall not be affected in any way by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies.

SECTION 20.3. If any claim, action or proceeding is made or brought against Tenant against which Tenant is indemnified pursuant to SECTION 20.1 or any other provision of this Lease, then, upon demand by Tenant, Landlord, at its sole cost and expense, shall diligently resist or defend such claim, action or proceeding in Tenant's name. The foregoing notwithstanding, Tenant may engage its own attorneys to defend it or to assist in its defense.

SECTION 20.4. The provisions of this ARTICLE 20 shall survive the Expiration Date with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or expense arising out of or in connection with any action or failure to take action or any other matter occurring during the Term or any Renewal Term of this Lease.

SECTION 20.5. When a claim is caused by the joint negligence or willful misconduct of Landlord and Tenant or Landlord and a Person unrelated to Landlord (except Landlord's agents, employees, officers, contractors, licensees, or invitees), Landlord's duty to defend, indemnify and save Tenant harmless shall be in proportion to Landlord's allocable share of the joint negligence or willful misconduct.

ARTICLE 21
RIGHT OF INSPECTION

SECTION 21.1. After the Commencement Date, Tenant shall permit Landlord and the Secured Lenders and their respective agents, representatives and contractors to enter the Premises at all reasonable times, on reasonable notice (except in the case of an emergency, in which event no notice will be required), for the purposes of (a) inspecting the Premises, (b) determining whether or not Tenant is in compliance with its obligations hereunder, (c) making any repairs or Restoration which Landlord is permitted or required to perform pursuant to the terms of this Lease, (d) in the case of an emergency (i.e., a condition presenting imminent danger to the health or safety of persons or to property), or following an Event of Default, making any necessary repairs or alterations to the Premises or performing any work therein, whether necessitated by a Requirement or otherwise, provided that in the case of an emergency Landlord or the Secured Lender shall make a reasonable

attempt to communicate with Tenant to alert Tenant to the necessary repair, and (e) performing any other obligations of Landlord which reasonably require access to the Premises. Landlord's and each Secured Lender's respective inspection rights may not be exercised before an Event of Default occurs unless Landlord or such Secured Lender first executes a confidentiality agreement in the form of EXHIBIT I attached hereto (the "CONFIDENTIALITY AGREEMENT").

SECTION 21.2. Landlord or a Secured Lender, as the case may be, during the progress of any Restoration or any Repair, alteration or work referred to in SECTION 21.1, may keep and store at the Premises in or at places to be reasonably designated by Tenant all necessary or useful materials, tools, supplies and equipment. Landlord or a Secured Lender, as the case may be, shall not be liable for inconvenience, annoyance, disturbance, or loss of business of Tenant or any Subtenant by reason of making such repairs, Restoration or the performance of any such work, or on account of bringing materials, tools, supplies and equipment into the Premises during the course thereof, and the obligations of Tenant under this Lease shall not be affected thereby. To the extent that Landlord or a Secured Lender undertakes such work or repairs and such work or repairs shall require interruption of any services to or access of Tenant or a Subtenant or the entry into any space covered by this Lease or a Sublease, such work or repairs shall be commenced and completed with reasonable diligence, subject to Unavoidable Delays, and in such a manner as not to unreasonably interfere with the conduct of business in such space and if requested by Tenant such work or repairs will be performed outside of normal business hours and on weekends, at Tenant's expense, unless the work or repairs are required due to a breach by Landlord under this Lease.

SECTION 21.3. Landlord and Persons authorized by Landlord shall have the right to enter and pass through the Premises at any reasonable time upon reasonable notice to Tenant to show the Premises to prospective purchasers, tenants and Secured Lenders; provided, however, that Landlord and any such Persons agree to execute the Confidentiality Agreement.

ARTICLE 22
LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS

SECTION 22.1.

(a) If an Event of Default occurs under this Lease and all applicable cure periods have expired, then Landlord, without waiving or releasing Tenant from any default or from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligations on Tenant's behalf, at Tenant's cost. In addition, Landlord may so perform the obligation in question upon the occurrence of a Default without waiting until such Default has become an Event of Default if the failure to perform such obligation may result in a loss, forfeiture or diminution in value of the Premises or any part thereof or any part of the rents, issues and profits thereof. In addition to the foregoing, if Tenant shall have failed to deliver to Landlord a certificate or other evidence reasonably satisfactory to Landlord of the existence of any new or renewal insurance policy required under SECTION 7.1 of this Lease prior to the date that is seven (7) Business Days prior to the expiration of the policy in question or if for any other reason the insurance described in SECTION

7.1(a) is no longer in full force and effect, then upon twenty-four (24) hours' notice from Landlord or any time thereafter, Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) obtain or cause to be obtained, at Tenant's sole cost and expense, some or all of the insurance (covering a period of one year or less) for which such certificate or other evidence has not been delivered to Landlord as aforesaid. Landlord may exercise the foregoing right without giving Tenant a notice of Default and Landlord shall have the right to enforce collection of its costs and expenses incurred in obtaining such insurance without declaring an Event of Default by Tenant.

(b) Without limiting Landlord's rights under SECTION 22.1(a) or elsewhere in this Lease contained, if Landlord shall be given any notice of default under any Secured Loan and Tenant is then in Default under this Lease with respect to an obligation the non-performance of which is the basis (in whole or in part) for such notice of default, then, whether or not such Default has become an Event of Default, Landlord, without waiving or releasing Tenant from any default or any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf, at Tenant's cost; provided, however, that Landlord shall immediately forward to Tenant a copy of any such notice of default received from such Secured Lender.

SECTION 22.2. All reasonable sums paid by Landlord and all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Landlord in connection with its performance under SECTION 22.1 of any of Tenant's obligations, together with interest thereon at the Late Charge Rate from the respective dates that Landlord makes each such payment until the date of actual repayment to Landlord, shall be paid by Tenant to Landlord on demand as additional rent. Any payment or performance by Landlord pursuant to the foregoing provisions of this ARTICLE 22 shall not be a waiver or release of any breach or default of Tenant with respect thereto or of any right of Landlord to terminate this Lease, institute summary proceedings, exercise any other right or remedy, or take such other action as may be permissible hereunder if an Event of Default by Tenant shall have occurred. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep insurance in force as aforesaid to the amount of the insurance premium or premiums not paid, but Landlord also shall be entitled to recover, as damages for such breach, the uninsured amount of any loss or damage and the costs and expenses of suit, including, without limitation, reasonable attorneys' fees and disbursements, suffered or incurred by reason of damage to or destruction of the Parcels which damage or destruction was required to be insured against hereunder.

ARTICLE 23
NO TERMINATION OR ABATEMENT OF RENTAL

SECTION 23.1. This Lease is a completely net lease to Landlord, and it shall not terminate except as expressly provided in SECTION 23.3 or ARTICLES 8, 9 and 25; nor shall Tenant be entitled to any abatement or reduction, set-off, counterclaim, defense or deduction with respect to any Rental or other sum payable hereunder except as expressly provided in ARTICLES 9 and 48 and EXHIBIT C;

nor shall the obligations of Tenant hereunder be affected (except in accordance with an express provision of this Lease) by reason of (a) any prohibition, limitation, restriction or prevention of Tenant's use, occupancy or enjoyment of the Premises, or any interference with such use, occupancy or enjoyment by any Person, other than Landlord, a Secured Lender, or their respective agents or successors, (b) any default by or claim against Landlord hereunder or under any other agreement, (c) the impossibility or illegality of performance by Landlord, Tenant or both, (d) any action of any Governmental Authority, or (e) any other cause whatsoever, whether similar or dissimilar to the foregoing. The covenants, agreements and obligations of Tenant hereunder are and shall in all events be construed as covenants, agreements and obligations which are separate and independent from those of Landlord, and they shall continue unaffected, regardless of any breach of Landlord's covenants and agreements hereunder, except to the extent (if any) such obligations of Tenant shall have been modified or terminated in writing pursuant to an express provision of this Lease.

SECTION 23.2. Without limitation of the provisions of SECTION 23.1, except as expressly provided otherwise in this Lease, Tenant shall remain obligated under this Lease in accordance with its terms, shall remain in possession of the Premises within the meaning of Title 11 U.S.C. Section 365 (as the same may be amended from time to time) and shall not take any action to terminate, surren der, reject, disaffirm, rescind or avoid this Lease, or abate or defer any Rental, or claim a constructive eviction, by reason of any bankruptcy, insolvency, reorganization, liquidation, dissolu tion or other proceeding of or affecting Landlord or any of its assigns or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court.

SECTION 23.3. Notwithstanding any provision herein to the contrary, if there is a complete and total failure of title to the Premises as a result of a matter which is not listed on Exhibit B and is not otherwise a Permitted Exception, and as a result thereof Tenant is completely dispossessed from all or substantially all of the Premises, and such failure of title is covered by the respective mortgagees' policies of title insurance held by the Secured Lenders holding liens on the Premises such that those Secured Lenders are entitled, on account of such failure of title, to receive full compensation under their respective title insurance policies for the full amount of the indebtedness outstanding under their respective Secured Loans (or, if Secured Lenders are entitled to payment under their title insurance policies of less than the full amount of such indebtedness on account of such title failure, but Tenant tenders to such Secured Lenders an amount in cash equal to the full amount of the shortfall (the principal component of such shortfall being subject to the limitation set out in SECTION 9.1(D) hereinabove) less the amount (if any) which Landlord is entitled to receive under its owners policy of title insurance for and on account of such failure of title, with the result that such Secured Lenders will be repaid from Tenant and their title insurance policies and Landlord's title insurance policy together the full amount of their outstanding indebtedness), then Tenant may, by written notice given to Landlord and each of such Secured Lenders not later than 60 days after first learning of such failure of title is finally determined, terminate this Lease and be relieved of its obligations to pay Rental and other obligations hereunder that relate exclusively to the period after the effective date of such termination, except for those which specifically survive expiration or termination of the Lease.

If, as a result of a complete and total failure of title to Parcel A, the Original Lease is duly and properly terminated in accordance with the provisions of Section 23.3 thereof, then Landlord or Tenant may in their sole discretion terminate this Lease by written notice given by one of them to the other within ten (10) days after notice was first given of the termination of the Original Lease, in which case Tenant shall make the payments to Secured Lenders (if any) required by the last sentence of this paragraph, and after Tenant makes all of such payments this Lease shall be of no further effect. If Tenant terminates this Lease and the Secured Lenders are entitled to payment under their title insurance policies of less than the full amount of the indebtedness outstanding under their respective Secured Loans, then Tenant, on behalf of Landlord, shall pay to each Secured Lender an amount equal to such Secured Lender's share of such deficiency so that, when added to the amount, if any, which Landlord is entitled to receive under its owner's policy of title insurance for and on account of such failure of title, all of such Secured Loans shall be paid and satisfied in full (and Tenant's payment of such deficiency shall be a condition precedent to the effectiveness of Tenant's termination of this Lease); provided, however, that the aggregate amount Tenant shall be obligated so to pay to all of the Secured Lenders on account of all of the Secured Loans taken together shall be calculated in the same manner, and shall be subject to the same limitation as to the principal indebtedness component thereof, as is applicable to the Shortfall.

ARTICLE 24
PERMITTED USE; NO UNLAWFUL OCCUPANCY; OPERATION OF THE PREMISES

SECTION 24.1. Tenant shall not use the Premises in a manner, or for a use or purpose, not permitted by the provisions of this Lease.

SECTION 24.2. Tenant shall not use or occupy the Premises or any part thereof, or permit or suffer the Premises or any part thereof to be used or occupied, for any unlawful business, use or purpose, or in an unlawful manner or such manner as to constitute in law or in equity a nuisance of any kind (public or private), or for any dangerous or noxious trade or business, or for any purpose or in any way in violation of (a) any certificate of occupancy for the Premises in effect from time to time during the Term or any Renewal Term, (b) any Requirement, (c) the CC&R's relating to the Premises, or (d) the provisions of this Lease, or which may make void or voidable any insurance then in force on the Premises (or any portion thereof). Tenant shall take, immediately upon the discovery of any unpermitted use, all reasonable necessary steps, legal and equitable, to compel the discontinuance of such unpermitted use and Tenant shall exercise all of its rights and remedies against any Subtenants responsible for such use.

SECTION 24.3.

(a) Tenant may use and occupy the Premises for the processing, warehousing, and distribution of inventory, for administrative and general offices, and (subject to the provisions of SECTION 24.2) for any other lawful uses.

(b) If any licenses, permits or authorizations of any Governmental Authorities, other than those required or necessary to obtain Final Inspection (which licenses, approvals and authorizations necessary to obtain Final Inspection are the responsibility of Landlord, at Landlord's sole cost and expense), shall be required for the proper and lawful conduct in the Premises or any part thereof of the business or activities of Tenant (or any Person claiming by, through or under Tenant), then Tenant, at its sole cost and expense, shall duly procure and thereafter maintain such licenses, permits and authorizations in effect, and shall submit the same to Landlord for inspection. Tenant shall at all times comply with the terms and conditions of each such license, permit and authorization.

SECTION 24.4. Notwithstanding anything herein to the contrary, nothing herein shall be construed as an obligation for Tenant to operate its business in the Premises. Tenant shall have the right to remove Tenant's Property and cease operations on or within the Premises at Tenant's sole discretion; however, the right to cease to operate its business on or within the Premises shall not diminish or affect in any way any of Tenant's obligations hereunder (including, without limitation, Tenant's obligations to pay all Rental and other amounts as they come due hereunder and to perform all covenants and obligations hereunder).

ARTICLE 25
EVENTS OF DEFAULT, CONDITIONAL LIMITATIONS, REMEDIES, ETC.

SECTION 25.1. The occurrence of any one or more of the following events shall be an "EVENT OF DEFAULT" hereunder:

(a) if Tenant shall fail to pay any installment of any Fixed Rent or Impositions, or any part thereof, when the same shall become due and payable, and such failure shall continue for a period of five days; provided, that twice in any period of twelve consecutive months Tenant shall have ten days after written notice from Landlord to Tenant to cure such Default, except that the preceding provisions of this proviso (which provide for notice and ten days' grace period under certain circumstances) shall not apply to any failure of Tenant to pay, before the same becomes past- due or any penalty attaches or accrues on account of nonpayment or late payment, any Imposition which is a tax, assessment or other amount payable to a Governmental Authority, and provided further, that Tenant's late payment of a particular installment of any Imposition which is a tax, assessment or other amount payable to a Governmental Authority will not be deemed to constitute an Event of Default (although it will be deemed to constitute a Default) if Tenant paid such installment in full (together with any and all interest, penalties and other amounts payable with respect thereto) within five (5) days after Tenant first received a copy of the tax bill relating thereto or other written notice of the amount of and due date for such installment of Taxes;

(b) if Tenant shall fail to make any payment of any Rental (other than Fixed Rent or Impositions) required to be paid by Tenant hereunder when the same shall become due and

payable, and such failure shall continue for a period of ten days after written notice from Landlord to Tenant to cure such Default;

(c) if Tenant shall fail to deliver to Landlord a certificate or other evidence reasonably satisfactory to Landlord of the existence of any new or renewal insurance policy required under this Lease on or prior to the date the same is required to be delivered to Landlord, and such failure shall continue for seven days after notice from Landlord (but only two Business Days after notice if Landlord's notice is given ten or fewer days prior to the expiration of the policy in question);

(d) if Tenant shall fail to observe or perform any of the terms, conditions, covenants or agreements of this Lease which is not specifically the subject of any of the preceding CLAUSES (a)-(c), inclusive, of this SECTION 25.1, and such failure continues for a period of thirty days after notice thereof by Landlord to Tenant specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Unavoidable Delays, reasonably be performed, done or removed, as the case may be, within such 30-day period, in which case no Event of Default shall be deemed to exist as long as Tenant shall have commenced curing the same promptly after the first notice from Landlord and shall thereafter at all times prosecute the same to completion with reasonable diligence, subject only to Unavoidable Delays);

(e) if Tenant shall make an assignment for the benefit of creditors;

(f) if Tenant voluntarily shall file a case or petition under Title 11 of the United States Code or any other bankruptcy, insolvency, reorganization or similar law, or if any such case or petition is filed against Tenant and an order for relief is entered, or if Tenant shall file any petition or answer seeking, consenting to or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, or shall admit in writing that it is bankrupt or insolvent, or shall seek or consent to or acquiesce in or suffer the appointment of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant or of all or any substantial part of its properties or of the Premises or any interest therein of Tenant, or if Tenant shall take any action in furtherance of any action described in SECTION 25.1(e), this SECTION 25.1(f), or SECTION 25.1(g) hereof;

(g) if within ninety days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, such proceeding shall not have been dis missed, discontinued or vacated or if, within ninety days after the appointment, without the consent or acquiescence of Tenant, of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant of all or any substantial part of its properties or of the Premises or any interest therein of Tenant, such appointment shall not have been vacated or stayed on appeal or

otherwise, or if, within ninety days after the expiration of any such stay, such appointment shall not have been vacated;

(h) if this Lease or all or any part of the estate or interest of Tenant hereunder or created hereby shall be assigned, subleased, transferred, mortgaged, encumbered or otherwise disposed of without compliance with the provisions of this Lease applicable thereto, and such transaction shall not be made to comply, or voided AB INITIO, within thirty days after notice thereof from Landlord to Tenant;

(i) if a levy under execution or attachment shall be made against Tenant's interest or estate in the Premises or any part thereof and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of sixty days; or

(j) if an Event of Default occurs under the Original Lease (and, if the definition of such Event of Default expressly requires that notice thereof be given or that a specific cure period therefor is provided, then such notice shall have been given and such cure period shall have elapsed).

SECTION 25.2. If an Event of Default shall occur, until such Event of Default shall have been completely cured Landlord may, in its sole discretion, exercise any or all rights and remedies available to Landlord hereunder or under applicable law (including, without limitation, proceeding by appropriate judicial proceedings, either at law or in equity, to mandate, enjoin or otherwise enforce the performance or observance by Tenant of the applicable provisions of this Lease, terminating this Lease and recovering damages for Tenant's breach hereof [including but not limited to any prepayment penalty incurred by Landlord under a Secured Loan as a result of the termination of this Lease, and brokerage commissions]), simultaneously or in such order as Landlord, in its discretion, may determine.

SECTION 25.3.

(a) If any Event of Default shall occur and Landlord, at any time thereafter during the continuance of such Event of Default, at its option, gives written notice to Tenant stating that this Lease and the Term or any Renewal Terms shall expire and terminate on the date specified in such notice, which date shall be not less than ten days after the giving of such notice, then this Lease, the Term, any Renewal Terms, and all rights of Tenant under this Lease (including, without limitation, all rights relating to any and all Options) shall expire and terminate on the date specified in such notice as if such date were the date herein definitely fixed for the expiration of the Term or any Renewal Terms unless such Event of Default shall be sooner cured. Upon any termination of this Lease pursuant to this SECTION 25.3, Tenant immediately shall quit and surrender the Premises, but Tenant shall remain liable for damages as hereinafter provided. Anything contained herein to the contrary notwithstanding, if such termination shall be stayed or enjoined by order of any court having jurisdiction over any proceeding described in either of SECTIONS 25.1(f) or 25.1(g) hereof, or by federal or state statute, then, following the expiration or vacation of any such stay or injunc tion, or if the trustee appointed in any such proceeding, Tenant, or Tenant as debtor-in-possession shall fail

to assume Tenant's obligations under this Lease within the period prescribed therefor by law or within sixty days after entry of the order for relief or as may be allowed by the court, or if said trustee, Tenant or Tenant as debtor-in-possession shall fail to provide adequate protection of Landlord's right, title and interest in and to the Premises or adequate assurance of the complete and continuous future performance of Tenant's obligations under this Lease as provided in SECTION 25.16 hereof, Landlord shall have the right, at its election, to terminate this Lease on five days' notice to Tenant, Tenant as debtor-in-possession, or said trustee, and upon the expiration of said five-day period this Lease shall cease and expire as aforesaid and Tenant, Tenant as debtor-in-possession, and said trustee shall immediately quit and surrender the Premises as aforesaid.

(b) If an Event of Default shall occur and all applicable cure periods have expired, Landlord, without notice, may (unless such Event of Default shall have been completely cured) dispossess Tenant by summary proceedings or by any suitable action or proceeding at law, whether or not the Lease has terminated.

SECTION 25.4. If this Lease shall be terminated as provided in SECTION 25.3(a) or Tenant shall be dispossessed as provided in SECTION 25.3(b), then:

(a) Landlord or Landlord's agents or servants may immediately or at any time thereafter re-enter the Premises and remove therefrom Tenant, its agents, employees, servants, licensees, and any subtenants and other persons holding or claiming by, through or under Tenant, and all or any of its or their property, without being liable to indictment, prosecution or damages therefor, and repossess and enjoy the Premises, together with all additions, alterations and improvements thereto;

(b) All of the right, title, estate and interest of Tenant in and to (i) the Premises, all Buildings (including, without limitation, all Equipment), all changes, additions and alterations therein, and all renewals and replacements thereof, (ii) all rents, issues and profits of the Premises, or any part thereof, whether then accrued or to accrue, (iii) all insurance policies and all insurance monies paid or payable thereunder, and (iv) subject to SECTION 25.17, the entire undisbursed balance of any funds (including the interest, if any, accrued thereon) then held by the Landlord, shall automatically pass to, vest in and belong to Landlord, without further action on the part of either party, free of any claim thereto by Tenant (and Landlord will not thereby be deemed to have assumed, or otherwise be or become subject to, any of Tenant's obligations or liabilities thereunder or with respect thereto), subject, however, to the rights, if any, of any Secured Lenders;

(c) Tenant shall immediately pay to Landlord all Rental payable by Tenant under this Lease to the date upon which this Lease and the Term or any exercised Renewal Term shall have expired and come to an end or to the date of re-entry upon the Premises by Landlord, as the case may be;

(d) Landlord may repair and alter the Premises in such manner as Landlord may deem necessary or advisable without relieving Tenant of any liability under this Lease or otherwise

affecting any such liability, and let or relet the Premises or any parts thereof for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name or as agent of Tenant, and out of any rent and other sums collected or received as a result of such reletting Landlord shall: (i) first, pay to itself the reasonable cost and expense of terminating this Lease, re-entering, retaking, repossessing, completing construction of and repairing and altering the Premises, or any part thereof, and the reasonable cost and expense of removing all persons and property therefrom, including in such costs reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements; (ii) second, pay to itself the reasonable cost and expense sustained in securing any new tenants and other occupants, including in such costs reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements and other expenses of preparing the Premises for reletting, and, if Landlord shall maintain and operate the Premises, the cost and expense of operating and maintaining the Premises; and (iii) third, pay to itself any balance remaining on account of the liability of Tenant to Landlord. Landlord in no way shall be responsible or liable for any failure to relet the Premises or any part thereof, or for any free rent or other concessions granted to any tenants in connection with any such reletting, or for any failure to collect any rent due on any such reletting, and no such failure to relet or to collect rent, or concessions granted, shall operate to relieve Tenant of any liability under this Lease or to otherwise affect any such liability; and in no event shall Tenant be entitled to receive any excess of such annual rents over the sums payable by Tenant to Landlord hereunder, provided, however, Landlord shall use reasonable efforts to mitigate its damages for any Tenant default under the Lease;

(e) Tenant shall be liable for and shall pay to Landlord, as damages, any deficiency ("DEFICIENCY") between (i) the Rental (including, without limitation, Fixed Rent, Impositions, and all other amounts comprising Rental hereunder) reserved in this Lease for the period from the time of the termination hereof or dispossession of Tenant hereunder through the date on which the Term (or any exercised Renewal Term) would have ended had no such termination or dispossession occurred and (ii) the net amount, if any, of rents collected under any reletting effected pursuant to the provisions of SECTION 25.4(d) for any part of such period (which net amount shall be determined after deducting from the rents collected under any such reletting all of the payments to Landlord described in SECTION 25.4(d) hereof); any such Deficiency shall be paid in installments by Tenant on the respective days specified in this Lease for payment of installments or other payments of Rental, and Landlord shall be entitled to recover from Tenant each Deficiency install ment as the same shall arise, and no suit to collect the amount of the Deficiency for any installment period shall prejudice Landlord's right to collect the Deficiency for any subsequent installment period by a similar proceeding; and

(f) Whether or not Landlord shall have collected any Deficiency installments as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, in lieu of any further Deficiencies, as and for liquidated and agreed final damages (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), a sum equal to the amount by which the Rental reserved in this Lease for the period following termination or dispossession exceeds the then fair market rental value of the Premises for the same period, both discounted to present worth at the rate per annum equal to the yield on then current Five-Year U.S.

Treasury Index, less the aggregate amount of Deficiencies theretofore collected by Landlord pursuant to the provisions of SECTION 25.4(C) for the same period (if any). In no event is Landlord entitled to accelerated nondiscounted rent.

SECTION 25.5. No taking of possession of, or reletting of, the Premises or any part thereof pursuant to SECTIONS 25.3(b) or 25.4, or any other provision hereof, or as permitted by applicable law, shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such repossession or reletting except as otherwise specifically and expressly provided herein.

SECTION 25.6. To the extent not prohibited by law, Tenant hereby waives and releases all rights now or hereafter conferred by statute or otherwise which would have the effect of limiting or modifying any of the provisions of, or limiting or restricting Landlord's rights or remedies under, this ARTICLE 25. Tenant shall execute, acknowledge and deliver any instruments which Landlord may reasonably request, whether before or after the occurrence of an Event of Default, evidencing such waiver or release.

SECTION 25.7. Landlord hereby waives any contractual, statutory or other landlord's lien on Tenant's Property, furniture, fixtures, supplies, equipment and inventory and any Capital Improvement owned now or hereafter by Tenant or its assignees, Subtenants or licensees at and with respect to the Premises; provided, however, that the foregoing clause of this Section shall not be deemed to waive, release or diminish in any way any of the rights, remedies or authorities granted to Landlord by the provisions of this Lease.

SECTION 25.8. Suit or suits for the recovery of damages allowed hereunder or any Deficiencies or other sums payable by Tenant to Landlord pursuant to this ARTICLE 25 may be brought by Landlord from time to time at Landlord's election, and nothing herein contained shall be deemed to require Landlord to await the date whereon this Lease or the Term or any Renewal Terms would have expired had there been no Event of Default by Tenant and termination.

SECTION 25.9. Nothing contained in this ARTICLE 25 shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding an amount equal to the maximum allowed by any statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount shall be greater than, equal to or less than the amount of the damages referred to in any of the preceding Sections of this ARTICLE 25.

SECTION 25.10. No receipt of moneys by Landlord from Tenant after the termination of this Lease or after the giving of any notice of the termination of this Lease shall reinstate, continue or extend the Term or any Renewal Terms or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rental payable by Tenant hereunder or thereafter falling due, or operate as a waiver of the right of Landlord to recover possession of the Premises by proper remedy, except as herein otherwise expressly provided, it being agreed that after the giving of notice to terminate this Lease or the commencement of any suit or summary

proceedings, or after a final order or judgment for the possession of the Premises, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Premises or, at the election of Landlord, on account of Tenant's liability hereunder.

SECTION 25.11. Except as otherwise expressly provided herein or as prohibited by applicable law, Tenant hereby expressly waives the service or giving of any notice of intention to re-enter provided for in any statute, or of the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all rights provided by any law or statute now in force or hereafter enacted or otherwise, of redemption or re-entry or repossession or to restore the operation of this Lease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in case of any expiration or termination of this Lease. The terms "enter", "re-enter", "entry" or "re-entry" as used in this Lease are not restricted to their technical legal meaning. Nothing in this Section shall affect Tenant's rights, including rights to notice, which are expressly provided herein.

SECTION 25.12. No failure by Landlord to insist upon the strict performance by Tenant of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no payment or acceptance of full or partial Rental during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by Tenant, and no breach thereof, shall be waived, altered or modified except by the specific provisions of a written instrument executed by Landlord. No waiver by Landlord of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof.

SECTION 25.13. In the event of any breach or threatened breach or repudiation by Tenant of this Lease or of any of the covenants, agreements, terms or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach, threatened breach or repudiation and shall have the right to invoke any and all rights and remedies allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings, and other remedies were not provided for in this Lease.

SECTION 25.14. Each right and remedy of Landlord provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 25.15. If after an Event of Default has occurred (and any applicable cure periods have expired) then in addition to all other remedies of Landlord hereunder (other than its rights to terminate this Lease and/or dispossess Tenant, as to which see the final sentence of this Section), Landlord may, in its discretion, by notice to Tenant (which notice, referred to herein as a "SECTION 25.15 NOTICE," shall expressly state that Landlord is exercising its rights under this SECTION 25.15), accelerate all obligations of Tenant hereunder for Rental, in which case all amounts of Rental (including, without limitation, Fixed Rent) which would have become due or payable by Tenant to Landlord hereunder for any period or at any time through the end of the Term (including any Renewal Term, if exercised) shall immediately be due and payable in full (provided, however, that any such amounts so due and payable shall be discounted to present value at the rate per annum equal to the yield, as in effect on the date of the Section 25.15 Notice, on U.S. Treasury debt instruments which mature in the month in which the Lease Term is scheduled to end). From and after the time (if any) when Landlord has duly exercised its right to accelerate as provided in this Section and has also actually received in cash the full amount (discounted to present value as provided in the preceding sentence) of all Rental which would have become due or payable hereunder through the end of the Term as provided in the preceding sentence (the "FULL TERM RENTAL PAYMENT RECEIPT DATE"), Landlord shall not be entitled to terminate this Lease or to dispossess Tenant until the end of the Term with respect to which Landlord had received such accelerated, commuted payment of Rental; but Landlord may, at any time until the Full Term Rental Payment Receipt Date, rescind any Section 25.15 Notice it may theretofore have given and thereafter exercise its rights to terminate this Lease or dispossess Tenant hereunder.

SECTION 25.16. If an order for relief is entered or if a stay of proceeding or other acts becomes effective in favor of Tenant or Tenant's interest in this Lease, in any proceeding which is commenced by or against Tenant, under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, Landlord shall be entitled to invoke any and all rights and remedies available to it under such bankruptcy code, statute, law or this Lease, including, without limitation, such rights and remedies as may be necessary to adequately protect Landlord's right, title and interest in and to the Premises or any part thereof and adequately assure the complete and continuous future performance of Tenant's obligations under this Lease.

SECTION 25.17. If this Lease shall terminate as a result of an Event of Default, and also (regardless of whether or not this Lease shall have terminated) at any time after an Event of Default has occurred (and any applicable cure period has expired), any funds of Tenant (including the interest, if any, accrued thereon) then held by Landlord may be applied by Landlord to any sums then due and owing by Tenant to Landlord hereunder and to any damages payable by Tenant (whether provided for herein or by law or in equity) as a result of such termination or Event of Default.

ARTICLE 26
NOTICES

SECTION 26.1. All notices, demands, requests, consents, approvals or other communications (each of which is referred to herein as a "NOTICE") made or required to be given pursuant to, under

or by virtue of this Lease must be in writing. Notices shall be delivered to the respective parties at the following respective addresses:

If to Landlord:	CTC Investments Limited 9665 Wilshire Blvd., Suite 200 Beverly Hills, CA 90212 Attention: R. Christian B. Evensen K. Robert Turner
with a copy to:	Mayer, Brown & Platt 190 South LaSalle Street - Suite 3100 Chicago, Illinois 60603 Attention: Robert M. Berger Jason Neumark
If to Tenant:	Sara Lee Corporation 410 Commerce Boulevard Carlstadt, New Jersey 07072 Attention: Mr. William M. Page
with a copy to:	Sara Lee Corporation Law Department, Attn: Ms. Carole P. Sadler 516 West 34th Street New York, NY 10001

If Landlord should so request of Tenant, Tenant shall also deliver a copy of any Notice it gives to Landlord, to any Secured Lender that Landlord may designate in such request, at such Secured Lender's address as furnished to Tenant by Landlord. Any Notice shall be deemed given upon the first to occur of (i) actual receipt by the party to whom it is being given, (ii) the date on which proper delivery of such Notice is refused by the party to whom it is being given, (iii) the third Business Day after the date on which such Notice was deposited in the U.S. Mails, properly addressed, by first class certified mail return receipt requested, with all proper postage prepaid, or (iv) the first Business Day after being deposited with a recognized national overnight courier service for next-day delivery, properly addressed, with all charges prepaid or otherwise charged to the sender. Notices may be given on behalf of any party by such party's attorneys at law. Any party may change its address for purposes of receipt of Notices hereunder by giving notice of such change to the other party in accordance with this SECTION 26.1.

SECTION 26.2. If Landlord shall designate the holder of any Secured Loan as a Person to whom copies of all Notices from Tenant shall be sent, such designation shall be irrevocable during the term of such Secured Loan, and no Notice from Tenant shall be deemed to have been validly given unless and until a copy thereof is also given to such holder. (Such Secured Lender may change

its address or may be replaced by a new holder of such Secured Loan by Notice given to Landlord and Tenant.)

ARTICLE 27
SIGNAGE

SECTION 27.1. Tenant shall, at its sole cost and expense, deliver to Landlord such signs, monuments or markers setting forth Tenant's name and logo as it may wish to have installed on (a) the entrance doors of any Building, (b) the exterior walls of any Building, and (c) in the parking areas of any Building. Tenant shall submit to Landlord for its approval the plans and specifications for such signs, monuments or markers ("SIGNAGE PLAN") as soon as practical hereafter but no later than December 15, 1998; provided, however, that if the Signage Plan is delivered after December 15, 1998, then (i) Tenant will pay to Landlord on demand all amounts, costs, expenses and liabilities of every kind that Landlord may pay or incur (including, without limitation, construc tion costs and interest on any construction loan) as a direct or indirect result of such late delivery of the Signage Plan, and (ii) all deadlines, performance dates and similar time-related obligations of Landlord under or concerning this Lease (including, without limitation, the Required Delivery Date [defined in the Leasehold Improvement Agreement]) shall be deferred and moved back by an equal number of days or (if longer) the period of delay in the construction of the Initial Building that was directly or indirectly caused or occasioned by such late delivery of the Signage Plan. Landlord shall be responsible for installing any signs, monuments or markers delivered to it by Tenant in compliance with the Signage Plan, and Landlord shall obtain all necessary sign permits, approvals or certificates required by any Governmental Authorities, but Tenant shall pay all costs in excess of $2,500.00 which are paid or incurred in connection with such installation or obtaining of permits, approvals or certificates.

SECTION 27.2. Tenant shall be responsible, at its sole cost and expense, for (a) maintaining in force all sign permits, if any, required by any Governmental Authorities, and (b) all maintenance, repair and cleaning of Tenant's and its Subtenants' signs, and the provisions and conditions of ARTICLE 12 shall apply to each such sign. All such signs shall be deemed to be Tenant's Property for the purposes of ARTICLES 11 and 13.

SECTION 27.3. At any time during the Term or any Renewal Term, Tenant may, at its sole cost and expense, remove or cause the removal of any signs installed or directed or permitted to be installed by Tenant. At the end of the Term or any Renewal Term, Tenant, at its sole cost and expense, shall remove from the Premises all signs installed or directed or permitted to be installed by Tenant or any Person acting, holding or claiming by, through or under Tenant. Upon the removal of any such sign, Tenant shall, at its sole cost and expense, (a) repair any damage caused by such sign or such removal, and (b) restore the elements of the Premises (including, without limitation, the Building) from which such signs are removed in accordance with the standards set out, and to the condition described, in SECTION 34.1.

SECTION 27.4. The provisions of SECTION 10.14 shall apply to all signs of Tenant (or any Person holding or claiming by, through or under Tenant) that in any way, directly or indirectly, advertise or inform that space at or within the Premises is or may be available, whether by assignment, subletting or otherwise. The provisions of SECTION 27.2 and 27.3 shall also apply (inter alia) to such signs, but in the event of an inconsistency between the provisions of SECTION 10.14 and the provisions of SECTIONS 27.2 and 27.3 as applied to such advertising signs, the provisions of SECTION 10.14 shall govern and control.

SECTION 27.5. Tenant may, at its sole cost and expense, erect and maintain one dignified sign (i) at the edge of the South Access Roadway where such roadway ends at the south boundary of Parcel D and (ii) at the north edge of the Land. Such signs shall at all times conform to the requirements of all applicable laws and ordinances and the CC&Rs, as well as to all provisions of this Lease applicable to signs. To the extent (if any) necessary from time to time under applicable zoning ordinances for the maintenance of such signs, Landlord agrees that if and to the extent it will not thereby become obligated to pay, incur, undertake or sustain any payment, liability, obligation or risk of any kind, Landlord will do one of the following (it shall be within Landlord's sole and absolute discretion to determine which of the following Landlord will do at any particular time, Landlord having the right at any time and from time to time to make a different election): (i) cause the fee title to the South Access Roadway and Parcel D to be held by the same Person who holds the fee title to the Land; (ii) cause the South Access Roadway to be leased to Tenant pursuant to a lease which grants to Tenant no rights of any kind whatsoever thereto, and reserves to Landlord or its designee all rights of every kind whatsoever thereto, except only such bare leasehold estate as may be required to support Tenant's right to maintain thereupon the access sign described in this Section; or (iii) take any other action, or do any other thing, which (at no cost, expense, liability or risk to Landlord) would be sufficient to allow Tenant to maintain the sign described in this Section. Tenant acknowledges that the tenant of Parcel A also has a right to maintain a sign on the South Access Roadway.

ARTICLE 28
[INTENTIONALLY OMITTED.]

ARTICLE 29
AMENDMENTS TO CC&R'S

Notwithstanding anything to the contrary provided herein, (a) Landlord shall not enter into or consent to any modification or amendment of the CC&R's which materially adversely affects Tenant without obtaining the written consent of Tenant (which consent shall not be unreasonably withheld or delayed by Tenant), and (b) Landlord shall not terminate or agree or consent to a termination of the CC&R's without the written consent of Tenant (which consent shall not be unreasonably withheld or delayed by Tenant). Landlord agrees to consent to, join in and execute (if required) any easement, modification or amendment to the CC&R's, licenses and any other agreement reasonably requested by Tenant, Wilma's successor in interest under the Initial

Declaration as amended, the Association or any Governmental Authority which is necessary for Tenant's use or enjoyment of the Premises, but only if (i) the same does not impose any costs, obligations, liabilities or risks on Landlord (or Tenant delivers to Landlord the binding and enforce able written agreement of Tenant, satisfactory in all respects to Landlord, by which Tenant agrees to pay all such costs and to defend, indemnify and hold Landlord harmless from and against all such costs, obligations, liabilities and risks, it being expressly agreed hereby that any such agreement of Tenant, and all of Tenant's obligations and liabilities thereunder, shall also automatically constitute obligations of Tenant under this Lease, the breach or default with respect to which will also constitute a Default hereunder, and which constitute "Obligations" guarantied by Guarantor under the Guaranty), and (ii) the same does not adversely affect any of Landlord's other properties or the security or interests of any Secured Lender in, to or concerning the Premises, the Parcels or this Lease. Each party will provide to the other party, promptly after its receipt thereof, a copy of any notice such party receives concerning the CC&Rs.

ARTICLE 30
CERTAIN PROVISIONS RELATING TO SECURED LOANS

SECTION 30.1. If any act or omission of Landlord would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a partial or total eviction, or to have any abatement or reduction of or offset against any Rental hereunder, Tenant shall not exercise such right until thirty (30) days after it has given written notice of such act or omission to Landlord and to each Secured Lender; and any purported exercise by Tenant of such right before 30 days have elapsed from its giving of such notice shall be void. The provisions of this SECTION 30.1 are not intended to, and shall not be construed to, limit, qualify or modify the provisions of ARTICLE 23 or any other provision of this Lease.

SECTION 30.2.

(a) Landlord shall cause each Secured Lender who holds a lien or security interest in the Premises to execute, acknowledge and deliver to Tenant, not later than thirty (30) days after Landlord acquires financing from any such Secured Lender, a subordination, nondisturbance and attornment agreement in a form reasonably acceptable to Tenant (herein called a "NONDISTURBANCE AGREEMENT"). Tenant acknowledges and agrees that a Nondisturbance Agreement substantially similar to the Nondisturbance Agreement executed by the tenant under the Parcel A Lease will be acceptable to Tenant. Until such time (if any) as said Nondisturbance Agreement is delivered to Tenant, such Secured Lender shall not be entitled to any of the rights, benefits or privileges accorded to Secured Lenders under the provisions of this Lease.

(b) Not later than ten days after Landlord tenders to Tenant a form thereof signed by a Secured Lender or prospective Secured Lender, Tenant shall execute, acknowledge and deliver a Nondisturbance Agreement to any Secured Lender or any prospective Secured Lender designated by Landlord from time to time. If Tenant fails to deliver such Nondisturbance Agreement to any

Secured Lender or prospective Secured Lender within such ten-day period, Landlord may execute and deliver such Nondisturbance Agreement in Tenant's name, place and stead, and Tenant hereby grants to Landlord an irrevocable power of attorney (which power Tenant acknowledges is coupled with an interest), in Tenant's name, place and stead to execute, acknowledge and deliver any such Nondisturbance Agreement.

SECTION 30.3. Within ten Business Days after being requested to do so by Landlord, Tenant shall execute and deliver an Environmental Indemnity in a form substantially identical to the form of EXHIBIT L attached hereto to any Secured Lender or any prospective Secured Lender.

SECTION 30.4. Upon reasonable request from Landlord, Tenant shall deliver to Landlord or any Secured Lender or prospective Secured Lender a written letter of opinion from Tenant's legal counsel satisfactory to Landlord or such Secured Lender (as the case may be), as to Tenant's authority to execute this Lease, Tenant's due execution of this Lease, the enforceability of this Lease and its nonconflict with laws and contracts, and Tenant's good standing in the state of its incorporation and the State of Florida.

SECTION 30.5 Upon request from Landlord, Tenant shall deliver to Landlord, any Secured Lender or prospective Secured Lender, and any purchaser or prospective purchaser of all or part of Landlord's interest in the Premises or this Lease, an estoppel certificate as to the existence and validity of this Lease (as it may then have been amended, modified or restated), the nonexistence of any defaults hereunder, the nonpayment of any Rental in advance, the performance by Landlord of its obligations hereunder, and any other reasonable or customary matters.

ARTICLE 31
ENVIRONMENTAL MATTERS

SECTION 31.1 Tenant covenants that at all times after the Commencement Date of the Original Lease: (a) the Premises was, and shall be, maintained free of contamination from any Hazardous Substances (hereinafter defined) except any which were present on the Premises as of the Commencement Date of the Original Lease through no fault of Tenant or any Person acting or claiming by, through or under Tenant; (b) the Premises were not, and shall not be, used for the manufacture, storage, generation or disposal of any Hazardous Substances; (c) Tenant was not and shall not be, and did not and shall not permit any assignee or Subtenant to be, involved in operations at or near the Premises that could lead to the imposition on Landlord of liability, or the creation of a lien on the Premises or any assets of Landlord, under any Requirements relating to Hazardous Substances; and (d) Tenant did not and shall not cause or permit to exist or occur any deposit, disposal, discharge, spillage, loss, emission, escape, migration, seepage or filtration of oil, petroleum, chemical liquids or solids, liquid or gaseous products, or any Hazardous Substances upon, under, above, from, or within the Premises; provided, however, that Tenant may, at Tenant's sole risk, use upon the Premises any Hazardous Substances or hazardous materials which are necessary for Tenant to carry on, in the ordinary course of its business, its presently intended warehouse, distribution or

office uses on the Premises so long as Tenant complies with all applicable Environmental Laws and with then-generally-accepted good and prudent business practices relating thereto. (Nothing in the proviso at the end of the preceding sentence shall be deemed to diminish, restrict, limit or affect in any way the breadth, generality or scope of Tenant's indemnification or other obligations or undertakings set out the remainder of this ARTICLE 31.)

SECTION 31.2 Except for matters caused by Landlord's own acts or by the acts of any Person acting or claiming by, through or under Landlord (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Landlord", and any similar phrase, does not include Tenant or its assignees, Subtenants, licensees, or Persons acting, claiming or holding by, through or under Tenant or its assignees, Subtenants or licensees), Tenant hereby agrees to defend, indemnify, and hold Landlord harmless from and against any and all losses, liabilities (including, without limitation, strict liability), damages, injuries, expenses (including, without limitation, attorneys' fees and disbursements), costs of any settlement or judgment, and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Landlord by any Governmental Authority or other Person for, with respect to, or as a direct or indirect result of, the presence on, within or under, or the escape, seepage, leakage, spillage, discharge, emission, migration or release from, the Premises of any Hazardous Substance, which conditions either (i) were created or caused by Tenant or any Person acting by, through or under Tenant or (ii) did not exist on the Premises prior to the Commencement Date of the Original Lease (including, without limitation, any losses, liabilities, including strict liability, damages, injuries expenses, including attorneys' fees and disbursements, costs of any settlement or judgment or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, RCRA, as amended, or any federal, state or local so-called "Superfund" or "Superlien" laws or any other statute, law, ordinance, code, rule, regulation, order or decree now or hereafter regulating, governing, controlling, relating to, or imposing liability [including, without limitation, strict liability] or standards of conduct for or concerning any Hazardous Substance [collectively, "ENVIRONMENTAL LAWS"] and including amounts necessary to pay costs of investigation and clean-up of Hazardous Substances and toxic substances on or affecting the Property).

SECTION 31.3 For purposes hereof, "HAZARDOUS SUBSTANCES" shall mean and include all elements, wastes, materials, substances or compounds which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (the "EPA") or the Florida Department of Environmental Protection (the "DEP") or the list of toxic pollutants designated by Congress or the EPA or the DEP or defined by any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, governing or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material as now or at any time hereafter in effect, including, without limitation, asbestos, PCBs, radioactive substances, methane, petroleum distillates, compounds and derivatives, petrochemicals, volatile hydrocarbons and industrial solvents.

SECTION 31.4 If either Tenant or Landlord receives any notice of (a) the happening of any event involving in any way the presence, spill, release, leak, seepage, discharge of cleanup of any

Hazardous Substance on or from the Premises, or (b) any complaint, order, citation or notice with regard to air emissions, water discharges, or any other environmental, health or safety matter affecting Landlord or the Premises (an "ENVIRONMENTAL COMPLAINT") from any Person (including without limitation the EPA or the DEP), then such party receiving the notice shall immediately notify the other party of said notice and shall promptly send such other party a complete copy of any such notice that is in written form.

SECTION 31.5 Unless caused by Landlord's own acts or by the acts of any Person acting or claiming by, through or under Landlord (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Landlord", and any similar phrase, does not include Tenant or any assignee, Subtenant or licensee of or under Tenant or any other Person acting, claiming or holding by, through or under Tenant or any assignee, Subtenant or licensee of Tenant) and except for Hazardous Substances that were present on the Premises on the Commencement Date of the Original Lease through no fault of Tenant or any Person acting or claiming by, through or under Tenant, Tenant shall bear the sole and complete responsibility and expense to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any and all such Hazardous Substances and Environmental Complaints following receipt of any notice from any Person (including without limitation the EPA or the DEP) asserting the existence of any Hazardous Substance, or an Environ mental Complaint, pertaining to the Parcels or any part thereof which could result in an order, judgment, complaint, decree, suit or other action against Landlord or any Secured Lender or Tenant or Tenant's representatives, agents or Subtenants or which, in the sole opinion or Landlord, could impair the value of Landlord's interest in the Premises or the Parcels. With respect to all matters described above, Tenant shall take all action necessary to obtain a closure letter or other final, favorable written disposition of the matter from the applicable Governmental Authorities and shall deliver said letter or other written disposition to Landlord. If Tenant fails to take any action required herein, Landlord shall have the right (but not the obligation), after providing Tenant with notice and a reasonable opportunity to cure, to enter onto the Premises or to take such other actions as it deems necessary or advisable so to clean up, remove, resolve, minimize the impact of, or otherwise deal with any such Hazardous Substances or Environmental Complaint, in which event all costs and expenses incurred by Landlord in the exercise of any such rights shall be paid and reimbursed to Landlord by Tenant upon demand.

SECTION 31.6

(a) Promptly after its receipt of any report of or concerning the environmental condition of, or the presence or absence of Hazardous Substances at, upon or under, or the compli ance or noncompliance with any Environmental Laws of, the Parcels or any part thereof, Tenant will deliver a complete copy of such report to Landlord.

(b) Each of Landlord and any Secured Lender shall have the right from time to time, in its reasonable discretion, to cause to be performed an environmental audit and, if deemed necessary by Landlord, an environmental risk assessment, concerning or relating to the Parcels (or any portions thereof) and the hazardous waste management practices of and the hazardous waste

disposal sites used by Tenant and any other users of the Premises; and Tenant grants to Landlord and each such Secured Lender and their respective agents, contractors and designees an irrevocable license to enter upon the Premises at any reasonable time or times for purposes of performing the same. All costs and expenses incurred by Landlord in the exercise of such rights shall be payable by Landlord, except that Tenant shall pay the costs of (i) all such audits and reports as are done either (A) when Landlord or any Secured Lender has any reasonable basis to believe that any Hazardous Substance may be present on, under, at or about the Parcels or (B) in satisfaction of a requirement of a Secured Lender or (C) not sooner than three years after the date of the most recent such audit and report done at Landlord's request, as well as (ii) all audits and reports that disclose a violation not shown as existing in a written environmental consultant's report previously obtained by Landlord (except for violations which Tenant establishes existed before the Commencement Date and were not disclosed in any environmental report received by Tenant prior to the execution of this Lease).

SECTION 31.7 Landlord represents to Tenant that as of the Commencement Date of the Original Lease Landlord had no actual, conscious knowledge of any violation by the Premises of any Environmental Law except as may have been disclosed on any environmental consultants' reports delivered to Tenant before the Commencement Date of the Original Lease. Tenant acknowledges that, except as set out in the preceding sentence, Landlord has made no representation of any kind regarding Hazardous Materials or Environmental Laws and that Tenant is relying, and is willing to rely, solely upon the environmental reports delivered to Tenant before the execution of this Lease.

SECTION 31.8 Unless caused by Tenant's own acts or by the acts of any Person acting, holding or claiming by, through or under Tenant, Landlord hereby agrees to defend, indemnify and hold Tenant harmless from and against any and all losses, liabilities (including, without limitation, strict liability), damages, injuries, expenses (including, without limitation, attorneys' fees and disbursements), costs of any settlement or judgment, and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Tenant by any Governmental Authority or other Person for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, migration or release from, the Premises of any Hazardous Substance which resulted solely from conditions existing on the Parcels on or prior to the Commencement Date of the Original Lease (except for such, if any, as were disclosed in any environmental report delivered to Tenant before the date of the Original Lease), except to the extent the same was exaggerated, exacerbated, aggravated or otherwise affected by any act of Tenant or any Person acting, holding or claiming by, through or under Tenant at any time or by any other Person after the Commencement Date of the Original Lease (including, without limitation, any losses, liabilities, including strict liability, damages, injuries expenses, including attorneys' fees and disbursements, costs of any settlement or judgment or claims asserted or arising under any Environmental Laws).

SECTION 31.9 Unless caused by Tenant's own acts or by the acts of any Person acting, holding or claiming by, through or under Tenant, Landlord shall bear the sole and complete responsibility and expense to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Environmental Complaint with respect solely to environmental conditions that existed on

the Premises on or prior to the Commencement Date of the Original Lease (except for such, if any, as were disclosed in any environmental report delivered to Tenant before the date of the Original Lease), except to the extent the same was exaggerated, exacerbated, aggravated or otherwise affected by any act of Tenant or any Person acting, holding or claiming by, through or under Tenant at any time or by any other Person after the Commencement Date of the Original Lease, following receipt of any such Environmental Complaint pertaining to the Premises or any part thereof as to such environmental conditions which could result in an order, suit or other action against Landlord or Tenant or Tenant's representatives, agents or Subtenants or which, in the reasonable opinion of Tenant, could impair the value of Tenant's interest in the Premises. If required herein, Landlord shall take all action necessary to obtain a closure letter or other final, favorable written disposition of such matter from the applicable Governmental Authorities and shall deliver said letter or other disposition to Tenant. If Landlord fails to take any action required herein, Tenant shall have the right (but not the obligation), after providing Landlord with notice and a reasonable opportunity to cure, to take such actions as it deems necessary or advisable so to clean up, remove, resolve, minimize the impact of, or otherwise deal with any such Environmental Complaint, in which event, all costs and expenses incurred by Tenant in the exercise of any such rights shall be paid and reimbursed to Tenant by Landlord upon demand.

SECTION 31.10. All of Tenant's and Landlord's respective rights, remedies, liabilities and obligations under this ARTICLE 31 shall survive the expiration and the termination of this Lease (but neither party will have any obligation or liability of any kind to the other party under this ARTICLE 31 for or concerning (i) any condition that first came into existence after the Expiration Date or (ii) any violation of any Environmental Law that first occurred after the Expiration Date and was not caused by, and was not a consequence or result of, any action on omission of such party, or any condition that existed, before the expiration or termination of this Lease).

SECTION 31.11. Under no circumstances whatsoever shall any Secured Lender (or any successor or assign of any Secured Lender) have any personal liability or obligation of any kind to Tenant under or with respect to this ARTICLE 31 or any provision hereof (but the provisions of this Section shall not be construed as negating any liability of a Secured Lender in its capacity as outright owner of any Parcel for any act of such Secured Lender after it becomes the outright owner of such Parcel).

ARTICLE 32
CERTIFICATES BY LANDLORD AND TENANT

SECTION 32.1. Tenant shall, within ten (10) days after each and every written request by Landlord, execute, acknowledge and deliver to Landlord or any other Person designated by Landlord a statement in writing certifying as to such matters regarding this Lease as Landlord may reasonably request and certifying that the statement shall be binding upon Tenant and may be relied upon by any then existing or prospective Secured Lender, assignee or purchaser of all or a portion of Landlord's interest in the Premises or this Lease or of an ownership interest in the Landlord. Tenant agrees that the certificate attached hereto as EXHIBIT K shall be deemed reasonable.

SECTION 32.2. Landlord agrees at any time and from time to time upon not less than ten (10) days' prior written notice by Tenant, to execute, acknowledge and deliver to Tenant or any other Person designated by Tenant a statement in writing certifying as to such matters regarding this Lease as Tenant may reasonably request. Such statement shall be binding upon Landlord and may be relied upon by any then-existing or prospective permitted Subtenant, assignee or purchaser of all or a portion of Tenant's interest in this Lease or an ownership interest in Tenant.

ARTICLE 33
CONSENTS AND APPROVALS

SECTION 33.1.

(a) All consents and approvals which may be given under this Lease shall, as a condition of their effectiveness, be in writing. The granting of any consent or approval by a party to perform any act requiring consent or approval under the terms of this Lease, or the failure on the part of a party to object to any such action taken without the required consent or approval, shall not be deemed a waiver by the party whose consent was required of its right to require such consent or approval for any further similar act, and each party hereby expressly covenants and warrants that as to all matters requiring the other party's consent or approval under the terms of this Lease, the party requiring the consent or approval shall secure such consent or approval for each and every happening of the event requiring such consent or approval, and shall not claim any waiver on the part of the other party of the requirement to secure such consent or approval.

(b) If Tenant shall request Landlord's consent and Landlord shall fail or refuse to give such consent unreasonably in an instance where Landlord is required pursuant to a provision of this Lease not to withhold its consent unreasonably, Landlord's liability hereunder for damages, if any, shall be limited as provided in ARTICLE 43 and ARTICLE 48. Notwithstanding anything which may be to the contrary herein, Landlord shall conclusively be deemed to have reasonably withheld its consent or approval if Landlord has withheld its consent or approval because a Secured Lender who has a right of consent or approval with respect to the matter in question under the terms of the Secured Loan such Secured Lender is holding, has failed or declined to give its consent or approval. Whenever this Lease provides in substance that a matter shall be as determined in the reasonable judgment of Landlord, and a Secured Loan provides in substance that such matter shall be as determined by the Secured Lender holding such Secured Loan, Landlord shall conclusively be deemed to have exercised its judgment reasonably in determining such matter as required by such Secured Lender. Landlord shall use reasonable efforts to obtain the consent or approval of such Secured Lender if Landlord would, with such consent or approval, give Landlord's consent or approval.

(c) Any matter or thing which is required under this Lease to be done "satisfactorily" or to the "satisfaction" of a party need only be done "reasonably satisfactorily" or to the "reasonable satisfaction" of that party.

ARTICLE 34
SURRENDER AT END OF TERM OR RENEWAL TERMS

SECTION 34.1. On the last day of the Term or any Renewal Term (if exercised), or upon the Expiration Date (if earlier), or upon a re-entry by Landlord upon the Premises pursuant to ARTICLE 25 hereof, Tenant shall surrender and deliver to Landlord the Premises (a) in the same or better condition as on the Commencement Date, (b) in good order, good and working condition and good repair, except for (i) ordinary wear and tear, (ii) damage by fire or other casualty or by condemna tion or other taking that Tenant or Landlord is required under this Lease to Restore but, despite reasonable diligence, was not by that time able to Restore (provided that all insurance or condemnation proceeds comprising Restoration Funds which had not been applied to such Restora tion shall have been deposited with Secured Lender, together with any additional sums required to complete such Restoration as estimated pursuant to SECTION 8.2 hereof), (iii) damage from any cause not required to be repaired or Restored by Tenant or (iv) damage caused by Landlord or by Persons acting or holding by, through or under Landlord (but no provision of this Section shall be deemed to limit, restrict, diminish or affect in any way any right of Tenant or Landlord under any policy of insurance), and (c) free and clear of all lettings, occupancies, possessions, liens, security interests, charges and encumbrances other than those, if any, which existed as of the Commencement Date, were created by or consented to by Landlord, or which by their express written terms and conditions extend beyond the Expiration Date and which Landlord shall have expressly approved in writing. Tenant hereby irrevocably waives any notice now or hereafter required by law with respect to vacating the Premises on any such termination date or Expiration Date. Landlord shall have the right to make an inspection of the Parcels following the surrender by Tenant to determine if Tenant has complied with this Section and any other applicable provisions of this Lease.

SECTION 34.2. On the last day of the Term (including any Renewal Term, if exercised), or upon the Expiration Date (if earlier), or upon re-entry by Landlord upon the Premises pursuant to ARTICLE 25 hereof, Tenant shall deliver to Landlord, to the extent Tenant is then in possession or control of the same, Tenant's executed counterparts of all Subleases and any service and maintenance contracts then affecting the Parcels, true and complete maintenance records for the Parcels, all original licenses and permits then pertaining to the Parcels, permanent or temporary Certificates of Occupancy then in effect for any or all Buildings, and all warranties and guarantees then in effect which Tenant has received in connection with any work or services performed or Equipment installed in any or all Buildings, together with a duly executed assignment thereof to Landlord.

SECTION 34.3. If Tenant fails for any reason whatsoever to deliver possession of the Premises to Landlord as provided herein on the Expiration Date (or earlier date on which Tenant is to return, surrender or deliver possession to Landlord as provided in ARTICLE 25, in SECTION 34.2, or in any other provision hereof; the earliest of such dates is referred to herein as the "POSSESSION TERMINATION DATE"), Tenant shall be deemed guilty of an illegal and wrongful holding over and shall (i) pay Landlord on demand, with respect to such holdover period, rent (prorated for the actual number of days in such holdover period until Tenant surrenders and returns possession to Landlord of the entire Premises) equal to the greater of (i) holdover rent calculated in the manner expressly authorized by

applicable Florida statutes (if applicable Florida statutes expressly provide a formula or similar manner for calculating wrongful holdover rent for commercial or industrial rental properties), or (ii) if applicable Florida statutes do not expressly provide a formula or similar manner for calculating wrongful holdover rent for commercial or industrial rental properties, then at the rate equal to 150% of the Rental (including, without limitation, all Fixed Rent, Impositions and other components of Rental) that was applicable and payable by Tenant under the Lease for and with respect to the twelve months immediately preceding the Possession Termination Date. Notwith standing Tenant's obligation to pay, or Tenant's payment of, such holdover rent for or on account of such holdover period, Tenant shall nevertheless at all times after the Possession Termination Date be and remain (i) guilty of wrongfully holding over possession and (ii) obligated to deliver and return to Landlord possession of the Premises in the condition specified in SECTION 34.1 and to make the deliveries to Landlord provided for in SECTION 34.2 hereof.

ARTICLE 35
ENTIRE AGREEMENT

This Lease (including the Exhibits attached hereto and comprising a part hereof) contains all of the promises, agreements, conditions, inducements and understandings between Landlord and Tenant with respect to the Premises and supersedes and entirely replaces any and all prior or contemporaneous agreements, promises and understandings (including without limitation, the provisions of Section 45.1 of the Original Lease), and there are no promises, agreements, conditions, understandings, inducements, warranties or representations, oral or written, expressed or implied, between them with respect to the Premises other than as herein expressly set forth.

ARTICLE 36
QUIET ENJOYMENT

Landlord covenants that, if and as long as Tenant shall faithfully perform the agreements, terms, covenants and conditions hereof, Tenant and any Person who lawfully and in conformity with the provisions hereof claims through or under Tenant shall and may (subject, however, to the matters set out on EXHIBIT B hereof, the other Permitted Exceptions and all of the other provisions, reservations, terms and conditions of this Lease) peaceably and quietly have, hold and enjoy the Premises for the term hereby granted without molestation or disturbance by or from Landlord or any person claiming through or under Landlord. Landlord warrants that as of the Commencement Date, it will own the Premises free of any encumbrance superior to this Lease and Tenant's interest hereunder created or suffered by Landlord, except (a) those matters described on EXHIBIT B hereof and the other Permitted Exceptions, and (b) Secured Loans as provided in ARTICLE 30. This covenant shall be construed as a covenant running with the Land, to and against successors to Landlord's interest in this Lease, and is not, nor shall it operate or be construed as, a personal covenant of Landlord, except to the extent of Landlord's interest in this Lease and only so long as such interest shall continue, and thereafter this covenant shall be binding only upon successors in interest of

Landlord's interest in this Lease, to the extent of their respective interests, as and when they shall acquire the same, and so long as they shall retain such interest.

ARTICLE 37
[INTENTIONALLY OMITTED]

ARTICLE 38
INVALIDITY OF CERTAIN PROVISIONS

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 39
FINANCIAL REPORTS

Tenant shall deliver to Landlord three copies of Tenant's published annual reports, quarterly reports, and S.E.C. Forms 10-Q and 10-K (or any successor or replacement forms required by applicable law as in effect from time to time) during the Term of this Lease (but if Tenant ceases to publish quarterly or annual financial reports, Tenant shall nevertheless be obligated to deliver to Landlord quarterly and annual financial statements of Tenant, prepared and certified by a senior officer of Tenant as having been prepared in accordance with good accounting practice on a consistently-applied basis, not later than 90 days after the end of each fiscal quarter of Tenant. Quarterly statements and 10-Q's shall be delivered within 60 days of the end of each fiscal quarter of Tenant (or, as long as Tenant continues to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or any successor or replacement statute, such later date as such annual reports are actually distributed to or made available for Tenant's shareholders, or filed with the S.E.C., as the case may be) and annual statements and 10-K's within 90 days of the end of each fiscal year of Tenant (or, as long as Tenant continues to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or any successor or replacement statute, such later date as such annual reports are first either distributed to or made available for Tenant's shareholders or filed with the SEC). Tenant shall not be required to furnish any other financial reports, operating statements or any other statements or reports with respect to Tenant. If Tenant assigns this Lease in conformity with the applicable provisions hereof, the assignee of Tenant's rights and obligations shall be subject to all of the requirements and provisions of this ARTICLE 39 as though it were the Tenant expressly named herein.

ARTICLE 40
RECORDING OF MEMORANDUM

Landlord and Tenant, each upon the written request of the other or any Secured Lender, shall execute, acknowledge and deliver a memorandum of this Lease, and of each modification of this Lease, in proper form for recordation in the public records of Duval County, Florida, which shall set forth the matters described in Fla. Statutes Section 713.10(2) and shall describe the Term, the existence of Renewal Options, the existence of any easements [(including, without limitation, the Parking/ Driveway Facilities)], and such other material provisions hereof (if any) which Landlord and Tenant may mutually determine are suitable and appropriate for inclusion therein. Neither party shall record this Lease without the prior consent of the other party.

ARTICLE 41
CERTAIN MATTERS PERTAINING TO PARCEL A

SECTION 41.1. Landlord and Tenant agree that the occurrence of an Event of Default under this Lease shall also constitute, automatically and without any notice, demand or other action by Landlord, an Event of Default under the Original Lease.

SECTION 41.2. It is anticipated that (a) the Initial Building to be constructed by Landlord on the Land as provided in Exhibit C hereto may have one or more common walls that it shares with the Parcel A Building, as well as a common roof and reciprocal easements or rights of support, and (ii) the Initial Building and the Parcel A Building may be constructed so that they open into one another and can be used and operated in a unified and integrated manner. Despite the foregoing, each of the Tenant hereunder and the tenant under the Original Lease (and Landlord, if and when this Lease or the Original Lease expires or is terminated) shall have, and may exercise at any time or from time to time, the right unilaterally to close off the buildings, and other improvements on its Parcel from all buildings and other improvements on any other Parcel and to exclude all other persons therefrom. It is also possible that portions of the Parcel A Building may encroach onto the Land or portions of the Initial Building may encroach onto Parcel A. Tenant accepts and agrees to all of the foregoing and shall not have any right to, and will not assert, any objection of any kind to any of the foregoing.

SECTION 41.3. The Original Lease is hereby amended as follows, effective from and after the date of this Agreement. For all purposes of the Original Lease: (i) Parcel B-1 (as defined herein) is excluded from, and is not part of, the "Land", the "Premises", or "Parcel A" as those terms are used in the Original Lease (and there shall be no reduction in the Rental payable by the Tenant under the Original Lease on account of, or as a result of, the foregoing); (ii) the Declaration of Easements (as defined in this Agreement) is a Permitted Exception for all purposes of the Original Lease; (iii) the Tenant (as defined in the Original Lease) covenants that it will perform, and cause to be satisfied, performed and complied with, all provisions of the Declaration of Easements applicable to the Land or the Improvements (as each of those terms is defined in the Original Lease) or to the owner of either or both thereof; (iv) the Tenant (as defined in the Original Lease) will timely pay, as additional rent under the Original Lease, all costs, expenses and other amounts that the owner of Parcel A may, at any time or from time to time, be or become obligated to pay under or in respect of the Declaration of Easements; and (v) Landlord shall not relocate any of the easements located on Parcel A created

pursuant to the Declaration of Easements without the prior consent of the tenant of Parcel A at such time, which consent shall not be unreasonably withheld or delayed.

SECTION 41.4. The provisions of this Article 41 are part of this Lease, and they are also part of, and constitute an amendment to, the Original Lease, and by executing this Lease, the Landlord and the Tenant are, in their respective capacities as the landlord and the tenant under the Original Lease, also amending the Original Lease so as to include, as a part of the Original Lease, the provisions of this Article 41 (and also, to the extent necessary to define any capitalized term used in this Article 41, the definition of such term as set out in this Lease). However, despite the preceding sentence, the provisions of this Article 41 will not be deemed to constitute an amendment of the Original Lease until the holder of the first mortgage loan that encumbers Parcel A on the date of this Lease consents thereto or the lien of that mortgage loan is released, whichever occurs first.

ARTICLE 42
MISCELLANEOUS

SECTION 42.1. The captions of this Lease are for convenience of reference only and in no way define, limit or describe the scope or intent of this Lease or in any way affect this Lease.

SECTION 42.2. The Table of Contents is for the purpose of convenience of reference only and is not to be deemed or construed in any way as part of this Lease or as supplemental thereto or amendatory thereof.

SECTION 42.3. The use herein of the neuter pronoun in any reference to Landlord or Tenant shall be deemed to include any individual Landlord or Tenant, and the use herein of the words "successors and assigns" or "successors or assigns" of Landlord or Tenant shall be deemed to include the heirs, legal representatives and assigns of any individual Landlord or Tenant.

SECTION 42.4. All of Tenant's obligations hereunder with respect to Restorations and/or payment of any Shortfall shall (as they apply to any damage, destruction, condemnation or taking occurring prior to the Expiration Date) survive any termination of this Lease.

SECTION 42.5. If more than one Person becomes Landlord or Tenant hereunder: the other party may require the signatures of all such Persons in connection with any notice to be given or action to be taken by that party hereunder; and, each Person comprising a multi-Person Tenant or Landlord (but not including any shareholders of a party which is a corporation, trustees of a party which is a trust, partners of a party which is a general or limited partnership, or other constituent members of any entity which is a party) shall be fully liable for all of that party's obligations hereunder, subject to ARTICLE 43. Any notice by a party to any Person named as the other party and designated in SECTION 26.1 (or in any notice given pursuant to that Section) as an addressee of notices shall be sufficient and shall have the same force and effect as though given to all Persons named as such other party.

SECTION 42.6. The terms "herein," "hereunder" and words of similar import shall be construed to refer to this Lease as a whole, and not to any particular Article or Section, unless expressly so stated.

SECTION 42.7. The term "and/or" when applied to two or more matters or things shall be construed to apply to any one or more or all thereof as the circumstances warrant at the time in question.

SECTION 42.8. Except as otherwise expressly provided in this Lease, there shall be no merger of this Lease or the leasehold estate created hereby with the fee estate in the Premises or any part thereof by reason of the same Person's acquiring or holding, directly or indirectly, this Lease or the leasehold estate created hereby or any interest in this Lease or in such leasehold estate as well as the fee estate in the Premises; provided, however, that no such merger shall occur in any event without the written consent of each Secured Lender.

SECTION 42.9. Landlord and Tenant each covenants, warrants and represents to the other as follows: no broker other than Pantheon Properties, Inc. and Jim Runsdorf were instrumental in bringing about or consummating this Lease on its behalf; and, it had no dealings with any other broker, finder or other procuring Person concerning the leasing of the Premises by Landlord to Tenant. Landlord and Tenant shall each defend, indemnify and hold the other harmless against and from any claims for any other brokerage commissions or fees, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses, (a) in connection with such claims if any broker or other Person claims to have had dealings with the indemnifying party, and (b) in connection with the enforcement of a party's rights under this SECTION 42.9. Any brokerage commission or fee due Pantheon Properties, Inc. or Jim Runsdorf shall be paid by Landlord.

SECTION 42.10.

(a) This Lease may not be changed, modified, or terminated orally, nor may any provision hereof be waived, but only by a written instrument of change, modification or termination executed by the party against whom enforcement of any change, modification, or termination or waiver is sought.

(b) Each of Landlord and Tenant agrees to be a party signatory to an amendment or modification of this Lease, by instrument in recordable form, if requested to do so by a Secured Lender or a proposed Secured Lender as a condition precedent to the placing, replacing, refinancing or extending of a Secured Loan, provided and upon condition that such amendment or modification shall not (i) affect the financial obligations of such party hereunder, (ii) adversely affect the value of the fee simple or leasehold estate (as the case may be) of such party hereunder or (iii) materially adversely affect, diminish or reduce any rights or remedies of such party hereunder or materially increase the liabilities, responsibilities or obligations of such party hereunder.

(c) No amendment or modification of this Lease which could have an adverse effect on the rights or interests of, or the value of the collateral security of, any Secured Lender shall be effective without the prior written consent of such Secured Lender if required under the terms of its respective Secured Loan documentation.

SECTION 42.11. This Lease shall be governed by and construed in accordance with the laws of the State of Florida applicable to leases made and to be performed in said State, without the aid of any canon or rule of law requiring construction against the party drawing or causing this Lease to be drawn.

SECTION 42.12. All references in this Lease to any particular "Article", "Articles", "Section" or "Sections" shall be deemed to refer to the designated Article(s) or Section(s), as the case may be, of this Lease.

SECTION 42.13. All plans, drawings, specifications and models required to be furnished by Tenant to Landlord under this Lease, including, without limitation, all plans, drawings, specifica tions or models prepared in connection with any Restoration or Capital Improvement, shall become the sole and absolute property of Landlord upon the Expiration Date. Tenant shall deliver all such documents to Landlord promptly upon the Expiration Date. Tenant shall also deliver one copy of each thereof to Landlord within a reasonable time after Tenant receives the same. Tenant's obliga tion under this SECTION 42.13 shall survive the Expiration Date.

SECTION 42.14. All references in this Lease to "licensed professional engineer" or "registered architect" shall mean a professional engineer or architect who is licensed or registered, as the case may be, by the State of Florida.

SECTION 42.15. This Lease shall not be construed to create a partnership, joint venture, agency relationship or fiduciary relationship of any kind between the parties.

SECTION 42.16. THE PARTIES SHALL AND DO HEREBY EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS LEASE OR THE INTERPRETATION, CONSTRUC TION OR ENFORCEMENT HEREOF OR OF ANY PROVISION HEREOF.

SECTION 42.17. Tenant shall not sell, lease or otherwise transfer or dispose of, or permit any Person to use, any excess or residual development capability of, or any other entitlement or development rights pertaining or relating to, the Land, nor shall Tenant contract or agree to do any of the foregoing.

SECTION 42.18. Upon the expiration or other termination of this Lease, neither party shall have any further obligation or liability to the other except as otherwise expressly provided in this Lease and except for such obligations as by their nature or under the circumstances can only be, or by the express provisions of this Lease may or are intended to be, performed after such expiration

or other termination; and, in any event, without limiting the generality of the foregoing, (i) unless otherwise expressly provided in this Lease, any liability for a payment which shall have accrued in, for, on account of or with respect to any period ending at the time of expiration or other termination of this Lease shall survive the expiration or other termination of this Lease and (ii) any right of Landlord to receive payment from Tenant, for or on account of any period after this Lease has been terminated because of Tenant's default hereunder, of either damages for Tenant's default or of Rental provided for herein, shall survive such termination of this Lease.

SECTION 42.19. The provisions of this Lease are intended to be for the sole benefit of the two parties hereto and all Secured Lenders and all of their respective successors and assigns, and none of the provisions of this Lease are intended to be, nor shall they be construed to be, for the benefit of any third party other than Secured Lenders.

SECTION 42.20. Notwithstanding that Tenant has various obligations under this Lease with respect to portions of the Parcels which are not included within the Premises, nothing herein shall be interpreted to grant Tenant any rights in, to or concerning such Parcels whatsoever except as follows: (i) such rights of entry as are necessary to enable Tenant to perform its obligations hereunder; and (ii) Tenant shall have (1) the nonexclusive easement granted in the penultimate paragraph of ARTICLE 2, and (2) a nonexclusive right to use whatever walking trail on the Parcels that Landlord may from time to time make available for the use of any tenants or users of the Parcels. Notwithstanding the foregoing, Landlord reserves the right to relocate such parking areas, access and walking trails to other locations on the Parcels provided Tenant at all times has substantially equivalent parking rights, access and walking trails as it had on the Commencement Date.

SECTION 42.21. Without limiting the generality or breadth of any of Tenant's other covenants or agreements set out herein, Tenant hereby agrees as follows: Tenant will perform, and cause to be satisfied, performed and complied with, all provisions of the Declaration of Easements applicable to the Land or the Improvements or to the owner of either or both thereof; and, Tenant will timely pay, as additional rent hereunder, all costs, expenses and other amounts that the owner of the Land may, at any time or from time to time, be or become obligated to pay under or in respect of the Declaration of Easements. Landlord shall not relocate any of the easements located on Parcel B or Parcel B-1 created pursuant to the Declaration of Easements without the prior consent of the tenant of such Parcel at such time, which consent shall not be unreasonably withheld or delayed

ARTICLE 43
LIMITATION OF LIABILITY

Tenant shall look only to Landlord's Affected Property for the collection of any money judgment in the event of, and on account of, any breach or default under this Lease by Landlord. (For purposes hereof, "LANDLORD'S AFFECTED PROPERTY" means Landlord's respective interests in and to this Lease, the Premises, and such of the other Parcels, if any, as to which Tenant then either is the lessee under the Original Lease or holds a valid, effective, exercisable Expansion Option pursuant to the provisions of Article 45 of the Original Lease.) No other property or assets of

Landlord, and no property or assets of any kind of any partner in Landlord or any direct or indirect owner of an interest in Landlord or any officer, director, partner, principal or employee of Landlord (each a "PROTECTED PERSON") shall be subject to levy, attachment, garnishment, execution or other enforcement procedure for the satisfaction of any such judgment (or other judicial process) nor shall any recourse of any kind whatsoever be sought or obtained directly or indirectly under, for or on account of this Lease, any breach or default by Landlord hereunder, or any other matter relating to the Premises, this Lease, the relationship between Landlord and Tenant, the acts or omissions of Landlord, or any other similar or related matter. The interest of Landlord in and to the Landlord's Affected Property shall consist (when and to the extent the same are held by Landlord) of Landlord's estate in Landlord's Affected Property and Landlord's interest in and to the rents, income, proceeds, receipts, revenues, issues and profits issuing from the Landlord's Affected Property then held by Landlord, any insurance policies with respect to Landlord's Affected Property carried under this Lease and the premiums or proceeds thereof, any money or securities deposited by Tenant with Landlord, any award to which Landlord may be entitled in any condemnation proceedings or by reason of a temporary taking of the Landlord's Affected Property, and any real estate tax refunds accrued to Landlord. In confirmation of the foregoing, if Tenant shall acquire a lien on or interest of any kind in any other property or assets of Landlord, or any property or assets of any kind of any Protected Person, directly or indirectly as a result of, on account of or with respect to a breach or default under this Lease by Landlord, by judgment or otherwise, Tenant shall promptly release such lien or interest by executing and delivering an instrument in recordable form to that effect prepared by Landlord or such Protected Person; provided, however, that such instrument of release shall not release any such lien on Landlord's interest in and to the Premises. This limitation of Landlord's liability shall not apply to the extent (if any) that Landlord misapplies insurance or condemnation proceeds in a manner other than as required by the Lease or Landlord misappropriates any monies or securities deposited by Tenant with Landlord; in such event, Tenant shall have full recourse against Landlord for the moneys or securities so misapplied or misappropriated without regard to the foregoing provisions of this Article. Nothing in this ARTICLE 43 hereof shall be interpreted as prohibiting Tenant from being awarded specific performance or an injunction (i) to enjoin any breach or default under this Lease by Landlord, (ii) to prohibit Landlord from distributing to its partners at any time that Landlord is in default under this Lease the rents, receipts, revenues, issues and profits from the Landlord's Affected Property or the Parcels, or (iii) to compel the proper application of insurance and condemnation proceeds in accordance with the express provisions of this Lease.

ARTICLE 44
SUCCESSORS AND ASSIGNS

Except as otherwise expressly provided in this Lease, the provisions of this Lease shall bind and benefit the respective successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided, however, that the provisions of this ARTICLE 44 shall not be construed as modifying the provisions of ARTICLE 10 or the conditions or limitations contained in ARTICLE 24.

ARTICLE 45
CERTAIN CONDITIONS PRECEDENT

SECTION 45.1. [INTENTIONALLY OMITTED.]

SECTION 45.2. [INTENTIONALLY OMITTED.]

SECTION 45.3. [INTENTIONALLY OMITTED.]

SECTION 45.4. [INTENTIONALLY OMITTED.]

SECTION 45.5. [INTENTIONALLY OMITTED.]

SECTION 45.6. [INTENTIONALLY OMITTED.]

SECTION 45.7. CONDITIONS PRECEDENT. Tenant's rights, and Landlord's obligations, under and with respect to this Lease shall be subject to the satisfaction of all of the following conditions precedent (in addition to any other conditions set out elsewhere in this Lease):

(1) APPROVALS AND PERMITS. Landlord shall have received all approvals, licenses and permits (collectively, "APPROVALS") from the City of Jacksonville and all other applicable or relevant Governmental Authorities necessary to permit the construction of the Initial Building and all ancillary improvements (collectively, the "ADDITION"), in each case by such date as is necessary, without employing overtime work or other exigent or extraordinary means, to enable construction of the Addition to be properly completed by the applicable Estimated Completion Date. In connection with the above, Landlord's obligation shall be limited to making a reasonable and customary good faith effort to obtain the Approvals but shall not include any obligation to pay fees or to accept or agree to exactions or conditions to the Approvals which in Landlord's sole judgment are unreasonable in light of the nature of the particular project or the Approvals sought. Any failure of Landlord to obtain the Approvals shall not constitute a default under this Lease. Tenant hereby irrevocably waives, and releases Landlord from, all liability for all damages and costs (including, without limitation, attorneys fees, expert witness fees and costs, and related expenses) which may be suffered, paid or incurred by Tenant as a result of Landlord's obtaining or failing to obtain the Approvals for any reason except Landlord's intentional, unreasonable and unexcused refusal to file and process an application therefor.

(2) LENDER APPROVALS. Landlord shall, by such date as is necessary, without employing overtime work or other exigent or extraordinary means, to enable construction of the Addition to be properly completed by the applicable Estimated Completion Date, have sought and obtained a Secured Loan to serve as a source of construction financing for the construction of the Addition, on such terms and conditions as are acceptable to Landlord in its sole and absolute discre tion. Landlord agrees that, in connection with its efforts to obtain such construction financing: (i) Landlord shall offer, and be willing, to subject its interest in the Addition, the land on which it is to

be constructed, and this Lease (as it applies to such land and Addition) to the liens and security interests of such construction lender (subject to any prior rights or interests therein or thereto, and any rights of consent or approval, of any Secured Lender); and (ii) if the only reason Landlord is unable to obtain from third party sources suitable construction financing acceptable to Landlord is that the proposed construction lender requires that it be provided with one or more guaranties of any kind (whether guaranties of payment, of completion, of carry costs, or otherwise; collectively, "LENDER-REQUIRED GUARANTIES"), Landlord shall so notify Tenant and give Tenant a reasonable opportunity (but no longer than 15 days after such notice from Landlord to Tenant) to provide to such prospective construction lender, at Tenant's sole cost and liability (and at no cost or liability to Landlord), all of such Lender-Required Guaranties (which may be guaranties from Tenant, any Affiliate of Tenant or any other Person) that would satisfy the proposed construction lender and cause it to be willing to provide construction financing to Landlord on terms and conditions acceptable to Landlord, and if Tenant for any reason refuses or fails to provide such Lender-Required Guaranties within the time period so provided therefor by Landlord, this condition precedent set out in this SUBSECTION (2) shall be deemed unsatisfied and Landlord shall have no obligation of any kind with respect to such Addition, but if there are reasons for Landlord's inability to obtain acceptable construction financing other than or in addition to a requirement for Lender- Required Guaranties, Landlord shall so notify Tenant, in which case Tenant shall have 30 days from its receipt of such notice to deliver to Landlord a written notice (a "LAND EXERCISE NOTICE") in which Tenant clearly, irrevocably and unconditionally (i) agrees to lease from Landlord hereunder only the land component of the Parcel or Parcels on which the Addition would have been constructed, for an annual Fixed Rent of $1.00 per year, and forever releases Landlord from any and all obligations of any and every kind whatsoever with respect to such Addition other than to lease to Tenant such land on the terms and conditions set out herein, (ii) promises promptly to commence, and diligently to prosecute and complete, the construction of the Addition, lien-free and in accordance with all CC&R's, all applicable laws, codes and ordinances, and all provisions of this Lease, all at Tenant's sole cost, liability and risk, and (iii) promises to pay to Landlord, as compensation for remaining ready and willing to perform its obligations hereunder and for any work, activities, time or effort it may theretofore have expended in connection herewith an amount in cash (the "LANDLORD COMPENSATION AMOUNT") equal to five percent (5%) of the Total Construc tion Cost for such Addition (and to certify the amount of such Total Construction Cost under oath to Landlord, and to allow Landlord to inspect, copy and audit Tenant's books and records relating thereto), such amount to be paid to Landlord in five substantially equal annual installments as follows: together with Tenant's delivery to Landlord of the Land Exercise Notice, Tenant shall pay Landlord an amount in cash equal to 20% of the amount Tenant estimates in good faith will equal the total Landlord Compensation Amount for such Addition; and, on each of the next four anniversa ries of that date, Tenant shall pay Landlord an amount equal to one-fourth (1/4) of the amount by which the total Landlord Compensation Amount for such Addition exceeds the amount Tenant paid Landlord on account thereof when Tenant delivered its Land Exercise Notice relating thereto. All of Tenant's obligations, undertakings and liabilities hereunder and with respect hereto, and as provided for herein, shall constitute obligations of Tenant to Landlord under this Lease. If Tenant fails for any reason whatsoever to deliver such a Land Exercise Notice to Landlord within such 30-day period, the condition precedent set out in this SUBSECTION (2) shall be deemed unsatisfied and Landlord shall not have any obligation or liability

of any kind (including, without limitation, any obligation to lease the Land to Tenant) with respect to or under this Lease.

(3) NO NON-CONFORMING ASSIGNMENT. There shall not have occurred (whether voluntarily, by operation of law, pursuant to court order or judicial sale, or otherwise) any sale, assignment, sublease, transfer or disposition of any kind whatsoever of any or all of Tenant's rights of possession of the Premises or interests in, to or under the Original Lease or this Lease, respectively, that did not conform to the applicable conditions and requirements of the Original Lease or this Lease, respectively.

(4) NO TENANT DEFAULT. All rights of Tenant under this Lease shall terminate at Landlord's election (in Landlord's sole, exclusive and unreviewable discretion) expressed in a notice of such termination given by Landlord to Tenant, and be of no further force and effect, if, prior to the Commencement Date, either (i) an Event of Default under this Lease or under the Original Lease shall have occurred and shall then remain uncured, or (ii) Landlord shall have given to Tenant two or more notices of material Defaults under the Original Lease within the immediately preceding 12-month period.

In the event any of the foregoing conditions is not satisfied or any of the foregoing disqualifications or termination events occurs, then, on notice from Landlord to Tenant, (i) this Lease shall be terminated and Tenant's exercise (under the Original Lease) of the Expansion Option relating hereto shall be deemed to have been rescinded and withdrawn and shall be void and of no effect, as though the Expansion Option had never been exercised, and (ii) Tenant shall pay to Landlord on demand an amount in cash sufficient fully to compensate and reimburse Landlord for all costs, losses and expenses of any and every kind whatsoever which were paid or incurred by Landlord prior to such termination in connection with or as a result or consequence of Tenant's exercise of such Option, which costs shall include but not be limited to the items (if paid or incurred by Landlord) which are described in the definition of Total Construction Cost and also those items which Tenant would have been obligated to pay Landlord if Tenant had withdrawn or revoked its Exercise Option pursuant to SECTION 45.4 of the Original Lease.

SECTION 45.8. [INTENTIONALLY OMITTED.]

SECTION 45.9. [INTENTIONALLY OMITTED.]

SECTION 45.10. TOTAL CONSTRUCTION COST. "TOTAL CONSTRUCTION COST" shall mean an amount (expressed in dollars) equal to 110% of the total amount of all costs of any and every kind whatsoever paid or incurred by Landlord to others (and not including Landlord's own general overhead or administrative costs, but including Landlord's out-of-pocket expenses such as travel expenses of Landlord's partners or employees) for or in connection with (i) the development and construction of the Addition and (ii) the installation or performance after the date hereof of certain improvements in or work upon the Parcel A Building (but not any costs paid or incurred for, or properly allocable to, any other project being done off the Parcels), including (without limitation)

all so-called "hard costs", all costs for labor, services, materials and equipment, and all so-called "soft costs" (including, but not limited to, all costs of obtaining Approvals, appraisals, architectural drawings and specifications, soils, engineering and environmental studies and reports, title insurance, and plats of survey, all escrow charges, brokerage commissions, fees and expenses of attorneys and accountants, and all loan fees, interest and other costs of or in connection with construction financing).

SECTION 45.11. ARBITRATION. If the parties fail to agree on the amount of the annual Fixed Rent within ten (10) days after either party gives notice to the other of its desire to arbitrate the issue, the issue (I.E., the amount of the annual Fixed Rent, determined in accordance with the provisions of SECTIONS 3 AND 45.10) shall be submitted to binding arbitration. Unless mutually agreed otherwise by the parties, all arbitrations shall be conducted in Duval County, Florida, as follows: Not later than 15 days after either party has notified the other party that the issue will be submitted to arbitration, each party will choose one arbitrator and will notify the other party of the arbitrator it had selected; if either party fails to designate its arbitrator within that period, it will be deemed to have waived its right to select an arbitrator for that proceeding and the other party's arbitrator will be the sole arbitrator who, individually, will determine the amount of such annual Fixed Rent; if each party timely designates an arbitrator, those two arbitrators will determine the amount of such annual Fixed Rent for such Addition in accordance with the standards set out in, and the provisions of, SECTIONS 3 AND 45.10, but if they are unable to agree on such amount within 30 days after both of them were appointed, then (i) if the amount of the annual Fixed Rent as determined by the arbitrator whose amount was the lesser of the two, is 95% or more of the amount of the annual Fixed Rent as determined by the other arbitrator, then the amount of the Fixed Rent shall be the mean average of the respective amounts thereof as determined by each of the two arbitrators, but if the respective amounts of the annual Fixed Rent as determined by the two arbitrators are not as described in the preceding clause (i) (I.E., they are more than 5% apart), then (ii) such two arbitrators shall select a third arbitrator (and shall notify Landlord and Tenant of their selection); such third arbitrator shall, within 30 days after his appointment as such arbitrator, determine and set the amount of such annual Fixed Rent for such Addition in accordance with the standards set out in, and the provisions of, SECTIONS 3 AND 45.10, and he shall notify both parties in writing of his determination. Each appraiser designated to participate in this arbitration process must be an MAI appraiser who had been actively engaged in commercial real estate activities or appraising of commercial real estate for at least the preceding five years in the Jacksonville, Florida area. Each party shall pay all fees, costs and expenses of the arbitrator it selects and designates; both parties jointly will share equally the fees, costs and expenses of any third arbitrator who is designated by the other two parties. The determination of the amount of annual Fixed Rent by the two arbitrators or, if applicable, by the third arbitrator, as the case may be, in accordance with this Section shall be final, conclusive and binding on the parties.

SECTION 45.12. [INTENTIONALLY OMITTED.]

SECTION 45.13. [INTENTIONALLY OMITTED.]

SECTION 45.14. [INTENTIONALLY OMITTED.]

ARTICLE 46
RENEWAL OPTIONS

SECTION 46.1. RENEWAL OPTIONS. If no uncured Default then exists, Tenant shall (subject to the provisions of SECTION 10.11) have the option ("RENEWAL OPTION") to extend this Lease for two (2) additional terms of ten (10) years each (individually, a "RENEWAL TERM" and collectively, "RENEWAL TERMS") on the same terms and conditions as provided herein (including, without limitation, the payment by Tenant of all Impositions and other components of Rental) except for the amount of the Fixed Rent. Tenant shall exercise each of the Renewal Options by giving Landlord written notice (a "RENEWAL NOTICE") of its unconditional exercise of a Renewal Option not later than one year prior to the expiration of the Term or the previous Renewal Term. Tenant's failure for any reason whatsoever, whether or not within Tenant's control, to timely deliver a Renewal Notice to Landlord shall constitute Tenant's irrevocable election not to exercise such Renewal Option and its irrevocable waiver and release thereof, and shall automatically and without any notice or any grace or cure period result in the permanent and complete expiration, lapsing and termination of such Renewal Option. The Fixed Rent payable for and in any Renewal Term shall be agreed to by the parties prior to commencement of the particular Renewal Term; provided, however, that if the parties are unable to reach agreement as to the amount of such Fixed Rent, the parties shall submit the matter to binding arbitration pursuant to the provisions of SECTION 45.11, provided, however, that the amount of the annual Fixed Rent payable for and in any Renewal Term shall be equal to the sum of (i) that amount which, if paid annually throughout that particular Renewal Term (without regard to any further renewals or extensions), in equal monthly installments on the first day of each month of such Renewal Term, would be sufficient fully and completely to amortize the Total Construction Cost for any buildings, improvements, rehabilitation, renovation or other work (if any) which Landlord performs, constructs or installs for or in connection with such Renewal ("NEW LANDLORD IMPROVEMENTS") and also to provide Landlord with a fair market return on its investment in or relating to such New Landlord Improvements, plus (ii) whichever of the following Tenant, in its discretion, specifies in its notice of exercise of such Option (and if Tenant fails to specify either of the following in its notice of election, then the annual Fixed Rent shall be that specified in the following clause (A)): (A) 95% of the Fair Annual Rental Amount (defined hereinbelow) for the Premises (in their condition as in effect on the first day of the Renewal Term but without taking into consideration any New Landlord Improvements) as of the first day of the Renewal Term; or (B) for each year of the first five years of the Renewal Term an amount equal to 110% of the annual Fixed Rent as in effect on the day immediately preceding the commencement of such Renewal Term, and for each year of the second five years of such Renewal Term an amount equal to 110% of the annual Fixed Rent as in effect during the first five years of such Renewal Term. The decision of the arbitrators as to the amount of the annual Fixed Rent for any Renewal Term shall be final, conclusive and binding on the parties; provided, however, that Tenant may terminate the Lease on the expiration of the Term (or the expiration of the first Renewal Term, if applicable) by giving Landlord written notice to the effect that Tenant objects to the amount of such annual Fixed Rent and has elected to terminate the Lease as of the end of the Term (or the Final Renewal Term, if applicable); such notice

must be given by Tenant to Landlord, not later than seven months before the expiration of the Term (or the first Renewal Term, if applicable), except that if the arbitrators' decision has not been rendered by that date, Tenant may deliver such Notice to Landlord not later than 30 days after the arbitrators' decision is rendered. "FAIR ANNUAL RENTAL AMOUNT" shall mean, as of any time, the market rental rate per annum (I.E., the amount of rent payable each year) prevailing at that time for a new lease having a term substantially equal to the Renewal Term to which such Fair Annual Rental Amount is then being applied, with a reputable, fully creditworthy tenant for a comparable building located within a high-quality, comparable industrial park in the greater Jacksonville, Florida metropolitan area, taking into account all relevant factors (including, without limitation, increases in rent over time in such other comparable leases).

ARTICLE 47
[INTENTIONALLY OMITTED]

ARTICLE 48
LANDLORD DEFAULTS

SECTION 48.1 LANDLORD DEFAULTS. The occurrence of any one or more of the following shall be a "LANDLORD DEFAULT" hereunder:

(a) If Landlord shall fail to pay when due and payable any sum owed by Landlord to Tenant under this Lease, and such failure shall continue for a period of ten days after notice of such default is given to Landlord by Tenant;

(b) If Landlord shall fail to pay when due and payable any Impositions (if any) or other amounts which the provisions of this Lease expressly obligate Landlord to pay to any Person other than Tenant, and such failure shall continue for a period of 21 days after notice of such default is given to Landlord by Tenant;

(c) if Landlord shall fail to perform any of its material duties or obligations set out in this Lease (other than those which are the subject of either of the preceding CLAUSES (a) or (b), inclusive, of this SECTION 48.1) and such failure continues for a period of thirty days after notice thereof is given by Tenant to Landlord specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Unavoidable Delays, reasonably be performed, done or removed, as the case may be, within such 30-day period, in which case no Landlord Default shall be deemed to exist so long as Landlord shall have commenced curing the same promptly after receiving the default notice relating thereto from Tenant and shall thereafter at all times prosecute the same to completion with reasonable diligence, subject only to Unavoidable Delays).

SECTION 48.2 TENANT REMEDIES. After the occurrence of a Landlord Default (and the expiration of the applicable grace or cure period), Tenant shall have the following remedies as its sole and exclusive remedies:

(a) Tenant may institute a lawsuit for the collection of any amounts or damages which may be due and payable by Landlord to Tenant hereunder for which Landlord may be in default, or (to the extent available under applicable law and principles of equity) for specific performance by Landlord of (or an injunction to enjoin Landlord to perform) its obligations hereunder, and if as a result of any such lawsuit Tenant is awarded damages against Landlord, Tenant may deduct and set off the amount of any such final, unappealable award (and interest thereon at the legal "judgment rate" from the date of entry of such judgment order) from and against the next succeeding installment payments of Fixed Rent coming due and payable by Tenant to Landlord hereunder, provided, however, that in no event shall the amount actually paid by Tenant to Landlord for and on account of Fixed Rent in any month be reduced to less than the total amount of all debt service payments required to be paid by Landlord in such month to Secured Lenders on account of Secured Loans;

(b) Tenant may, at its option but without obligation, without waiving any claim for damages resulting from such Landlord Default, at any time after giving Landlord at least ten days' prior notice of its intention to do so, cause such Landlord Default to be cured for the account of Landlord, and any amount paid or any contractual liability incurred by Tenant in so doing shall be deemed paid or incurred for the account of Landlord, and Landlord agrees to reimburse Tenant therefor on demand. If Landlord fails to reimburse Tenant upon demand for any amount so paid for the account of Landlord under this SECTION 48.2(b) within fifteen (15) days after receipt from Tenant of written notice of claim for such reimbursement together with such copies of bills, invoices, or other supporting documentation as Landlord may reasonably request, said amount shall accrue interest at the rate of eight percent (8%) per annum and may be deducted and set off by Tenant from and against the next or succeeding installment payments of Fixed Rent coming due and payable by Tenant to Landlord hereunder; provided, however, that in no event shall the amount actually paid by Tenant to Landlord for and on account of Fixed Rent in any month be reduced to less than the total amount of all debt service payments required to be paid by Landlord in such month to Secured Lenders on account of Secured Loans;

(c) Tenant shall have such other remedies (if any) as are expressly provided under the provisions of this Lease.

Tenant may not under any circumstance terminate, or bring a lawsuit or other court action seeking a judicial order for or declaration of the termination of, this Lease for or on account of any Landlord Default.

ARTICLE 49
TITLE INSURANCE

Tenant may, at its option and at its sole cost and expense, obtain such policies of title insurance insuring its leasehold estate and appurtenant easements as Tenant may desire. Landlord will cooperate with Tenant's reasonable requests to assist it in efforts to obtain such title insurance,

but Landlord shall not be required to pay or incur any cost, expense, liability or risk in connection therewith.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

CTC INVESTMENTS LIMITED

By: Canpartners Realty, Inc., its general partner

_____ By:_____
Witness Name:
Title:

_____
Witness

TENANT:

SARA LEE CORPORATION

_____
Witness

By:_____
_____ Name:
Witness Title:

EXHIBIT A

DESCRIPTION OF PARCEL A

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.86 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY; THENCE DUE WEST A DISTANCE OF 575.0 TO THE POINT OF BEGINNING; THENCE SOUTH 00 DEG. 05'25" EAST AND PARALLEL WITH THE WEST LINE OF SAID OFFICIAL RECORD VOLUME 6690, PAGE 1674, A DISTANCE OF 1020.0 FEET; THENCE SOUTH 89 DEG. 54'35" WEST A DISTANCE OF 881.43 FEET; THENCE NORTH 07 DEG. 09'06" EAST A DISTANCE OF 559.61 FEET TO A POINT; THENCE SOUTH 82 DEG. 50'54" EAST A DISTANCE OF 55.0 FEET TO A POINT; THENCE NORTH 10 DEG. 06'45" EAST A DISTANCE OF 290.39 FEET TO A POINT; THENCE NORTH 67 DEG. 06'45" EAST A DISTANCE OF 260.0 FEET TO A POINT; THENCE NORTH 72 DEG. 39'13" EAST A DISTANCE OF 406.10 FEET TO A POINT IN THE WESTERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY, SAID POINT LYING IN A CURVE SAID SURVEY BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE 63.40 FEET, THROUGH A CENTRAL ANGLE OF 72 DEG. 39'13", A CHORD BEARING OF SOUTH 53 DEG. 40'23" EAST AND A CHORD DISTANCE OF 59.24 FEET TO THE POINT OF TANGENT OF SAID CURVE; THENCE DUE EAST ALONG SAID RIGHT-OF-WAY LINE A DISTANCE OF 29.70 FEET TO THE POINT OF BEGINNING;

BUT EXCEPTING THEREFROM PARCEL B-1 (described on Exhibit D-1 attached to this Agreement).

EXHIBIT B

TITLE MATTERS

1. Unrecorded Preliminary Development Agreement for Jax International Tradeport, dated July 30, 1987 as amended by instrument recorded August 22, 1988 in Official Record Book 6566, page 708, of the current public records of Duval County, Florida.

2. Resolution No. 88-1223-541 dated and approved December 20, 1988 and recorded December 30, 1988 in Official Record Book 6634, page 1692 and Notice of Adoption recorded January 19, 1989 in Official Record Book 6644, page 922, all of the current public records of Duval County, Florida.

3. Restrictions, covenants, conditions and easements, which include provisions for a private charge or assessment, as contained in the instrument recorded August 2, 1990 in Official Records Book 6941, page 427 ("INITIAL DECLARATION"), together with the joinder and consent and supplements, as recorded in Official Record Book 6941, page 463, Official Record Book 6941, page 458, Official Record Book 6999, page 2023, Official Record Book 7385, page 1290, Official Record Book 7631, page 1706, Official Records Book 7975, page 558, Official Records Book 7975, page 565, and Official Records Book 8123, Page 2325, all of the Public Records of Duval County, Florida, as amended and recorded against the Premises in the real estate records of Duval County, Florida, from time to time; provided, however, that Landlord will obtain a release from Wilma of its easement rights set forth in the first and second sentences of Article 17 of the Declaration and the option rights and right of first refusal set forth in Articles 18(c)-(e) of the Declaration.

4. Declaration of Conservation Easement as set forth in instrument recorded December 19, 1989, in Official Records Book 6811, page 827, of the Public Records of Duval County, Florida.

5. The nature, extent, or existence of riparian rights.

6. Rights of others to use the waters of any water body extending from the insured land onto other lands.

7. Easement from Skyland Properties, a Florida general partnership to CTC investments Limited, granting adequate means of ingress and egress to the Parcels, which easement does not or will not interfere with Tenant's intended use of the Premises.

8. (a) Governmental police power.

   (b) Any law, ordinance or governmental regulation relating to environmental protection.

(c) Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a change in the dimensions or area of any Parcel.

(d) Rights of eminent domain.

(e) Defects, liens, encumbrances, adverse claims or other matters attaching or created subsequent to the Commencement Date unless created, suffered, assumed or agreed to by Landlord, or any person acting, claiming or holding by, through or under Landlord (except Tenant or any Person acting, claiming or holding by, through or under Tenant).

9. City of Jacksonville Resolutions 87-1009-572, 88-448-463, 88-1223-541 and 91-394-202.

10. The Jacksonville International Tradeport Development Guidelines as in effect from time to time.

11. Any matters, encumbrances, claims, charges, exceptions or matters created or suffered, or consented to, by Tenant or any Person acting, claiming or holding by, through or under Tenant.

12. Taxes and assessments levied or assessed for the first Lease Year or assessed subsequent thereto.

13. Any Secured Loans, for which the Secured Lender and Tenant have executed a Nondisturbance Agreement as required by Article 30 of the Lease.

14. Grant of Easement from CTC Investments Limited to the City of Jacksonville, recorded in Official Records Book 8913, page 2357 in the records of Duval County, Florida.

15. Easement to Jacksonville Electric Authority recorded in Official Records Book 6690, page 1671 in the records of Duval County, Florida.

16. Allocation of Development Rights for Jacksonville International Tradeport dated November 10, 1994, recorded in Official Records Volume 7975, page 586 in the records of Duval County, Florida.

17. The Declaration of Easements.

EXHIBIT C

LEASEHOLD IMPROVEMENT AGREEMENT

1. PRELIMINARY PLANS. Landlord shall, at Landlord's expense (as provided below), cause Stellar Group, Inc. (Stellar Group, Inc., or any other architect retained by Landlord with respect to the Premises from time to time, is referred to as the "ARCHITECT") to prepare a coordination set of plans and specifications for the Initial Building, related improvements and whatever site work is to be performed or constructed on the Parcels before the Commencement Date, including grading, paving and drainage plans, utility plans (including electricity, potable water, sanitary and storm water sewerage, and telecommunications, if applicable) and connections of each ("PRELIMINARY PLANS"). The Preliminary Plans shall fully comply with the applicable requirements of all Governmental Authorities and CC&R's.

The Preliminary Plans shall be agreed to by both Landlord and Tenant as follows: Landlord shall submit the Preliminary Plans to Tenant on or before the seventh day after delivery to Landlord by Tenant of an executed Lease. Within seven business days after the completed Preliminary Plans have been submitted to Tenant, Tenant agrees to deliver to Architect and Landlord the Preliminary Plans together with either (i) Tenant's written approval of such Preliminary Plans or (ii) Tenant's reasonably requested changes to such Preliminary Plans ("REQUESTED CHANGES") in sufficient detail to permit Architect to prepare revised drawings. Should Tenant fail to deliver the Preliminary Plans with Tenant's approval or Requested Changes to Architect and Landlord within said seven-day period, and should such failure continue for three days after written notice of such failure from Landlord to Tenant, Landlord may construct the Building, related improvements and site improvements (collectively, the "IMPROVEMENTS") according to such Preliminary Plans (subject to Tenant's rights to modify the Preliminary Plans as described in SECTION 2 of this Leasehold Improvement Agreement), and upon Substantial Completion (as defined herein) thereof, Tenant shall be obligated to take possession of the Premises and the Term of the Lease shall commence. If Tenant has timely delivered Requested Changes to Landlord and Architect, then no later than seven business days after receipt by Landlord and Architect of the Requested Changes from Architect, Landlord shall notify Tenant either that Landlord has approved the Requested Changes or that Landlord has disapproved the Requested Changes, in which latter case such notice shall specify Landlord's reasons for disapproval. Landlord's approval of the Requested Changes shall not be unreasonably withheld. If Landlord disapproves the Requested Changes, then the foregoing submission process shall be repeated until the parties agree on the Preliminary Plans. The Preliminary Plans as approved by the parties pursuant to this SECTION 1 of this Leasehold Improvement Agreement shall be referred to herein as the "PLANS"; and, upon such approval, the Plans shall be deemed a part of this Leasehold Improvement Agreement. If Tenant and Landlord are unable to agree upon final Plans after three submissions by Landlord to Tenant, then upon the request of either party, the parties (and all representatives of such parties needed to approve the Plans on behalf of such parties) shall personally attend a meeting at which the parties shall use their best efforts to agree upon the Plans.

2. MODIFICATION TO PLANS. Tenant may, from time to time, modify, amend or change the Plans with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, provided that (i) Tenant provides Landlord and Architect with information regarding each such change in sufficient detail to permit the Architect to prepare working drawings or change orders reflecting such proposed change and (ii) the proposed change is consistent with the scope, quality, intent and purpose of the approved Plans. Tenant shall pay Landlord, within 30 days after Landlord's request for payment, all reasonable costs of every kind (including, without limitation, Architect's fees, fees of Landlord's consultant who reviews such proposed changes for Landlord, and any increase in the Total Construction Cost) resulting from or occasioned by each such proposed or accepted change. No modification, amendment or change to the Plans shall be made unless the same has been certified by the Architect as complying with all applicable laws and the CC&R's.

3. DISCLAIMER: Landlord hereby acknowledges and agrees that the approval by Tenant of the Plans shall neither constitute nor be construed as a certification by Tenant, or any Person claiming or acting by, through or under Tenant, that the Plans meet or otherwise comply with architectural, engineer, or construction industry standards or applicable buildings codes, laws, ordinances, rules or regulations of any governmental authority or other applicable agency.

4. DELAY CAUSED BY TENANT. The Term of the Lease shall commence on the day (the "COMMENCEMENT DATE") on which Substantial Completion (as defined herein) occurs; provided, however, that if Landlord shall be actually delayed in substantially completing the Improvements as a result of any one or more of (a) Tenant's failure to approve, or provide necessary information for, the Plans as and when required hereby, (b) Tenant's changes (or requests for any change) to the Plans, or (c) any other act or omission by Tenant or its agents which actually delays the Landlord in completing the Improvements, then Landlord shall cause the Architect to state in a letter to Landlord and Tenant its opinion as to the date on which Substantial Completion would have occurred but for the Tenant-caused delays, which date shall be and shall constitute the Commence ment Date of the Lease for all purposes, and Tenant's obligation to commence payment of Fixed Rent for the Premises shall arise as of such date and shall not otherwise be affected or deferred on account of such actual delay.

5. COMMENCEMENT OF CONSTRUCTION. Landlord shall notify Tenant when construction of the Initial Building or related improvements or site improvements has commenced and thereafter will give Tenant monthly construction status reports with a projected date of completion. For purposes of this EXHIBIT C, the terms "COMMENCE CONSTRUCTION" and "COMMENCEMENT OF CONSTRUCTION" shall be deemed to mean the pouring of concrete footers for the Initial Building.

6. ENTRY BY TENANT. Tenant and Tenant's agents may enter the Premises prior to the Commencement Date under Landlord's direction and supervision for purposes of inspecting, measuring, installing or arranging Tenant's Property and otherwise to make the Premises ready for Tenant's use and occupancy. Such entry prior to the Commencement Date shall constitute a license only and not a lease, and such license shall be conditioned upon (and Tenant agrees to comply with)

all of the following: (a) Tenant's acting and working in harmony and not interfering with Landlord and Landlord's agents, contractors, workmen, mechanics and suppliers in being present or doing work on the Premises; (b) Tenant's obtaining in advance Landlord's approval of all contractors, subcontractors and suppliers proposed to be used by Tenant, said approval not to be unreasonably withheld or delayed; (c) Tenant's furnishing Landlord with written evidence of such insurance of Tenant, its contractors and subcontractors as Landlord may reasonably require against liabilities which may arise out of such entry (including, but not limited to, builder's risk, liability and workers' compensation coverage) and (d) Landlord's determination, in the case of each such requested entry by Tenant, that such entry will not interfere in any way with Landlord's work. Tenant agrees that Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's Property placed or installations made on the Premises prior to the Commencement Date, the same being at Tenant's sole risk, and Tenant agrees to protect, defend, indemnify and save harmless Landlord from and against all losses, claims, liabilities, costs, damages, and injuries of any and every kind whatsoever that may result from any such entry by Tenant (including, without limitation, damage to the Improvements, fees and expenses arising out of or connected with the activities of Tenant or its agents, contractors, subcontractors, suppliers or workmen in or about the Premises, and losses, claims, liabilities, costs, damages, damage to the Improvements, fees and expenses related to environmental matters and Hazardous Materials). Except for the indemnity set forth above, Tenant shall not be obligated to pay to Landlord, nor shall Landlord be entitled to charge Tenant, Fixed Rent or any other amounts which may otherwise be due and payable under this Lease by virtue of the exercise by Tenant of the rights and privileges herein.

7. CORRECTION. Landlord agrees to cause to be promptly corrected any material deficiencies in the work, materials, or elements of the work which do not comply with the requirements of the Plans, which are promptly called to its attention during construction by any Governmental Authority or Tenant's "CONSTRUCTION REPRESENTATIVE" (who Tenant shall have designated as its construction representative in a written notice to Landlord within five days after commencement of construction) prior to or at the inspection described in SECTION 11 of this Leasehold Improvement Agreement.

8. DELIVERY DATE. Landlord shall cause Substantial Completion to occur on or before the date (the "DELIVERY DATE") which is 290 days after the last to occur of (i) delivery to Landlord by Tenant of an executed Lease, (ii) the date on which the Landlord and the Tenant have approved the Preliminary Plans such that they constitute the "Plans" as provided hereinabove, (iii) the date on which all necessary Approvals of the Plans have been obtained from the Jacksonville International Tradeport, and a building permit based on the Plans has been issued, and (iv) approval by the Tenant (which approval the Tenant agrees will not be unreasonably withheld, delayed or conditioned) of the Landlord's estimate of total construction costs for the Addition, to be furnished by the Landlord to the Tenant after the Plans have been approved by all necessary persons); provided, however, that if Substantial Completion has not occurred by the Delivery Date, the Delivery Date shall be extended for an additional 10 days, provided further, that and the Delivery Date shall be further extended for actual delays (collectively, "EXTENSION DELAYS") caused by (a) Unavoidable Delay, (b) Tenant's failure to approve the coordination set of plans and specifications as initially submitted to Tenant

or Tenant's failure to approve the Plans as resubmitted to Tenant in accordance with SECTION 1 of this Leasehold Improvement Agreement and/or Tenant's submission of Requested Changes under SECTION 1 of this Leasehold Improvement Agreement, (c) Tenant's changes (or requests for change) to the Plans or any other Tenant-caused delay described in SECTION 4 of this Leasehold Improvement Agreement, (d) Tenant's failure to provide necessary information as and when required hereby, or (e) any other act of or by Tenant or its agents, representatives, contractors, subcontractors or Persons acting by, through or under Tenant. The Delivery Date shall be extended one day for each day of Extension Delay. Notwithstanding the foregoing, in no event shall the Delivery Date occur after the date which is 640 days after the date on which this Lease is fully executed and delivered by Tenant to Landlord.

9. FAILURE TO DELIVER INITIAL BUILDING BY DELIVERY DATE. If Substantial Completion has not occurred by the Delivery Date, as extended, if applicable, an amount of Fixed Rent under the Lease shall be abated in the amount of $6,666.67 for each seven-day week after the Delivery Date (prorated on a daily basis for a period of less than a 7-day week) that Substantial Completion has not occurred, such sum to increase by $3,333.33 every 14 full days (not prorated on a daily basis) thereafter.

10. SUBSTANTIAL COMPLETION. "SUBSTANTIAL COMPLETION" occurs when all of the following conditions have been satisfied: (a) receipt of a Certificate of Substantial Completion by Architect on AIA Form G704 (or a substantially similar form) relating to the construction of the Improve ments; (b) Tenant can use the Premises for its intended purposes without material interference to Tenant conducting its business activities; (c) Final Inspection has occurred; (d) Tenant, its employees, agents and invitees have ready access to, and parking adjacent to, the Initial Building and the Premises (but not necessarily on paved surfaces); (e) necessary utilities (not including natural gas) and plumbing are available (availability through temporary facilities will be acceptable for this purpose; provided, however, that connection to permanent facilities will not result in the unavailability or discontinuance of such utilities with respect to Tenant's use of the Premises thereafter) in capacities not less than as set forth in the Plans, are connected to mains or other appropriate sources, and all utility meters have been set and activated; (f) receipt of a certificate from an engineer stating that no additional easements are required to be granted for the benefit of Parcel B in order for Parcel B and the Improvements located thereon to be provided with access, utility services and drainage, as required by the Lease and this Leasehold Improvement Agreement; and (g) receipt (at Tenant's sole cost and expense) of an update to the existing commitment for title insurance dated prior to (and as close as is reasonably practical to) the date of Substantial Completion, showing no exceptions to title affecting the Premises (or interfering with or limiting Tenant's rights to Parcels A or D) other than those shown on Exhibit B or those approved or consented to by Tenant. At Landlord's request, Tenant will execute and deliver to Landlord a written acknowledgment that Substantial Completion has occurred. Acceptance of possession, use or occupancy of the Premises by Tenant shall not be deemed to constitute a waiver of Landlord's duties, obligations or warranties expressly set forth in the Lease.

Landlord shall use reasonable efforts to give Tenant at least fifteen days' advance notice of the estimated date on which Substantial Completion is expected to occur and five days' advance notice of any changes to the estimated Substantial Completion date.

11. INSPECTION. Upon five days' written notice from Landlord to Tenant, Landlord and Tenant's Construction Representative (who shall be deemed to be Tenant's agent for all purposes of this Leasehold Improvement Agreement) shall jointly inspect the Building and Premises, at which inspection Tenant may have all systems demonstrated, and Tenant (or its Construction Representa tive) and Landlord shall jointly prepare a punch list. Said inspection shall occur between one and twenty days prior to the Commencement Date. The punch list shall list incomplete items of construction necessary adjustments and needed finishing touches. Landlord will cause the punch list items to be completed as soon as reasonably practical after the Commencement Date.

12. LANDLORD'S INSURANCE. Landlord agrees that during the period of Landlord's construction of the Improvements, Landlord will obtain and keep in force, or cause to be obtained or kept in force, at no cost to Tenant, builder's risk insurance, automobile liability insurance and comprehensive general liability insurance against liability for bodily injury and death and property damage, in reasonable and customary amounts and forms. Landlord shall also provide or cause to be provided and kept in force workers' compensation coverage with statutory benefits covering employees of Landlord's contractor (but not employees of Tenant or Tenant's contractors) and with such endorsements as may be reasonably requested by Tenant.

13. COPIES OF PLANS. Upon the Commencement Date, Landlord shall deliver to Tenant two original "as built" surveys of the Premises, two sets of "as built" plans for the Premises (which plans shall identify the location of all offsite utility, drainage and stormwater retention easements benefitting the Premises) and all building systems, and shall deliver to Tenant one copy (or the original, if required by law to be kept at the Premises) of each of the licenses, permits, governmental approvals, warranties, guarantees, utility contracts, operating manuals, maintenance manuals, surveys, plats, engineering reports, environmental reports and soil tests regarding the Premises.

14. ENVIRONMENTAL REPORT. Tenant may, at its sole cost and expense, cause a "Phase I" environmental report of the Parcels to be done by a reputable and experienced firm of independent environmental consulting engineers at any time before the Commencement Date. Such report shall be completed, and a copy to Landlord, thereof (together with a "reliance letter" in customary form addressed to Landlord) delivered not later than the Commencement Date. If such report discloses the existence on the Parcels of a violation of any Environmental Laws, Landlord will take all reasonable actions (if any) which, in Landlord's judgment, are appropriate with respect thereto (which may, but need not, include remediation of this violation cited in such report). The existence of any such violation shall not have any effect of any kind whatsoever on whether Substantial Completion, or the Commencement Date, shall be deemed to have occurred.

EXHIBIT D

DESCRIPTION OF PARCEL B

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY, SAID POINT ALSO BEING THE POINT OF BEGINNING; THENCE SOUTH 00 DEG. 05'25" EAST ALONG THE WEST LINE OF LAST MENTIONED LANDS A DISTANCE OF 1019.09 FEET; THENCE SOUTH 89 DEG. 54'35" WEST A DISTANCE OF 575.0 FEET; THENCE NORTH 00 DEG. 05'25" WEST AND PARALLEL WITH THE WEST LINE OF SAID OFFICIAL RECORDS VOLUME 6690, PAGE 1674 A DISTANCE OF 1020.0 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE DUE EAST ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE EASTERLY PROLONGATION THEREOF 575.0 FEET TO THE POINT OF BEGINNING.

EXHIBIT D-1

DESCRIPTION OF PARCEL B-1

A portion of Section 25, Township 1 North, Range 26 East, Duval County, Florida, being more particularly described as follows:

For a Point of Reference, Commence at the Northeast corner of the Northwest 1/4 of said Section 25; thence South along the East line of said Northwest 1/4, South 00 DEG. 05'11" East, 1655.90 feet to the Southerly right of way line of Tradeport Drive (an 80 foot right of way as now established) and the intersection with a non-tangent curve, said curve being concave to the Northeast and having a radius of 1755.51 feet; thence Northwesterly, along said Southerly right of way line, 414.85 feet around the arc of said curve, through a central angle of 13 DEG. 32'23", along a chord bearing North 80 DEG. 04'14" West, a distance of 413.88 feet to the centerline of Little Cedar Creek; thence departing from said Southerly right of way line, South 31 DEG. 07'08" West, along said centerline, a distance of 172.94 feet to a point; thence South 07 DEG. 16'09" East, a distance of 112.85 feet to a point; thence South 69 DEG. 51'06" East, a distance of 28.00 feet to a point; thence South 15 DEG. 04'13" East, a distance of 71.18 feet to a point; thence South 04 DEG. 06'33" West, a distance of 86.36 feet to a point; thence South 90 DEG. 00'00" West, departing said centerline of Little Cedar Creek, a distance of 5.13 feet to a point on the West line of those certain lands described in Official Records Volume 6690, page 1674 of the current Public Records of Duval County; thence along said West line, South 00 DEG. 05'25" East, a distance of 353.48 feet; thence departing said West line, South 89 DEG. 54'35" West, a distance of 575.00 feet to the Point of Beginning;

From said Point of Beginning, thence South 00 DEG. 05'25" East, and parallel with said West line, a distance of 539.87 feet; thence South 89 DEG. 54'35" West, a distance of 22.70 feet; thence North 00 DEG. 05'25" West and parallel with said West line, a distance of 5.00 feet to the Southeast exterior corner of a concrete tilt-wall building; thence North 00 DEG. 00'34" East, along the Easterly line of said building, a distance of 529.87 feet to the Northeast corner of said building; thence departing said building line and parallel to said West line, North 00 DEG. 05'25" West, a distance of 5.00 feet; thence North 89 DEG. 54'35" East, a distance of 21.77 feet to the Point of Beginning.

Containing 12,005 square feet or 0.28 acres, more or less.

EXHIBIT E

DESCRIPTION OF PARCEL C

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT; THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY, THENCE DUE WEST A DISTANCE OF 604.70 FEET TO A POINT OF CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE 63.40 FEET, THROUGH A CENTRAL ANGLE OF 72 DEG. 39'13", A CHORD BEARING OF NORTH 53 DEG. 40'23" WEST AND A CHORD DISTANCE OF 59.24 FEET TO THE POINT OF BEGINNING; THENCE SOUTH 72 DEG. 39'13" WEST A DISTANCE OF 406.10 FEET TO A POINT; THENCE SOUTH 67 DEG. 06'45" WEST A DISTANCE OF 260.0 FEET TO A POINT; THENCE NORTH 82 DEG. 50'54" WEST A DISTANCE OF 70.0 FEET TO A POINT; THENCE NORTH 07 DEG. 09'06" EAST A DISTANCE OF 160.0 FEET TO A POINT; THENCE NORTH 23 DEG. 13'00" EAST A DISTANCE OF 478.07 FEET TO A POINT; THENCE SOUTH 69 DEG. 42'24" EAST A DISTANCE OF 619.12 FEET TO THE NORTHWESTERLY RIGHT- OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE SOUTH 23 DEG. 13'00" WEST ALONG SAID PROPOSED NORTHWESTERLY RIGHT-OF-WAY LINE 100.00 FEET TO THE POINT OF CURVE OF SAID PROPOSED RIGHT-OF-WAY LINE, SAID CURVE BEING CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.0 FEET, THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 23.18 FEET, THROUGH A CENTRAL ANGLE OF 53 DEG. 07'48", A CHORD BEARING OF SOUTH 49 DEG. 46'54" WEST AND A

CHORD DISTANCE OF 22.36 FEET TO THE POINT OF REVERSE CURVE OF SAID PROPOSED RIGHT-OF-WAY LINE, SAID REVERSE CURVE BEING CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 50.0 FEET, THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 81.76 FEET, THROUGH A CENTRAL ANGLE OF 93 DEG. 41'36", A CHORD BEARING OF SOUTH 29 DEG. 30'01" WEST AND A CHORD DISTANCE OF 72.95 FEET TO THE POINT OF BEGINNING.

EXHIBIT F

[INTENTIONALLY OMITTED]

EXHIBIT G

DESCRIPTION OF PARCEL D

A PORTION OF SECTION 25, TOWNSHIP 1 NORTH, RANGE 26 EAST, DUVAL COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF REFERENCE, COMMENCE AT THE NORTHEAST CORNER OF THE NORTHWEST 1/4 OF SAID SECTION 25; THENCE SOUTH ALONG THE EAST LINE OF SAID NORTHWEST 1/4, SOUTH 00 DEG. 05'11" EAST, A DISTANCE OF 1655.90 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF TRADEPORT DRIVE (A 80 FOOT RIGHT-OF-WAY, AS NOW ESTABLISHED) AND THE INTERSECTION WITH A NONTANGENT CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST, AND HAVING A RADIUS OF 1755.51 FEET, THENCE NORTHWESTERLY, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 414.85 FEET AROUND THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 13 DEG. 32'23", ALONG A CHORD, BEARING NORTH 80 DEG. 04'14" WEST A DISTANCE OF 413.88 FEET TO THE CENTERLINE OF LITTLE CEDAR CREEK; THENCE DEPARTING FROM SAID SOUTHERLY RIGHT-OF-WAY LINE, SOUTH 31 DEG. 07'08" WEST, ALONG SAID CENTERLINE, A DISTANCE OF 172.94 FEET TO A POINT; THENCE SOUTH 07 DEG. 16'09" EAST A DISTANCE OF 112.85 FEET; THENCE SOUTH 69 DEG. 51'06" EAST A DISTANCE OF 28.00 FEET TO A POINT, THENCE SOUTH 15 DEG. 04'13" EAST A DISTANCE OF 71.18 FEET TO A POINT; THENCE SOUTH 04 DEG. 06'33" WEST A DISTANCE OF 86.36 FEET TO A POINT; THENCE SOUTH 90 DEG. 00'00" WEST DEPARTING SAID CENTERLINE OF LITTLE CEDAR CREEK A DISTANCE OF 5.13 FEET TO A POINT ON THE WEST LINE OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS VOLUME 6690, PAGE 1674, OF THE CURRENT PUBLIC RECORDS OF SAID DUVAL COUNTY; THENCE SOUTH 00 DEG. 05'25" EAST ALONG THE WEST LINE OF LAST MENTIONED LANDS A DISTANCE OF 1019.09 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 00 DEG. 05'25" EAST ALONG SAID WEST LINE A DISTANCE OF 116.88 FEET TO THE SOUTHWEST CORNER OF SAID LANDS; THENCE SOUTH 02 DEG. 41'27" WEST A DISTANCE OF 110.13 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF A PROPOSED 80 FOOT RIGHT-OF-WAY; THENCE ALONG SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE SOUTH, 89 DEG. 54'35" WEST A DISTANCE OF 133.21 FEET TO THE POINT OF CURVE OF SAID PROPOSED RIGHT-OF- WAY, SAID CURVE BEING CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 815.0 FEET; THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 362.17 FEET, THROUGH A CENTRAL ANGLE OF 25 DEG. 27'40', ALONG A CHORD BEARING OF SOUTH 77 DEG. 10'45" WEST A CHORD DISTANCE OF 359.20 FEET TO THE POINT OF REVERSE CURVE IN SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE, SAID REVERSE CURVE BEING CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 560.0 FEET, THENCE ALONG THE ARC OF SAID CURVE 319.63 FEET, THROUGH A CENTRAL ANGLE OF 32 DEG. 42'10", ALONG A CHORD BEARING OF SOUTH 80 DEG. 48'01" WEST A CHORD DISTANCE OF 315.32 FEET TO THE POINT OF TANGENT OF SAID CURVE; THENCE

CONTINUE ALONG SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE, NORTH 82 DEG. 50'54" WEST A DISTANCE OF 695.80 FEET; THENCE DEPARTING FROM SAID PROPOSED NORTHERLY RIGHT-OF-WAY LINE AND RUN THROUGH AN EXISTING LAKE THE FOLLOWING DESCRIBED COURSE; NORTH 07 DEG. 09'06" EAST A DISTANCE OF 270.39 FEET; THENCE NORTH 89 DEG. 54"35' EAST A DISTANCE OF 1456.43 FEET TO THE POINT OF BEGINNING.

EXHIBIT H

VENDORS' WARRANTIES - INITIAL BUILDING

Warranty		Extended Warranties/Cost	
Description	Duration	Description	Cost
STRUCTURAL Includes framing, slab, walls, foundation, masonry Includes all parts and labor Slab warranty limited to materials and workmanship and floor joints/floor joint filler shall be maintained failure to maintain floor joints/floor joint filler shall void the warranty for the slab	4 years	Not avaliable	
ROOF Includes parts and labor	15 years	Not available	
HVAC Includes parts and labor Extended 5 year warranty on compressors would remain in effect	1 year	Additional 1 year parts and labor	$13,475
PLUMBING Includes parts and labor	2 years	Not available	
SPRINKLERS Includes sprinkler piping, sprinkler heads Minor repair of sprinkler heads and alarm bells under normal conditions Second year of warranty contingent upon existence of 2 year maintenance agreement with Delta Fire Sprinklers, Inc.	2 years	Not available	
ELECTRICAL Includes parts and labor	1 year	Additional 1 year parts and labor	$20,000

EXHIBIT I

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT is made as of _____, 19___, by and between _____ ("Viewing Party") and SARA LEE CORPORATION, a Maryland corporation ("Tenant").

W I T N E S S E T H

WHEREAS, CTC INVESTMENTS, LTD., a Florida limited partnership ("Landlord"), and Tenant have entered into a certain Lease dated as of _____, 1998 ("Lease") relating to certain property situated in the Jacksonville International Tradeport, Jacksonville, Florida ("Premises");

WHEREAS, the Lease provides that Landlord and persons specifically authorized by Landlord shall have the right to enter the Premises at any reasonable time with reasonable notice to show the Premises to prospective purchasers, tenants and secured lenders ("Viewing Parties"), provided that the Viewing Parties agree to respect the confidentiality of proprietary or confidential matters relating to Tenant or the Premises which are disclosed to them when they are on the Premises exercising the right of entry provided in the Lease ("Confidential Information").

NOW, THEREFORE, it is hereby mutually covenanted and agreed by and between the parties hereto as hereinafter set forth.

Section 1. Viewing Party agrees to respect the confidentiality of Confidential Information. [Insert this sentence in Agreement signed by Landlord: Landlord also agrees that it will not cause any Viewing Party to enter within and view the Premises without obtaining from such Viewing Party a confidentiality agreement substantially in the form of this Agreement.] Viewing Party agrees that it will not disclose any Confidential Information relating to the design, manufacture or distribution of Tenant's products. The undertakings concerning nondisclosure set out in this Section 1 do not apply to (i) any information in the public domain, (ii) any information obtained from any source other than from Viewing Party's personal entry into the Premises, or (iii) any information disclosed pursuant to any applicable law or any order or formal written request of any court or governmental agency.

Section 2. The undertakings set out herein concerning nondisclosure apply, with respect to any Confidential Information obtained from any particular entry onto the Premises, for a period of two years after such entry.

Section 3. In the event of a dispute hereunder in the enforcement of the terms of this Confidentiality Agreement, the prevailing party shall be entitled to recover its reasonable attorneys fees and costs from the non-prevailing party.

Section 4. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

Section 5. This Confidentiality Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement as of the date first above written.

VIEWING PARTY

By:

TENANT

SARA LEE CORPORATION
a Maryland corporation

By:

Print Name
Its_____ President

EXHIBIT J

[INTENTIONALLY OMITTED.]

EXHIBIT K

ESTOPPEL LETTER

[Date]

[Name of Lender]
[Address of Lender]

Ladies and Gentlemen:

Sara Lee Corporation, a Maryland corporation ("Tenant"), as tenant under that certain Agreement of Lease dated _____, 1998 (the "Lease") with CTC Investments Limited, a Florida limited partnership ("Landlord"), as landlord, has been advised that Landlord is obtaining a construction loan (the "Loan") in the principal amount of $_____ from _____ ("Lender"), which Loan will be used to fund the costs of acquisition of the Land and construction of the Buildings which will comprise the Premises demised Tenant under the Lease. Tenant hereby certifies to Lender, as of the date hereof, as follows:

1. A true and complete copy of the Lease is attached as EXHIBIT A to this estoppel letter.

2. Tenant is the sole owner and holder of all rights and interests of tenant under the Lease.

3. The Lease, together with the ancillary agreement(s) described in EXHIBIT B attached to this estoppel letter, constitutes the entire agreement between Landlord and Tenant with respect to the Premises, and has not been changed, modified, amended or supplemented, or assigned.

4. Tenant has not sublet any portion of the Premises demised under the Lease.

5. The Lease is in full force and effect and Tenant has no actual knowledge of any default (or any event or condition, which, with the giving of notice or passage of time or both would constitute a default) by either party under the Lease. Tenant has no actual knowledge of any event or condition which has occurred which would entitle Tenant to any rental defenses or allow Tenant to abate or offset (in whole or in part) any Fixed Rent or other Rental or other charges due and payable by Tenant to Landlord under the Lease.

6. Tenant has no right to terminate the Lease or to offset or abate any Fixed Rent or other Rental or other sums due and payable thereunder, except as specifically set forth in the Lease.

7. The Plans required under the Leasehold Improvement Agreement constituting Exhibit C to the Lease (the "Leasehold Improvement Agreement") have been prepared and approved by Landlord and Tenant, and such Plans are more particularly described in EXHIBIT C

attached hereto. As of the date of this estoppel letter, no material changes to the Plans have been contemplated or proposed.

8. The Commencement Date of the Lease is the earlier of (a) the date of Substantial Completion, and (b) the date Substantial Completion would have occurred but for Tenant-caused delays as evidenced by a letter from the Architect in accordance with Section 4 of the Leasehold Improvement Agreement.

9. Subject to extension in accordance with the provisions of the Leasehold Improvement Agreement, the Delivery Date under the Leasehold Improvement Agreement is _____.

10. There are no outstanding offsets or credits against, or deductions from, Tenant's future Fixed Rent or other Rental obligations under the Lease (but the Lease does contain provisions for the offset, abatement and reduction of Rental in specified circumstances). Tenant has made no advance payment of Fixed Rent or other Rental under the Lease.

11. There are no actions, whether voluntary or otherwise, pending against Tenant under any bankruptcy, debtor reorganization, moratorium or similar laws of the United States, any state thereof or any other jurisdiction.

All capitalized terms not otherwise specifically defined in this estoppel letter shall have the respective meanings ascribed thereto in the Lease.

Tenant acknowledges that Lender is relying upon this estoppel letter in making the Loan, and that without this estoppel letter Lender would not make the Loan.

This estoppel letter shall inure to the benefit of Lender and its successors and assigns, and shall be binding upon Tenant and its representatives, successors and assigns (including, but not limited to, any assignee or sublessee of Tenant under the Lease).

Very truly yours,

SARA LEE CORPORATION,
a Maryland corporation

By: ----------
Name: ----------
Title: ----------

EXHIBIT L

Loan No._____

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT ("Agreement") is entered into as of _____, 199__ by Sara Lee Corporation, a Maryland corporation ("Indemnitor") in favor of _____ ("Lender").

RECITALS

A. Lender is contemporaneously herewith making a $_____ loan (the "Loan") to CTC Investments Limited, a Florida limited partnership (the "Borrower") secured or to be secured by a Mortgage, Deed to Secure a Debt or Deed of Trust and Security Agreement from Borrower to Lender (the "Mortgage") on the fee title and/or leasehold interest in the property described in Exhibit A attached hereto (the "Property"), which is also described as the Land in the Lease (as defined herein). All capitalized terms not specifically defined in this Agreement shall have the same respective meanings as are ascribed thereto in the Lease.

B. Indemnitor and Borrower executed that certain Agreement of Lease dated _____, 1998, with respect to the Property (the "Lease").

C. In order to induce Lender to make the Loan, the undersigned Indemnitor has agreed to execute and deliver this Indemnity Agreement to Lender.

D. Indemnitor has a substantial direct or indirect interest in the Property, financial or otherwise.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Indemnitors hereby agree and covenant for the benefit of Lender as follows:

1. Indemnitor covenants that after the Commencement Date: (a) the Property shall be maintained free of contamination from any Hazardous Substances except any which were present on the Property as of the Commencement Date through no fault of Indemnitor or any Person acting or claiming by, through or under Indemnitor; (b) the Property shall not be used for the manufacture, storage, generation or disposal of any Hazardous Substances; (c) Indemnitor shall not be, and shall not permit any assignee or Subtenant to be, involved in operations at or near the Property that could lead to the imposition on Lender of liability, or the creation of a lien on the

Property or any assets of Lender, under any Requirements relating to Hazardous Substances; and (d) Indemnitor shall not cause or permit to exist or occur any deposit, disposal, discharge, spillage, loss, emission, escape, migration, seepage or filtration of oil, petroleum, chemical liquids or solids, liquid or gaseous products, or any Hazardous Substances upon, under, above, from, or within the Property; provided, however, that Indemnitor may, at Indemnitor's sole risk, use upon the Property any Hazardous Substances or hazardous materials which are necessary for Indemnitor to carry on, in the ordinary course of its business, its presently intended warehouse, distribution or office uses on the Property so long as Indemnitor complies with all applicable Environmental Laws and with then-generally-accepted good and prudent business practices relating thereto. (Nothing in the proviso at the end of the preceding sentence shall be deemed to diminish, restrict, limit or affect in any way the breadth, generality or scope of Indemnitor's indemnification or other obligations or undertakings set out in the remainder of this Agreement.)

2. Except for matters caused by Lender's or Borrower's own negligence or wrongful acts or by the negligence or wrongful acts of any Person acting or claiming by, through or under Lender or Borrower (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Lender or Borrower", and any similar phrase, does not include Indemnitor or its assignees, Subtenants, licensees of or under Indemnitor, or Persons acting, claiming or holding by, through or under Indemnitor or its assignees, Subtenants or licensees), Indemnitor hereby agrees to defend, indemnify, and hold Lender harmless from and against any and all losses, liabilities (including, without limitation, strict liability), damages, injuries, expenses (including, without limitation, attorneys' fees and disbursements), costs of any settlement or judgment, and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Lender by any Governmental Authority or other Person for, with respect to, or as a direct or indirect result of, the presence on, within or under, or the escape, seepage, leakage, spillage, discharge, emission, migration or release from, the Property of any Hazardous Substance, which conditions did not exist on the Property prior to the Commencement Date (including, without limitation, any losses, liabilities, including strict liability, damages, injuries expenses, including attorneys' fees and disbursements, costs of any settlement or judgment or claims asserted or arising under the Comprehensive Environmental Response Compensation and Liability Act, as amended, RCRA, as amended, or any federal, state or local so-called "Superfund" or "Superlien" laws or any other statute, law, ordinance, code, rule, regulation, order or decree now or hereafter regulating, governing, controlling, relating to, or imposing liability [including, without limitation, strict liability] or standards of conduct for or concerning any Hazardous Substance [collectively, "Environmental Laws"] and including amounts necessary to pay costs of investigation and clean-up of Hazardous Substances and toxic substances on or affecting the Property).

3. For purposes hereof, "Hazardous Substances" shall mean and include all elements, wastes, materials, substances or compounds which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (the "EPA") or the Florida Department of Environmental Protection (the "DEP") or the list of toxic pollutants designated by Congress or the EPA or the DEP or defined by any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, governing or

imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material as now or at any time hereafter in effect, including, without limitation, asbestos, PCBs, radioactive substances, methane, petroleum distillates, compounds and derivatives, petrochemicals, volatile hydrocarbons and industrial solvents.

4. If either Indemnitor or Lender receives any notice of (a) the happening of any event involving in any way the presence, spill, release, leak, seepage, discharge or cleanup of any Hazardous Substance on or from the Property, or (b) any complaint, order, citation or notice with regard to air emissions, water discharges, or any other environmental, health or safety matter affecting Lender or the Property (an "Environmental Complaint") from any Person (including without limitation the EPA or the DEP), then such party receiving the notice shall immediately notify the other party of said notice and shall promptly send such other party a complete copy of any such notice that is in written form.

5. Unless caused by Lender's or Borrower's own negligence or wrongful acts or by the negligence or wrongful acts of any Person acting or claiming by, through or under Lender or Borrower (for all purposes of this Lease, the phrase "Persons acting or claiming by, through or under Lender or Borrower", and any similar phrase, does not include Indemnitor or any assignees, Subtenants or licensees of or under Indemnitor or any other Person acting, claiming or holding by, through or under Indemnitor or its assignees, Subtenants or licensees) and except for Hazardous Substances that were present on the Property on the Commencement Date through no fault of Indemnitor or any Person acting or claiming by, through or under Indemnitor, Indemnitor shall bear the sole and complete responsibility and expense to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any and all such Hazardous Substances and Environmental Complaints following receipt of any notice from any Person (including without limitation the EPA or the DEP) asserting the existence of any Hazardous Substance, or an Environmental Complaint, pertaining to the Property or any part thereof which could result in an order, judgment, complaint, decree, suit or other action against Lender or Indemnitor or Indemnitor's representatives, agents or Subtenants or which, in the sole opinion of Lender, could impair the value of Lender's interest in the Property or the Property. With respect to all matters described above, Indemnitor shall take all action necessary to obtain a closure letter or other final, favorable written disposition of the matter from the applicable Governmental Authorities and shall deliver said letter or other written disposition to Lender. If Indemnitor fails to take any action required herein, Borrower shall have the right (but not the obligation), after providing Indemnitor with notice and a reasonable opportunity to cure, to enter into the Property or to take such other actions as it deems necessary or advisable so to clean up, remove, resolve, minimize the impact of, or otherwise deal with any such Hazardous Substances or Environmental Complaint, in which event all costs and expenses incurred by Borrower in the exercise of any such rights shall be paid and reimbursed to Borrower by Indemnitor upon demand.

6. (a) Promptly after its receipt of any report of or concerning the environmental condition of, or the presence or absence of Hazardous Substances at, upon or under, or the

compliance or noncompliance with any Environmental Laws of, the Property or any part thereof, Indemnitor will deliver a complete copy of such report to Lender.

(b) Lender shall have the right from time to time, in its reasonable discretion, to cause to be performed an environmental audit and, if deemed necessary by Lender, an environmental risk assessment, concerning or relating to the Property (or any portions thereof) and the hazardous waste management practices of and the hazardous waste disposal sites used by Indemnitor and any other users of the Property; and Indemnitor grants to Lender, its respective agents, contractors and designees an irrevocable license to enter upon the Property at any reasonable time or times for purposes of performing the same; provided, however, that prior to exercising its inspection rights Lender shall first execute and deliver a Confidentiality Agreement in substantially the form attached to the Lease as Exhibit I as to non-environmental matters. All costs and expenses incurred by Lender in the exercise of such rights shall be payable by Borrower.

7. Except as provided herein, the obligations and liability of Indemnitor under this Agreement shall in no way be waived, released, discharged, reduced, mitigated or otherwise affected by:

(a) The repayment of the Loan and/or the satisfaction or release of the Mortgage; or

(b) Any neglect, delay or forbearance of Lender in demanding, requiring or enforcing payment of the indemnity due hereunder; or

(c) The receivership, bankruptcy, insolvency or dissolution of any Indemnitor or any affiliate; or

(d) Any sale or refinancing or other transactions related to the Property, by Borrower, by Lender or otherwise; or

(e) Indemnitor's transferring or divesting any or all of its estate, right, title or interest in or to the Property, any interest therein or any interest in any entity.

8. Without limiting the other provisions hereof, if Lender acquires legal possession and/or title to the Property and Lender becomes aware of any condition involving a violation of an Environmental Law relating to the Property, whether or not a claim is asserted against Lender, Lender shall have the right, after giving Indemnitor detailed written notice specifying the violation of Environmental Law, Lender's proposed course of action to cure such violation and a reasonable opportunity to comment thereon and make recommendations and suggestions to Lender concerning same (including, without limitation, reasons why no remediation activities are appropriate or suggestions for different remediation activities) to take such action as Lender reasonably shall deem necessary, in Lender's discretion, to cure the violation of the Environmental Law, including, without limitation, cleanup of such condition and Indemnitor shall be liable to

Lender in accordance with the terms hereof for all liabilities, costs and expenses incurred by Lender in effecting such cure.

9. No action or proceeding brought or instituted under this Indemnity Agreement and no recovery made as a result thereon shall be a bar or defense to any further action or proceeding under this Indemnity Agreement.

10. The covenants, agreements, terms, and conditions of this Agreement including the indemnity contained herein shall extend to and be binding upon the Indemnitor, its successors and assigns, and shall inure to the benefit of and may be enforced by Lender and its successors and assigns.

11. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited, invalid or ineffective under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

12. No consent by Indemnitor shall be required for any assignment or reassignment of the rights of Lender hereunder to one or more purchasers of the Loan or the Property, or any portion thereof.

13. With respect to any potential indemnified claim hereunder, Indemnitor may elect, by written notice to Lender, to assume the defense of any such claim by using counsel selected by Indemnitor acting reasonably. If Indemnitor assumes such defense and admits that the claim is subject to Indemnitor's indemnity obligations hereunder, then: (i) the claim shall be deemed to be a claim indemnified by Indemnitor; (ii) Lender may, at its election, participate in the defense of the claim, but Indemnitor will have no obligation to pay for any defense costs, including attorneys' fees of Lender after Lender assumes to participate in the defense of the claim; and (iii) Indemnitor will have the right, without cost to Lender, to compromise and settle any claim on any basis believed reasonable, in good faith by Indemnitor, and Lender shall be bound thereby, provided Lender is released in such settlement.

If after receiving a notice of a potential indemnified claim hereunder, if Indemnitor either does not assume the defense thereof, or does so under a reservation of rights without admitting that the claim is subject to Indemnitor's indemnity obligations hereunder, then: (i) the claim shall not be deemed to be a claim indemnified by the Indemnitor and neither party shall have waived any rights to assert that the claim is or is not properly a claim subject to Indemnitor's indemnity obligations; (ii) both Indemnitor and Lender may, at their individual election, participate in the defense of such claim but Indemnitor will remain responsible for the cost of defense, including reasonable attorneys' fees of Lender should the claim ultimately be determined to be subject to Indemnitor's indemnity obligations; and (iii) Lender shall have the right to compromise and settle the claim on any basis believed reasonable, in good faith, by Lender, and Indemnitor will be bound

thereby should the claim ultimately be determined to be subject to Indemnitor's indemnity obligations hereunder.

14. In the event of any litigation between the parties hereto to enforce any of the provisions of this Agreement or any right of either party hereto, the unsuccessful party to such litigation agrees to pay to the successful party all costs and expenses, including reasonable attorneys' fees, whether or not incurred in trial or an appeal, incurred therein by the successful party, all of which may be included in and as a part of the judgment rendered in such litigation.

15. Indemnitor's obligation and liabilities under this Agreement shall survive the Expiration Date for any indemnified matter that first occurred or accrued after the Commencement Date but before the Expiration Date; however, Indemnitor shall have no obligation or liability of any kind to Lender for or concerning any Hazardous Substance, violation of any Environmental Law, Environmental Complaint, or any environmental condition or matter with respect to the Property or this Agreement that (i) first occurred, accrued or came into existence before the Commencement Date or after the Expiration Date, (ii) first occurred, accrued or came into existence on or after the date on which Indemnitor's liability under the Lease is terminated pursuant to the provisions of Article 10 of the Lease, or (iii) was caused by the acts of Borrower or by the acts of any Person acting, holding or claiming by, through or under Borrower.

IN WITNESS WHEREOF, the undersigned Indemnitor and Lender have executed this Agreement as of the day and year first above written.

Indemnitor

SARA LEE CORPORATION,
a Maryland corporation

By

Its

- ---------- ,
a _____ corporation

By

Its

EXHIBIT M

ILLUSTRATIVE AMORTIZATION SCHEDULE
(MORTGAGE AMORTIZATION SCHEDULE : 16 YEAR TERM - 8.5% INTEREST RATE)

	MONTH	PRINCIPAL OUTSTANDING
COMMENCEMENT DATE == >	0	10,000,000
	1	9,975,384
	2	9,950,594
	3	9,925,628
	4	9,900,486
	5	9,875,165
	6	9,849,665
	7	9,823,984
	8	9,798,122
	9	9,772,076
	10	9,745,846
	11	9,719,430
	12	9,692,827*
	24	9,358,502*
	36	8,994,627*
	48	8,598,588*
	60	8,167,542*
	72	7,698,397*
	84	7,187,783*
	96	6,632,035*
	108	6,027,164*
	120	5,368,829*
	132	4,652,302*
	144	3,872,441*
	156	3,023,647*
	168	2,099,828*
	180	1,094,352*
	192	0

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

* MONTHLY PRINCIPAL REDUCTION WILL OCCUR IN ACCORDANCE WITH THE PRINCIPLES UNDERLYING THE FOREGOING IN THE MONTHS BETWEEN THOSE EXPLICITLY INDICATED IN THE ABOVE TABLE.

EXHIBIT N

PRELIMINARY SITE DRAWING

Exhibit 21.1

List of Subsidiaries of Coach

Name	Jurisdiction of Incorporation/Organization
1. Coach Stores Puerto Rico, Inc.	Delaware
2. Coach Leatherware International, Inc.	Delaware
3. Coach Europe Services S.r.l.	Italy
4. Coach (U.K.) Ltd.	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
August 25, 2000

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

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YEAR	YEAR
JUL-03-1999	JUL-01-2000
JUN-28-1998	JUL-04-1999
JUL-03-1999	JUL-01-2000
148	162
0	0
17,937	21,498
6,119	5,931
101,395	102,097
126,620	133,688
181,581	181,944
120,430	116,760
282,088	296,653
74,935	79,599
3,991	4,246
0	0
0	0
0	0
203,162	212,808
282,088	296,653
507,781	548,918
507,781	548,918
226,190	220,085
488,306	492,901
0	0
171	172
441	420
19,061	55,630
2,346	17,027
16,715	38,603
0	0
0	0
0	0
16,715	38,603
0	0
0	0