FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1999-01-02**
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FILER

CACHE INC

CIK:**350199**| IRS No.: **591588181** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-10345** | Film No.: **99573515**
SIC: **5621** Women's clothing stores

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

X Annual Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 (No fee required)
For the fiscal year ended January 2, 1999
or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No fee required)

Commission file number 0-10345

Cache, Inc.

(Exact name of registrant as specified in its charter)

Florida	59-1588181
(State or other jurisdiction of incorporation or organization	(IRS Employer Identification No.)

1460 Broadway, New York, New York	10036
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 575-3200

Securities registered pursuant to Section 12(g) of the Act:

Common Stock $.01 par value

(Title of Class)

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

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x].

As of February 28, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant (based on the closing price in the NASDAQ National Market)was approximately $19.0 million.

As of February 28, 1999, 9,091,338 common shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information included in the Registrant's Proxy Statement to be filed in connection with its 1999 Annual Meeting of Stockholders has been incorporated by reference into Part III (Items 10, 11, 12, and 13) of this report on Form 10-K.

CACHE, INC.

FORM 10-K ANNUAL REPORT

JANUARY 2, 1999

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PART I

ITEM 1. BUSINESS

STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Except for the historical information and current statements contained in this Annual Report, certain matters discussed herein, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward looking statements that involve risks and uncertainties, including, without limitation, the effect of economic and market conditions and competition, the ability to open new stores and expand into new markets, and risks relating to foreign importing operations, which would cause actual results to differ materially.

GENERAL

Cache, Inc. (together with its subsidiaries, the "Company") is a specialty retailer which operates stores selling women's apparel and accessories under the trade names "Cache" and "Lillie Rubin." As of February 28, 1999, the Company operated 184 stores. The Company operates using two formats:

CACHE. Founded in 1975, Cache stores specialize in the sale of fashion women's apparel (including dresses and sportswear), as well as accessories, in the better to expensive price range, focusing on social occasion dressing from informal get-togethers to formal black-tie affairs. At February 28, 1999, the Company operated 172 Cache stores. The Company plans to add approximately 10 new Cache stores in Fiscal 1999.

LILLIE RUBIN. The Company acquired the leases to 12 stores in August 1998, as well as certain assets including all Lillie Rubin trademarks and copyrights. Lillie Rubin offers sophisticated high fashion women's apparel (primarily dresses) and accessories, in the better to expensive price range, focusing on special occasion dressing. At February 28, 1999, the Company operated 12 Lillie Rubin stores. The Company will open several new Lillie Rubin stores in Fiscal 1999.

The Company's stores currently operate in 37 states, as well as in Puerto Rico and the District of Columbia. Stores are concentrated in large metropolitan and suburban areas and are located in the finest shopping malls in the country. The typical store averages 2,000 square feet and sells better sportswear, evening wear and upscale accessories.

The Company was incorporated in the state of Florida on April 25, 1975. The Company's principal executive offices are located at 1460 Broadway, New York, New York 10036 and its telephone number is (212) 575-3200.

MERCHANDISING

The Company's merchandise assortment in the Cache store format is classified under three major categories: sportswear, dresses and accessories. The sportswear classification is the largest segment of merchandise. It encompasses sportswear separates, casual wear, collections, day and evening suitings. Average sportswear price points range from $50 to $350. The dress category includes both long and short dresses, available primarily for after five and social occasion dressing. The dress category also includes, to a lesser degree, day dress classifications. Average price points of Cache's dresses range from $125 to approximately $450. Cache accessories focus on key classifications including jewelry, belts, hats and handbags. The average price points on accessories range from $50 to $150. Gross margins do not vary significantly between the three major merchandise categories. Sales by category, (as a percent of total sales), have not varied significantly over the past several years. Fully allocated gross income percentages by classification have not varied significantly by year.

The Lillie Rubin stores carry merchandise assortments under the same three categories, dresses, sportswear and accessories. However, Lillie Rubin stores offer more dresses than a typical Cache store and at price points approximately 25% higher than Cache. The Lillie Rubin customer tends to be more mature and has more disposable income than the average Cache customer.

The following table sets forth the percentage of net sales by merchandise classification;

Merchandise Classification	Fiscal 1998	Fiscal 1997	Fiscal 1996
Sportswear	53.0%	53.0%	54.0%
Dresses	38.1%	38.4%	37.5%
Accessories	8.9%	8.6%	8.5%
	100.0%	100.0%	100.0%

The Company's buyers work closely with the designers, merchandisers, and stylists in the apparel market, to develop and create new and exciting products. The buying department generally places an order with a vendor for a specific number of articles based on historical records and its impressions of how well the articles will be received by our customers. After the order is written, the planning department distributes the merchandise based on historical data, sales patterns, store size, location, demographics and seasonality. Internally, the Company groups its stores based primarily on annual sales volumes and geographic location in order to distribute merchandise. The Company also utilizes a basic core resource structure where core merchandise is sold by all stores, while more discrete purchases are made from select vendors and placed in different stores so as to enable the Company to provide diverse merchandise choices at different locations.

Inventory levels and styles are evaluated weekly to determine any slow-moving merchandise. In general, the Company permanently marks items down as a result of change in customer preference, seasonality and if inventory levels exceed customer demand. Generally, the Company does not offer timed promotional sales.

During Fiscal 1998, the Company purchased merchandise from more than 500 suppliers located in North America, Europe and Asia, as compared to approximately 500 such suppliers in 1997.

In Fiscal 1998, the Company purchased approximately 98% of the merchandise sold from domestic vendors and approximately 2% from foreign vendors. At the present time, the Company does not anticipate it will purchase in 1999 more than 10% of the merchandise from foreign vendors. The Company's importing operations are subject to the contingencies generally associated with foreign operations, including fluctuations in currency values, customs duty increases and quota limitations. These importing contingencies have not had nor are expected to have a material impact on the Company's operating results.

MERCHANDISE DISTRIBUTION

The Company utilizes the "Drop Ship" method to distribute merchandise directly from vendors to the stores. Under the Drop Ship method of distribution, the Company's suppliers are provided distribution directions, as well as packing lists, and are required to prepare and pack the merchandise for shipment via commercial carriers to the Company's stores. Drop Ship decreases the Company's distribution expenses and reduces the time required to deliver merchandise to its stores.

The Company utilizes a contract warehouse in New Jersey to serve as a staging area for new store fixtures and inventories. The Company distributes most imported merchandise directly from overseas vendors to the Company's stores, via common carriers.

STORE LOCATION AND EXPANSION

As of February 28, 1999, the Company operated 184 stores located in 37 states, as well as Puerto Rico and the District of Columbia. The following table sets forth the stores that were open as of such date and the states in which such stores are located.

Alabama	3	Louisiana	5	Ohio	8
Arizona	4	Maryland	4	Oklahoma	2
California	18	Massachusetts	6	Oregon	2
Colorado	1	Michigan	4	Pennsylvania	7
Connecticut	3	Minnesota	1	Rhode Island	1
Delaware	1	Mississippi	1	South Carolina	3
Florida	28	Missouri	1	Tennessee	5
Georgia	5	Nebraska	1	Texas	16
Hawaii	1	Nevada	5	Virginia	5
Illinois	5	New Jersey	12	Washington	2
Indiana	1	New Mexico	1	Wisconsin	1
Kansas	2	New York	11	Washington, D.C.	1
Kentucky	2	North Carolina	4	Puerto Rico	1

The Company opened the first 12 Lillie Rubin stores and 4 new Cache stores in 1998. Included in the 1998 Cache store openings were locations in Newark, DE; Bethesda, MD; West Nyack, NY and Lafayette, LA. The Company expects to open approximately 10 to 15 Cache and Lillie Rubin stores during 1999. The Company continually reviews locations for possible new stores. Store locations are selected on the basis of several factors, including selection of a dominant fashion mall or malls within a specific geographic area, demographics, principal and "anchor" stores in the mall, location of the store within the mall, the types of other specialty stores located in the mall and terms of the lease. The following table presents information reflecting store openings and closings over the last five years:

Fiscal year	Stores Open at begin. of Fiscal year	Stores Opened during Fiscal year	Stores Closed during Fiscal year	Stores Open at end of Fiscal year	Total square footage
1994	111	22	3	130	270,000
1995	130	24	2	152	316,000
1996	152	14	5	161	334,000
1997	161	8	-	169	351,000
1998	169	16(1)	1	184	390,000

(1) Includes 12 Lillie Rubin stores opened in September 1998.

During 1998, the Company remodeled two stores. The Company expects to continue remodeling selected stores during 1999. Most store remodels take from four to six weeks to complete, but rarely require closing the store. The Company spent approximately $170,000 in Fiscal 1998 to remodel two stores. The Company spent $715,000 (3 stores) and $638,000 (4 stores) on remodeling, in Fiscal 1997 and 1996, respectively. The Company closed one store in 1998. The Company closed no stores in Fiscal 1997, and five stores in Fiscal 1996.

None of the store closings had a material effect on the Company's financial statements.

The Company currently has 390,000 square feet of store space as of February 28, 1999 including 39,000 square feet of store space added during Fiscal 1998. The Company also added 17,000 and 18,000 square feet of store space in Fiscal 1997 and 1996, respectively. During Fiscal 1999, the Company expects to open approximately 10 to 15 new stores, which would add approximately 50,000 square feet of store space, bringing total store square footage to approximately 440,000 square feet. See "Management's Discussion and Analysis - Liquidity and Capital Resources" for a discussion of the restrictions on capital expenditures in the Company's Revolving Credit Agreement.

Stores generally range in size from approximately 1,300 to 3,900 square feet, with the typical store averaging approximately 2,000 square feet. The typical store front is 20 to 30 feet in width. Store hours are generally determined by the mall in which the store is located. Most stores are open seven days and six nights a week, except major holidays.

As is customary in the industry, when the Company leases space in a newly constructed urban, regional or specialty shopping mall, it leases the bare space. The Company then contracts with an architect to design a Cache store to fit the specifications of the leased space and selects a contractor to do the actual construction. It generally takes four to six weeks to complete construction, after all permits and drawings have been approved. In most cases, the Company receives from the lessor a construction allowance to help defray a portion of the costs of improvements to the leased space. Rental terms usually include a fixed minimum rent plus a percentage rent based on sales in excess of a specified amount. In addition, there is generally a charge incurred for one or more of the following: common area maintenance, utility consumption, promotional activities and/or advertising, insurance and real estate taxes.

STORE OPERATIONS

Control over store operations is the responsibility of the Executive Vice President of Store Operations, who is assisted by three Regional Vice Presidents and seventeen District Managers. A typical store is staffed by a manager, co-manager, an assistant manager and a number of full and part- time sales personnel. Special emphasis is placed on the recruitment of fashion-conscious and career-oriented sales personnel. The Company trains the majority of new store managers in designated training stores. The Company trains most new store sales personnel on the job, stressing the Company's concept of fashion and responsiveness to customer needs. Store personnel are provided centralized guidance on merchandising presentation including regular updates on fashion trends in the coming seasons.

Store managers and co-managers are compensated in the form of salaries and performance based bonuses. Sales associates and assistant managers are paid on an hourly basis plus performance incentives. From time to time, the Company offers additional incentives to both management and sales associates for enhanced sales. Those incentives generally are in the form of sales contests, which occur over a specific time period with regular motivational progress reports distributed to all stores.

The Company targets specific hourly sales performance from its sales team, the store manager, the co-managers, assistant managers and sales associates. Assisted by its preferred customer tracking system, management encourages store personnel to identify and maintain contact with customers, with the objective of converting infrequent shoppers into loyal clients.

Customer service is one of the most important responsibilities of our employees. Sales associates are encouraged to inform regular customers of new articles which may be of interest to them and provide customers with assistance in coordinating wardrobe selections. Our systems allow a customer the ability to special order for overnight delivery at her home any merchandise available in its chain through its automated special order system. The Company also offers a liberal return policy, which it believes is comparable to those offered by better department stores and other specialty retail stores. The Company encourages store management to become involved in community affairs and to make contacts outside the work place to develop potential customers. Stores are encouraged to participate in local charity fashion shows to enhance name recognition and meet potential customers. Select stores host trunk shows several times each year to present certain merchandise to customers.

INFORMATION SYSTEMS

The Company invests in technology for the future through both hardware and software investments. The Company's point of sale store computer system (the "POS System") offers a fully integrated device with customized software designed to help the Company maximize its business. The POS System enables cash register/terminals located in each store the ability to communicate with the host computer at the corporate office in New York. The software includes a preferred customer tracking system, which allows sales associates and store management to review customer purchases and also to maintain customer contact with the objective of making an infrequent shopper a regular customer. The system has been modified and customized to allow the Company the ability to market particular sales events to those customers who would most likely be interested in the special event.

The Company has a special order system which is designed to permit it to provide maximum customer services and, at the same time, minimize its inventory investment. The system tracks the availability of merchandise throughout the chain including information on choice of colors available.

The Company's POS System also provides many administrative functions including payroll, merchandise receipt and store merchandise transfers as well as featuring a complete price look-up function.

The Company's Home Office systems are also designed to maximize efficiency. Particular emphasis has been placed on the development of support systems to enhance the Company's return on its merchandise inventory. These systems include automated tracking of fast selling merchandise, stock replenishment based upon store inventory turn and sales statistics, a merchandise test tracking system which allows buyers to review quickly, even on a daily basis, customers' response to merchandise purchased on a test basis for possible reorder, automated transfer analysis and a complete gross margin analysis by merchandise vendor, as well as gross margin department analysis systems.

ADVERTISING AND PROMOTION

The Company's primary advertising tools are advertisements in print media, including Vogue, a national high fashion magazine. The Company spent $429,000, $416,000 and $418,000 on advertising in Fiscal 1998, 1997 and 1996, respectively.

EMPLOYEE RELATIONS

As of February 28, 1999, the Company had approximately 1,500 employees, of whom 800 were full-time employees and 700 were part-time employees. None of these employees are represented by a labor union. The company considers its employee relations to be satisfactory.

COMPETITION

The sale of women's apparel is a highly competitive business. The Company competes with department stores and other retailers of women's apparel in proximity to the Company's stores. The Company's approach to retailing has been to concentrate on securing prime locations and to cater to the high end of the women's fashion market through innovative and distinctive design of its physical facilities, the purchasing of high- quality and well-coordinated inventory and the rendering of personalized service to the customer. Merchandise is sold for cash, check or by third party credit card.

TRADEMARKS AND SERVICE MARKS

The Company is the owner in the United States of the trademark and service mark "Cache", as well as, the trademark and service mark "Lillie Rubin". These marks are registered with the United States Patent and Trademark Office. Each federal registration is renewable indefinitely if the mark is still in use at the time of renewal. The Company's rights in the "Cache" mark and "Lillie Rubin" mark are a significant part of the Company's business. Accordingly, the Company intends to maintain its marks and the related registrations. The Company is not aware of any material claims of infringement or other challenges to the Company's right to use its marks in the United States.

ITEM 2. PROPERTIES

All but 2 of the Company's 184 stores are located in shopping malls. Existing stores contain from approximately 1,300 to 3,900 square feet, with the typical store averaging 2,000 square feet. The Company conducts all of its retail operations in leased facilities. Rental terms usually include a fixed minimum rent plus a percentage rent based on sales in excess of a specified amount. In addition, there is generally a charge incurred for one or more of the following: common area maintenance, utility consumption, promotional activities and/or advertising, insurance and real estate taxes. The leases expire at various dates through 2009. The Company renegotiated lease terms on seven stores in 1998, six leases of which were due to expire in 1999. The Company has several leases which contain fixed escalation clauses which are reflected in the financial statements over the life of each lease.

For further information with respect to leased facilities, see Item 1, "Stores", Note 8 of the Notes to Consolidated Financial Statements and the tables below.

The following table shows the number of leases for stores in operation as of February 28, 1999, which expire during the periods indicated.

Fiscal Years Ending	Number of Leases Expiring
Present - 2001.....	29
2002 - 2004........	73
2005 - 2007........	65
2008 - 2009........	17
	184

The Company's corporate office is an 11,900 square foot facility located at 1460 Broadway in New York City pursuant to a ten-year lease which expires in 2003.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various lawsuits arising in the ordinary course of its business. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on the liquidity or operating results of the Company.

EXECUTIVE OFFICERS OF THE COMPANY

The Company's executive officers are as follows:

Name	Age	Position
Andrew Saul	52	Chairman of the Board and Director
Roy Smith	60	Executive Vice President/ Director of Store Operations and Director
Thomas Reinckens	45	Executive Vice President/Chief Financial Officer and Director
Mae Soo Hoo	44	Executive Vice President/General Merchandise Manager and Director

The Company's executive officers hold office until the first meeting of the Board of Directors following the next annual election of directors and until their respective successors are duly elected and qualified.

Andrew Saul became Chairman of the Board of Directors of the Company on February 27, 1993. He has been a partner of Saul Partners, an investment partnership, since 1986. He is the son of Joseph E. Saul, who is also a director of the Company.

Roy Smith joined the Company on December 30, 1986 as Vice President/ Director of Store Operations and was appointed Executive Vice President in October 1990. He was appointed to the Board of Directors on February 27, 1993.

Thomas Reinckens joined the Company in February 1987 as Controller, and was appointed Vice President/Chief Financial Officer on November 30, 1989. He was appointed to the Board of Directors on February 27, 1993. Mr. Reinckens was appointed Executive Vice President on September 13, 1995.

Mae Soo Hoo joined the Company in February 1987 as a Vice President of Merchandising. She was also appointed to the Board of Directors on September 13, 1995 and was appointed Executive Vice President/General Merchandise Manager on that date.

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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended January 2, 1999.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) The principal market in which the Company's Common Stock is being traded is the NASDAQ National Market System. The stock symbol is CACH. The price range of the high and low bid information for the Company's Common Stock during 1998 and 1997, by fiscal quarters, are as follows:

	Fiscal 1998		Fiscal 1997	
Fiscal Period	High	Low	High	Low
First Quarter	$ 3.94	$ 3.03	$ 5.00	$ 3.13
Second Quarter	$ 5.50	$ 3.44	$ 3.94	$ 3.00
Third Quarter	$ 6.50	$ 3.84	$ 3.63	$ 3.00
Fourth Quarter	$ 5.38	$ 3.19	$ 4.13	$ 2.94

Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

(b) As of February 28, 1999, there were approximately 700 holders of record of the Company's Common Stock.

(c) The Company has not declared any cash dividends during the past three years with respect to its Common Stock and does not anticipate paying any cash dividends in the foreseeable future. The Company's banking agreement prohibits the payment of any dividends on the Company's Common Stock through January 31, 2000.

ITEM 6. SELECTED FINANCIAL DATA

The following Selected Consolidated Financial Data should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto.

<TABLE>

CACHE, INC. AND SUBSIDIARIES
STORE DATA AND OPERATING RESULTS

<CAPTION>

FISCAL YEAR ENDED (1)

	JANUARY 2, 1999 (1)	DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994
	(in thousands, except store and per share data)				
<S>					
STORE DATA:	<C>	<C>	<C>	<C>	<C>
# OPEN AT END OF PERIOD	184	169	161	152	130
# OPEN AT BEGINNING OF PERIOD	169	161	152	130	111
# OPENED DURING PERIOD	16	8	14	24	22
# CLOSED DURING PERIOD	1	--	5	2	3
AVERAGE SALES PER SQUARE FOOT (3)	$403.00	$397.00	$401.00	$412.00	$431.00
COMPARABLE STORE SALES INCREASE (4)	2%	1%	FLAT	1%	6%
OPERATING RESULTS:					
NET SALES	$146,831	$135,791	$128,986	$120,567	$104,714
GROSS INCOME	51,572	46,599	43,301	40,343	36,273
STORE OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES	44,975	42,417	39,778	36,803	30,553
OPERATING INCOME	6,597	4,182	3,523	3,540	5,720
OTHER INCOME (LOSS)	227	42	7	56	(66)
INTEREST EXPENSE	(154)	(214)	(383)	(564)	(273)
INCOME BEFORE INCOME TAXES	6,670	4,010	3,147	3,032	5,381
INCOME TAX PROVISION	2,735	1,645	1,181	1,120	568
NET INCOME	$3,935	$2,365	$1,966	$1,912	$4,813
EARNINGS PER SHARE:					
BASIC AND DILUTED EARNINGS PER SHAR	$0.43	$0.26	$0.22	$0.21	$0.53

CASH DIVIDENDS	--	--	--	--	--
WEIGHTED AVERAGE SHARES OUTSTANDING	9,170	9,103	9,107	9,127	8,793

</TABLE>

FOOTNOTES

(1) - Results for the Fiscal year ended January 2, 1999 include 53 weeks. Results for all other periods presented include 52 weeks.

(2) - Weighted average shares for the Fiscal years ended January 2, 1999, December 27, 1997, December 28, 1996, December 30,1995, and December 31, 1994, include 79,000; 12,000; 16,000; 36,000; and 444,000; shares respectively, due to the potential exercise of outstanding stock options that were outstanding and exercisable in Fiscal 1998, 1997, 1996, 1995, and 1994, in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share".

(3) - Average sales per square foot are calculated by dividing net sales by the weighted average store square footage available.

(4) - Comparable store sales data are calculated based on the net sales of stores open at least 12 full months at the beginning of the period for which the data are presented.

<TABLE>

CACHE, INC. AND SUBSIDIARIES
BALANCE SHEET DATA

<CAPTION>

	FISCAL YEAR ENDED				
	JANUARY 2, 1999	DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994
	(in thousands, except ratios and per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
CURRENT ASSETS	$35,273	$26,682	$23,110	$20,381	$19,581
CURRENT LIABILITIES	19,899	15,700	14,906	13,014	12,837
WORKING CAPITAL	15,374	10,982	8,204	7,367	6,744
TOTAL ASSETS	51,558	43,508	40,610	38,047	34,770
TOTAL LONG-TERM DEBT	2,000	2,000	2,000	3,300	3,650
STOCKHOLDERS' EQUITY	27,896	23,961	21,596	19,630	16,430
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	1.77 : 1	1.70 : 1	1.55 : 1	1.57 : 1	1.53 : 1
INVENTORY TURNOVER RATIO	5.13 : 1	4.92 : 1	5.07 : 1	5.22 : 1	5.44 : 1
CAPITAL EXPENDITURES	3,266	3,418	3,427	5,722	5,541
DEPRECIATION AND AMORTIZATION	4,136	3,898	3,503	3,090	2,457
DEBT TO EQUITY RATIO	0.07 : 1	0.08 : 1	0.09 : 1	0.17 : 1	0.22 : 1
BOOK VALUE PER SHARE	$3.07	$2.64	$2.38	$2.16	$1.81

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Except for the historical information and current statements contained in this Annual Report, certain matters discussed herein, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward looking statements that involve risks and uncertainties, including, without limitation, the effect of economic and market conditions and competition, the ability to open new stores and expand into new markets, and risks relating to foreign importing operations, which would cause actual results to differ materially.

Liquidity and Capital Resources

The Company has generally funded, through internally generated cash flows, new store merchandise inventories, as well as the construction of new stores. During 1998, 1997 and 1996, the Company expended approximately $3,266,000, $3,418,000 and $3,427,000, respectively, for new store construction, store renovation and equipment additions. During 1998, the Company generated $11,093,000 in cash from operating activities. The 1998 expansion included expenditures of approximately $1,104,000 for the acquisition of 12 Lillie Rubin stores, $875,000 for 4 new Cache stores, $180,000 for remodeling 2 existing Cache stores and $1,292,000 for home office computer improvements and equipment additions. The Company expects to open approximately 10 to 15 stores in 1999. The Company estimates that the total capital expenditures for new stores to be opened in 1999 and remodeling of certain existing stores will be approximately $4,000,000. The Company also estimates that the average cost for initial store inventory investment at new stores ranges between $70,000 and $110,000 per store depending upon the store size and when it is opened. The capital expenditure amounts include estimated expenditures for leasehold improvements and fixtures, after landlord allowances.

At January 2, 1999, the Company had $13.7 million in cash and equivalents. Cash equivalents consist primarily of municipal bonds that can readily be converted to cash, as well as short term commercial paper. Inventories increased $692,000, principally due to the addition of 4 new Cache stores and the 12 Lillie Rubin stores in Fiscal 1998. Accounts payable increased $2,441,000, principally due to the additional stores. Other assets increased $553,000 principally due to the addition of intangible assets related to the Lillie Rubin purchase. Income taxes payable increased $584,000 due to the increase in earnings in Fiscal 1998. Accrued compensation increased $705,000 primarily due to an additional one week of payroll accrued in Fiscal 1998.

The Company's current Revolving Credit Facility may be used for either working capital or for letters of credit and will expire on January 31,2000. Pursuant to the Revolving Credit Facility, $12,000,000 is available from August 26, 1996 until expiration at January 31, 2000. The amounts outstanding thereunder bear interest at a maximum per annum rate of .50% above the bank's prime interest rate. The agreement contains selected covenants including covenants to maintain a minimum current ratio, a maximum debt to equity and total equity ratio, a maximum capital expenditure covenant, a minimum earnings to bank interest coverage ratio and certain restrictions on the payment of principal amounts to related parties. The agreement prohibits the payment of any dividends on the Company's Common Stock. Effective upon the occurrence of an "event of default" under the Revolving Credit Facility, the Company grants to the bank a security interest in the Company's inventory and certain receivables. At January 2, 1999 and at December 27, 1997, there was no amount outstanding on the line; in addition, the Company had no letters of credit outstanding pursuant to the Revolving Credit Facility.

Management believes that the Company's internally generated cash flows will be sufficient to meet anticipated requirements for operations during 1999.

The Company has completed a comprehensive review of its computer systems and is currently modifying existing software and converting to new software, where necessary, in preparation for the Year 2000. The Company expects this process to be completed in 1999. During 1999, the Company will incur internal staff expenses as well as external consulting and other additional expenses related to the project. To date, the Company has spent approximately $50,000 for external consulting, software and hardware improvements. The total costs associated with modifying current systems and new software cost is not anticipated to have a material impact on results of operations, cash flows or financial condition in any given year. However, no assurances can be given that the Company will be able to completely identify or address all year 2000 compliance issues, or that third parties with whom the Company does business will not experience system failures as a result of the year 2000 issue, nor can the Company fully predict the consequences of noncompliance.

Results of Operations

Results for the Fiscal year ended January 2, 1999 include fifty-three weeks. Results for Fiscal 1997 and 1996 include fifty-two weeks. The impact of the additional week's sales in Fiscal 1998 is no greater than approximately 2% of sales when compared to Fiscal 1997 and Fiscal 1996. To a lesser degree, operating expenses also increased due to the additional week in Fiscal 1998. While it is worth noting the additional weeks's sales in Fiscal 1998, the Company believes there was no material effect on net income due to the additional week in Fiscal 1998, as compared to Fiscal 1997.

For the fifty-three weeks ended January 2, 1999, three major factors contributed to the improvement in net income as compared to Fiscal 1997: the improvements in sales and gross margins at existing stores, together with the increase in operating income due to the 16 new stores opened in Fiscal 1998 and to a lesser extent the increase in interest income. Comparable store sales (sales for stores open at least one year or more), increased 2% in Fiscal 1998, increased 1% in Fiscal 1997, and were flat in Fiscal 1996.

Over the last several years, the Company has begun to experience and expects to continue to experience quarterly fluctuations in net sales and net income. The Company typically experiences higher net sales and net income in the second and fourth quarters than in the first and third quarters. The Company's quarterly results of operations may also fluctuate as a result of a variety of factors, including the timing of new store openings and the net sales contributed by new stores, merchandise mix and the timing and level of markdowns. See Note 11 to the Company's consolidated financial statements on page I-17, which sets forth certain unaudited results of operations for the Company's eight fiscal quarters ended January 2, 1999.

Certain financial data for Fiscal years 1998, 1997 and 1996 expressed as a percentage of net sales are as follows:

	As a Percentage of Net Sales		
	Fiscal 1998	Fiscal 1997	Fiscal 1996
Net sales	100.0%	100.0%	100.0%
Gross income	35.1%	34.3%	33.6%
Store operating expenses	25.8%	26.3%	26.0%
General and administrative	4.8%	4.9%	4.9%
Pre-tax income	4.5%	3.0%	2.4%

NET SALES. Net sales in Fiscal 1998 (53 weeks) increased to $146,831,000 from $135,791,000 in Fiscal 1997 (52 weeks), an increase of $11,040,000, or 8.1%. Total sales for the fifty-two week period ended January 2, 1999 increased 5.9% as compared to Fiscal 1997. The one week additional sales in Fiscal 1998 were approximately 2% of the total 8.1% sales increase. The increase in sales was also due to sales generated by the Company's 16 new stores and the full year sales impact for the 8 stores which were opened in 1997, and finally, a comparable store sales increase of 2% in Fiscal 1998.

Net sales in Fiscal 1997 increased 5.3% over net sales in Fiscal 1996. The increase was due to comparable store sales (sales for stores open at least one year or more) increases of 1.0% at existing stores, sales from the Company's 8 new stores and the full year sales impact of the 14 stores which were opened in 1996.

GROSS INCOME. The $4,973,000 increase in gross income was directly due to higher sales in 1998, partially due to the 53 week Fiscal year in 1998, as compared to Fiscal 1997 (which was a 52 week Fiscal year)and was partially offset by an increase in occupancy expenses of $1,235,000 in 1998, primarily due to the new stores opened during 1998 and 1997. Gross income in Fiscal 1998 as a percentage of net sales increased by 0.8% from Fiscal 1997 (35.1% versus 34.3%). The increase was due primarily to higher initial mark-up on Fiscal 1998 inventory purchases.

Gross income in Fiscal 1997 increased $3,298,000 as compared to Fiscal 1996. The increase was primarily due to the sales increase in Fiscal 1997. The increase in gross income was partially offset by an increase in occupancy expenses from $16,574,000 in 1996 to $17,474,000 in 1997, due to the 8 new stores opened during 1997 and the full year impact of occupancy expenses for the 14 stores opened in 1996. In Fiscal 1997, gross income as a percentage of net sales increased by 0.7% from 1996 (34.3% versus 33.6%). The increase was due primarily to lower markdowns as a percent of sales, as well as improved initial mark-up.

STORE OPERATING EXPENSES. In Fiscal 1998, store operating expenses increased by $2,207,000 (6.2%) from Fiscal 1997 amounts. The increase was primarily due to higher salaries, bonuses and commissions ($1,623,000), a direct result of the increase in sales and new stores opened during 1998, and increases in bank credit card processing fees ($291,000), depreciation ($231,000), payroll taxes ($157,000)and licenses and taxes ($108,000), which were partially offset by reductions in other expense categories . During Fiscal 1998, the Company opened 16 stores which had the effect of adding, on average, 9.1 stores in operation as compared to 1997, a 5.5% increase. Store operating expenses in Fiscal 1998 were also higher than Fiscal 1997, due to the 53 week Fiscal 1998 period as compared to the 52 week Fiscal 1997 period. As a percentage of sales, store operating expenses decreased 0.5% in 1998 versus 1997 (25.8% versus 26.3%). The decrease was primarily due to higher sales at new and existing stores.

Store operating expenses in Fiscal 1997 increased $2,198,000 (6.6%) from Fiscal 1996 amounts. The increase was due principally to higher salaries, bonuses and commissions ($1,080,000), primarily due to the increase in the average number of stores open in Fiscal 1997 versus 1996. During Fiscal 1997, the Company had an average of 9.9 additional stores in operation as compared to 1996, a 6.4% increase. Other store operating expenses that increased in Fiscal 1997 included depreciation ($387,000), licenses and taxes ($207,000), payroll taxes ($170,000)and insurance ($220,000). As a percentage of sales, total store operating expenses increased 0.3% in Fiscal 1997, as compared to 1996, (26.3% versus 26.0%).

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $351,000 (5.2%) in Fiscal 1998 from 1997 amounts. The increase was primarily due to higher payroll and payroll taxes ($467,000) and travel ($75,000), and was partially offset by reductions primarily in insurance, buying and professional fee expenses. General and administrative expenses in Fiscal 1998 were also higher than Fiscal 1997, due to the 53 week Fiscal 1998 period as compared to the 52 week Fiscal 1997 period. As a percentage of sales, general and administrative expenses decreased to 4.8% from 4.9% in 1997.

General and administrative expenses increased $441,000 (7.0%) in Fiscal 1997 over 1996 results. The increase was primarily due to higher payroll and payroll taxes ($423,000), and was partially offset by reductions primarily in travel, and office supply expenses. As a percentage of sales, general and administrative expenses were a constant 4.9%, as compared to Fiscal in 1996.

INTEREST EXPENSE. Interest expense decreased $60,000 or 28.0% in Fiscal 1998 as compared to 1997. The decrease was primarily due to lower average borrowing levels during 1998.

Interest expense decreased by $169,000 or 44.1% in Fiscal 1997, as compared to 1996. The decrease was primarily due to lower average borrowing levels in Fiscal 1997, as compared to Fiscal 1996.

INTEREST AND OTHER INCOME. Interest income increased to $227,000 in Fiscal 1998 as compared to $32,000 in Fiscal 1997. The increase is primarily due to the increase in cash and equivalents during Fiscal 1998, as compared to Fiscal 1997.

Interest income increased to $32,000 in Fiscal 1997 as compared to $7,000 in Fiscal 1996. The increase is primarily due to improved cash flows in Fiscal 1997 and repayment of the bank line of credit.

INCOME TAXES. In Fiscal 1998, the Company provided $2,735,000 for income taxes, which consisted of $2,062,000 for federal income taxes and $673,000 for state income taxes. The effective tax rate in Fiscal 1998 was 41.0% and taxable income in Fiscal 1998 was approximately $6,000,000.

In Fiscal 1997, the Company provided $1,645,000 for income taxes, which consisted of $1,401,000 for federal income taxes and $244,000 for state income taxes. The effective tax rate in Fiscal 1997 was 41.0%. The increase in the effective tax rate in Fiscal 1997 over Fiscal 1996 is primarily due to the turnaround of timing differences.

During Fiscal 1996, the Company provided $1,181,000 for income taxes, which consisted of $850,000 for federal income taxes and $331,000 for state income taxes. The effective tax rate in Fiscal 1996 was 37.5%.

Impact of Inflation

The Company's investment in inventories, property and equipment is not adjusted for inflation. The Company values its inventories at the lower of average cost or market, using the retail method of accounting. Inventory turnover is also relatively constant. Therefore, the cost of goods sold, reported on a historical basis in the financial statements, is not significantly different from current costs nor is there a disparity in the balance sheet valuation of inventories. In addition, it has been the Company's practice to adjust selling prices for inflationary increases in the cost of merchandise. The amount of property and equipment, which are principally leasehold improvements, furniture, fixtures and equipment, along with the related depreciation and amortization, would not be significantly different under inflationary accounting.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's selected quarterly financial data is incorporated herein by reference to Note 11 to the Company's consolidated financial statements on page I-17. The Company's consolidated financial statements and financial statement schedules and the report of independent public accountants are listed at Item 14 of this Report and are included in this Form 10-K on pages I-1 through I-17.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

The information called for by Items 10, 11, 12, and 13 is incorporated herein by reference from the definitive proxy statement to be filed by the Company in connection with its 1999 Annual Meeting of Shareholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Consolidated Financial Statements

2. Exhibits (2)

3.1 Articles of Incorporation of the Company and amendments thereto (2, Exhibit 3(i) thereof)

3.2 Bylaws of the Company (1, Exhibit 2(b) thereof)

10.1 Lease, dated May 13, 1993, between the Company, as Tenant, and Robert H. Arnow, as Landlord, for the Company's offices at 1460 Broadway, New York, New York (4, Exhibit 10.1 thereof)

10.2 1993 Stock Option Plan of the Company (3, Exhibit A thereof) (7)

10.3 1994 Stock Option Plan of the Company (5, Exhibit 10.3 thereof) (7)

10.4 Form of Option Agreement relating to Options issued under the 1994 Stock Option Plan (5, Exhibit 10.4 thereof)(7)

10.5 Second Amended and Restated Revolving Credit Agreement (the "Credit Agreement") dated as of August 26, 1996, between Fleet Bank, N.A. (successor in interest to National Westminster Bank, New Jersey) and the Company (6)

10.6 Security Agreement, dated as of August 26, 1996, between the Company and Fleet Bank, N. A. (6)

10.7 Amended and Restated Intercreditor and Subordination Agreement, dated as of August 26, 1996, among the Company, Joseph Saul and Fleet Bank, N.A. (6)

2. Exhibits (2) (continued)

10.8 Guaranty, dated as of August 26, 1996, from the Company's subsidiaries for the benefit of Fleet Bank, N.A. (6)

10.9 Unsecured $1,750,000 Promissory Note of the Company, dated December 14, 1993, in favor of Joseph Saul (4, Exhibit 10.13 thereof)

10.10 Unsecured $250,000 Promissory Note of the Company, dated December 14, 1993, in favor of Joseph Saul (4, Exhibit 10.14 thereof)

10.11 Form of Promissory Note made by each of Michael Warner, Roy Smith, Thomas Reinckens and Karen Hubchik to the order of the Company, in an amount equal to $600,000, $170,000, $80,000 and $63,000, respectively, (5, Exhibit 10.14 thereof),(7)

10.12 Amended and Restated Asset Purchase Agreement dated August 10, 1998 between Lillie Rubin Fashions, Inc. and the Company.

11.1 Calculation of Primary and Fully Diluted Earnings per Common Share

12.1 Statements re: Computation of Ratios

24.1 Consent of Independent Public Accountants

(1) Incorporated by Reference to the Company's Registration Statement on Form S-18, dated December 29, 1980, Registration No. 2-70418A.

(2) Incorporated by reference to the Company's Current Report on Form 8-K dated September 15, 1993.

(3) Incorporated by Reference to the Company's Definitive Proxy Statement for its 1993 Annual Meeting of Shareholders.

(4) Incorporated by Reference to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.

(5) Incorporated by Reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(6) Incorporated by Reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1996.

(7) Exhibits 10.2 through 10.4 and 10.11 are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(c) of this Annual Report on Form 10-K.

(8) A Stockholder may obtain a copy of any of the exhibits included in the Annual Report on Form 10-K upon payment of a fee to cover the reasonable expenses of furnishing such exhibits, by written request to CACHE, INC., at 1460 Broadway, 15th Floor, New York, New York 10036 Attention: E.V.P., Chief Financial Officer.

(b) Reports on Form 8-K

None

Signatures

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 26, 1999

CACHE, INC.
(Registrant)

By /s/ Thomas E. Reinckens

THOMAS E. REINCKENS

Executive Vice President and
On behalf of Cache, Inc.
and in his capacity as
Chief Financial Officer
(Principal Financial and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew M. Saul ANDREW M. SAUL	Chairman of the Board; Director (Principal Executive Officer)	March 26, 1999
/s/ Thomas E. Reinckens THOMAS E. REINCKENS	Executive Vice President, Director (Principal Financial Officer)	March 26, 1999
/s/ Roy C. Smith ROY C. SMITH	Executive Vice President, Director	March 26, 1999
/s/ Mae Soo Hoo MAE SOO HOO	Executive Vice President, Director	March 26, 1999
/s/ Joseph E. Saul JOSEPH E. SAUL	Director	March 26, 1999
/s/ Morton J. Schrader MORTON J. SCHRADER	Director	March 26, 1999
/s/ Mark E. Goldberg MARK E. GOLDBERG	Director	March 26, 1999

CACHE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JANUARY 2, 1999,

DECEMBER 27, 1997,

AND

DECEMBER 28, 1996

INDEX TO THE
CONSOLIDATED FINANCIAL STATEMENTS
AND SCHEDULES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Cache, Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of Cache, Inc. (a Florida corporation)and subsidiaries as of January 2, 1999 and December 27, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years ended January 2, 1999. These financial statements and the information included in Note 11 referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and information included in Note 11 based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial position of Cache, Inc. and subsidiaries as of January 2, 1999 and December 27, 1997, and the results of their operations and their cash flows for each of the three fiscal years ended January 2, 1999 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in Note 11 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This information included in Note 11 has been subjected to the auditing procedures applied in our audits 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.

New York, New York
February 1, 1999 /s/ Arthur Andersen LLP

<TABLE>

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JANUARY 2, 1999 AND DECEMBER 27, 1997

<CAPTION>

<S>		
A S S E T S	January 2, 1999	December 27, 1997
CURRENT ASSETS	<C>	<C>
Cash and equivalents (Note 1)	$ 13,720,000	$ 5,892,000
Receivables (Note 2)	1,525,000	1,573,000
Notes receivable from related parties (Note 6)	295,000	250,000
Inventories	18,911,000	18,219,000
Deferred income taxes and other assets (Note 9)	193,000	220,000
Prepaid expenses	629,000	528,000
Total Current Assets	35,273,000	26,682,000
PROPERTY AND EQUIPMENT (Note 3)	14,776,000	15,869,000
OTHER ASSETS	764,000	211,000
DEFERRED INCOME TAXES (Note 9)	745,000	746,000
	$ 51,558,000	$ 43,508,000
L I A B I L I T I E S A N D S T O C K H O L D E R S' E Q U I T Y		
CURRENT LIABILITIES		
Accounts payable	$ 13,178,000	$ 10,737,000
Income taxes payable (Note 9)	943,000	359,000
Accrued compensation	1,447,000	742,000
Accrued liabilities (Note 4)	4,331,000	3,862,000
Total Current Liabilities	19,899,000	15,700,000
SUBORDINATED INDEBTEDNESS TO RELATED PARTY (Note 6)	2,000,000	2,000,000
OTHER LIABILITIES (Note 7)	1,763,000	1,847,000
COMMITMENTS AND CONTINGENCIES (Note 8)		

STOCKHOLDERS' EQUITY		
Common stock, par value $.01; authorized, 20,000,000 shares; issued and outstanding 9,091,338 shares at January 2, 1999 and December 27, 1997 (Note 10)	91,000	91,000
Additional paid-in capital	19,564,000	19,564,000
Retained earnings	8,241,000	4,306,000
Total Stockholders' Equity	27,896,000	23,961,000
	$ 51,558,000	$ 43,508,000

<FN>
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</FN>
</TABLE>

<TABLE>

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JANUARY 2,1999, DECEMBER 27, 1997, AND DECEMBER 28, 1996

<CAPTION>

	JANUARY 2, 1999	DECEMBER 27, 1997	DECEMBER 28, 1996
<S>	<C>	<C>	<C>
NET SALES	$ 146,831,000	$ 135,791,000	$ 128,986,000
COST OF SALES, including occupancy and buying costs (Note 8)	95,259,000	89,192,000	85,685,000
GROSS INCOME	51,572,000	46,599,000	43,301,000
EXPENSES			
Store operating	37,917,000	35,710,000	33,512,000
General and administrative	7,058,000	6,707,000	6,266,000
Interest	14,000	74,000	243,000
Interest to related party	140,000	140,000	140,000
TOTAL EXPENSES	45,129,000	42,631,000	40,161,000
OTHER INCOME			
Interest income	227,000	32,000	7,000
Miscellaneous	---	10,000	---
TOTAL OTHER INCOME	227,000	42,000	7,000
INCOME BEFORE INCOME TAXES	6,670,000	4,010,000	3,147,000
INCOME TAX PROVISION (NOTE 9)	2,735,000	1,645,000	1,181,000
NET INCOME	$ 3,935,000	$ 2,365,000	$ 1,966,000
BASIC AND DILUTED EARNINGS PER SHARE	$ .43	$ .26	$ .22
WEIGHTED AVERAGE SHARES OUTSTANDING	9,170,000	9,103,000	9,107,000

<FN>
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</FN>
</TABLE>

<TABLE>

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 2,1999, DECEMBER 27, 1997, AND DECEMBER 28, 1996

<CAPTION>

<S>	COMMON STOCK <C>	ADDITIONAL PAID-IN CAPITAL <C>	RETAINED EARNINGS (DEFICIT) <C>	TOTAL <C>
BALANCE DECEMBER 30, 1995	$ 91,000	$ 19,564,000	$ (25,000)	$ 19,630,000
Net Income	---	---	1,966,000	1,966,000
BALANCE DECEMBER 28, 1996	91,000	19,564,000	1,941,000	21,596,000
Net Income	---	---	2,365,000	2,365,000
BALANCE DECEMBER 27, 1997	91,000	19,564,000	4,306,000	23,961,000
Net Income	---	---	3,935,000	3,935,000
BALANCE JANUARY 2, 1999	$ 91,000	$ 19,564,000	$ 8,241,000	$ 27,896,000

<FN>
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</FN>
</TABLE>

<TABLE>

CACHE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 2,1999, DECEMBER 27, 1997, AND DECEMBER 28, 1996

<CAPTION>

<S>	JANUARY 2, 1999	DECEMBER 27, 1997	DECEMBER 28, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:	<C>	<C>	<C>
Net income	$ 3,935,000	$ 2,365,000	$ 1,966,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,136,000	3,898,000	3,503,000
Decrease in deferred taxes	28,000	713,000	597,000
Accrual (reversal) of future rent escalations	(38,000)	(51,000)	231,000
Change in assets and liabilities:			
Decrease (increase) in receivables	48,000	(195,000)	39,000
Increase in notes receivable from related parties	(45,000)	---	---
Increase in inventories	(692,000)	(209,000)	(2,207,000)
(Increase) decrease in prepaid expenses	(101,000)	22,000	47,000
Increase (decrease) in accounts payable	2,441,000	(138,000)	1,499,000
Increase in income taxes payable	584,000	359,000	---
Increase in accrued liabilities and accrued compensation	797,000	510,000	181,000
Net cash provided by operating activities	11,093,000	7,274,000	5,856,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property and equipment	(2,162,000)	(3,418,000)	(3,427,000)
Purchase of Lillie Rubin, net	(1,104,000)	---	---
Proceeds from property and equipment disposals	23,000	41,000	122,000
Net cash used in investing activities	(3,243,000)	(3,377,000)	(3,305,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term bank debt	2,100,000	27,150,000	50,600,000
Repayment of long-term bank debt	(2,100,000)	(27,150,000)	(51,900,000)
Other, net	(22,000)	(165,000)	(116,000)
Net cash used in financing activities	(22,000)	(165,000)	(1,416,000)
Net increase in cash and equivalents	7,828,000	3,732,000	1,135,000
Cash and equivalents at beginning of period	5,892,000	2,160,000	1,025,000
Cash and equivalents at end of period	$ 13,720,000	$ 5,892,000	$ 2,160,000

<FN>
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</FN>
</TABLE>

CACHE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Cache, Inc. (together with its subsidiaries, the "Company") owns and operates two chains of women's apparel specialty stores, of which 172 stores are operated under the trade name "Cache". In addition, 12 stores are operated under the trade name "Lillie Rubin". The Company specializes in the sale of high fashion women's apparel and accessories in the better to expensive price range.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, including subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in the 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 and 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.

Fiscal Reporting Period

The Company reports its annual results of operations based on fiscal periods comprised of 52 or 53 weeks, which is in accordance with industry practice. Results for fiscal 1998, include 53 weeks. Results for Fiscal 1997 and 1996 include 52 weeks.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are valued at the lower of average cost or market, using the retail inventory method of accounting.

Pre-Opening Store Expenses

Expenses associated with the opening of new stores are expensed as incurred.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 10 years. For income tax purposes, accelerated methods are generally used. Leasehold improvements are amortized over the shorter of their useful life or lease term. In accordance with Statement of Financial Accounting Standards ("SFAS")No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," the Company continually evaluates, based upon income and/or cash flow projections, whether events and circumstances have occurred that indicate that the remaining balances of the property and equipment may not be recoverable.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." This statement requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities, using applicable tax rates for the years in which the differences are expected to reverse.

Effect of Recent Accounting Pronouncements

In March 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share". This statement establishes standards for computing and presenting earnings per share ("EPS"), replacing the presentation of currently required Primary EPS with a presentation of Basic EPS. For entities with complex capital structures, the statement requires the dual presentation of both Basic EPS and Diluted EPS on the face of the statement of operations. Under this new standard, Basic EPS is computed on the weighted average number of shares actually outstanding during the year. Diluted EPS includes the effect of potential dilution from the exercise of outstanding dilutive stock options and warrants into common stock using the treasury stock method. SFAS No. 128 is effective for the current fiscal year end, and was adopted by the Company.

The stock options issued on December 10, 1997 and October 28, 1995 were included in the computation of diluted EPS and resulted in 79,000, 12,000 and 16,000 shares for Fiscal 1998, 1997 and 1996, respectively, included in weighted average shares outstanding, in accordance with SFAS No. 128. All options were still outstanding at January 2, 1999.

In July 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise

that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). SFAS No. 130 is effective for financial statements issued for fiscal years beginning after December 15, 1997 with earlier application permitted. The impact of adoption of this statement did not have a significant effect on the Company's financial position and results of operations.

Income Per Share

Income per share is based on the weighted average number of common shares and common share equivalents outstanding for the years presented.

Consolidated Statements of Cash Flows

The Company paid interest of $154,000,$206,000 and $398,000 in Fiscal 1998, 1997 and 1996, respectively. During Fiscal 1998, 1997 and 1996, the Company paid $2,124,000, $565,000 and $584,000 in income taxes, respectively.

Reclassification

Certain amounts reflected in Fiscal 1997 and Fiscal 1996 financial statements have been reclassified to conform with the presentation of similar items in Fiscal 1998.

NOTE 2. RECEIVABLES

	Fiscal 1998	Fiscal 1997
Construction Allowances	$ 205,000	$ 334,000
Third Party Credit Card	1,171,000	1,099,000
Other	149,000	140,000
	$ 1,525,000	$ 1,573,000

NOTE 3. PROPERTY AND EQUIPMENT

	Fiscal 1998	Fiscal 1997
Leasehold improvements	$16,912,000	$16,242,000
Furniture, fixtures and equipment	19,864,000	18,335,000
	36,776,000	34,577,000
Less: accumulated depreciation and amortization	22,000,000	18,708,000
	$14,776,000	$15,869,000

Store operating and general and administrative expenses include depreciation and amortization of $4,136,000 in Fiscal 1998, $3,898,000 in Fiscal 1997 and $3,503,000 in Fiscal 1996.

NOTE 4. ACCRUED LIABILITIES

	Fiscal 1998	Fiscal 1997
Operating expenses	$ 1,193,000	$ 1,119,000
Taxes, other than income taxes	1,396,000	1,141,000
Leasehold additions	30,000	160,000
Other customer deposits	1,712,000	1,442,000
	$ 4,331,000	$ 3,862,000

Leasehold additions generally represent a liability to general contractors for a final 10% payable on construction contracts for store construction or renovations.

NOTE 5. BANK DEBT

During August 1996, the Company reached an agreement with its bank to extend the maturity of the Amended Revolving Credit Facility until January 31, 2000. Pursuant to the Amended Revolving Credit Facility $12,000,000 is available until expiration at January 31, 2000. The amounts outstanding thereunder bear interest at a maximum per annum rate up to .50% above the bank's prime rate. The agreement contains selected financial and other covenants including covenants to maintain a minimum current ratio, a maximum debt to equity and total equity ratio, a maximum capital expenditure covenant, a minimum earnings to bank interest coverage ratio and certain restrictions on the repayment of principal amounts due to related parties. The agreement prohibits the payment of any dividends on the Company's common stock. Effective upon the occurrence of an Event of Default under the Revolving Credit Facility, the Company grants to the bank a security interest in the Company's inventory and certain receivables.

There was no outstanding balance on the line of credit at January 2, 1999 and December 27, 1997, respectively. In addition, there were no outstanding letters of credit, pursuant to the Revolving Credit Facility, at January 2, 1999 and December 27, 1997. Loans outstanding under the line of credit during Fiscal 1998 bore interest at a weighted average interest rate of 7.18% per annum. The related party debt is subordinated to the bank debt and repayment is subject to terms of the Amended Revolving Credit Facility.

NOTE 6. INDEBTEDNESS TO/FROM RELATED PARTIES

As of January 2, 1999 and December 27, 1997 the Company had outstanding, (i) a $250,000 long-term loan from a major stockholder bearing interest payable quarterly, with principal due upon demand at any time after January 31, 2000; and (ii) a $1,750,000 loan made by the same stockholder bearing interest payable quarterly with principal due upon demand at any time after January 31, 2000. Both notes bear interest at 7% per annum. The Company was permitted to make loan repayments of $1,000,000 each on December 31, 1997 and December 31, 1998, subject to the Tangible Net Worth covenant contained in the Amended Revolving Credit Facility.

In December 1994, the Company loaned a total of $913,000 to several executive officers of the Company. In September 1995, two officers repaid a total of $663,000 to the Company, while $250,000 was outstanding at January 2, 1999 and December 27, 1997. The remaining loans, which are payable upon demand, are evidenced by secured promissory notes, which bear interest at the rate of 7% per annum.

In September 1998, the Company loaned $50,000 to an employee of the Company. The loan will be repaid in 60 installments and is evidenced by a secured promissory note, which bears interest at the rate of 8% per annum.

NOTE 7. OTHER LIABILITIES

Other liabilities primarily consist of accruals of future rent escalations.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Leases

At January 2, 1999, the Company was obligated under operating leases for various store locations expiring at various times through 2010. The terms of the leases generally provide for the payment of minimum annual rentals, contingent rentals based on a percentage of sales in excess of a stipulated amount, and a portion of real estate taxes, insurance and common area maintenance.

Store rental expense related to these leases, included in cost of sales, consisted of the following:

	Fiscal 1998	Fiscal 1997	Fiscal 1996
Minimum rentals	$13,257,000	$12,465,000	$11,940,000
Contingent rentals	5,119,000	4,678,000	4,313,000
	$18,376,000	$17,143,000	$16,253,000

Future minimum payments under non-cancelable operating leases consisted of the following at January 2, 1999:

1999	$ 14,817,000
2000	14,447,000
2001	13,328,000
2002	11,481,000
2003	9,747,000
Thereafter	18,415,000
Total future minimum lease payments	$ 82,235,000

Contingencies

The Company is exposed to a number of asserted and unasserted potential claims. In the opinion of management, the resolution of these matters is not presently expected to have a material adverse effect upon the Company's financial position and results of operations.

NOTE 9. INCOME TAXES

The provision for income taxes includes:

	Fiscal 1998	Fiscal 1997	Fiscal 1996
Current:			
Federal	$2,005,000	$1,289,000	$ 433,000
State	655,000	223,000	231,000
	2,660,000	1,512,000	664,000
Deferred:			
Federal	57,000	112,000	417,000
State	18,000	21,000	100,000
	75,000	133,000	517,000
Provisions for income taxes	$2,735,000	$1,645,000	$1,181,000

The Company's effective tax rate, as a percent of income before income taxes differs from the statutory federal tax rates as follows:

	Fiscal 1998	Fiscal 1997	Fiscal 1996

Statutory federal tax rate	34.0%	34.0%	34.0%
State and local income taxes, net of federal tax benefit	7.0%	7.0%	7.0%
Other	---	---	(3.5%)
	41.0%	41.0%	37.5%

At January 2, 1999, the Company's deferred tax assets were $938,000. The major components of the Company's net deferred taxes at January 2, 1999 and December 27, 1997 are as follows:

	January 2, 1999	December 27, 1997
Net operating loss carryforwards ("NOL'S").......	$ 40,000	$ 92,000
Deferred rent..................................	837,000	853,000
Other..	61,000	21,000
	$ 938,000	$ 966,000

NOTE 10. INCENTIVE STOCK OPTION PLAN

The Company has a stock option plan which reserves shares of common stock for issuance to Company executives and key employees. The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost has been recognized for the stock option plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 1995 and 1997 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro-forma amounts indicated below:

	Fiscal 1998	Fiscal 1997	Fiscal 1996
Net earnings - as reported	$3,935,000	$2,365,000	$1,966,000
Net earnings - pro-forma	$3,788,000	$2,318,000	$1,921,000
Earnings per share - as reported	$ .43	$ .26	$ .22
Earnings per share - pro-forma	$ .41	$ .25	$ .21

Since the SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro-forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black - Scholes option pricing model, with the following weighted average assumptions used for grants in Fiscal 1997: expected volatility of 112.92%; risk free interest rate of 5.42%; there are no expected dividends; and expected lives of 5 years.

The fair value of each option grant is estimated on the date of grant using the Black - Scholes option-pricing model, with the following weighted-average assumptions used for grants in Fiscal 1995: expected volatility of 79.85%; risk free interest rate of 5.42%; there are no expected dividends; and expected lives of 5 years.

On December 16, 1994, the Company adopted the 1994 Stock Option Plan subject to shareholders approval at the 1995 Annual Meeting. Under the option plan the Company reserved 600,000 shares of the Company's authorized common stock for issuance to officers and key employees of the Company. On the same date, 563,750 options were granted under the option plan to the Company's executive officers. All options were granted at an exercise price of $4.25, equal to the fair market value on December 16, 1994. Options granted totaling

394,851 are incentive stock options, while 168,899 options granted are non-qualified options. The plan is administered by the Compensation and Plan Administration Committee of the Company's Board of Directors. The price is payable in cash at the time of the exercise or at the discretion of the Administrators, through delivery of shares of Common Stock, the Company's withholding of shares otherwise deliverable to the employee, installment payments under an optionee's promissory note or a combination thereof.

On October 13, 1995, the Company cancelled 287,500 options. On that same date, the Company granted 150,000 options to the Company's executive officers, under the 1994 plan. All options were granted at an exercise price of $3.25, equal to the fair market value on that date. These options are incentive stock options.

On January 24, 1997, the Company granted 50,000 incentive stock options to one employee, under the 1994 plan. The options were granted at an exercise price of $3.75, equal to the fair market value on that date. On December 10, 1997, the Company cancelled 326,250 options. On that same date, the Company granted 326,250 options to the Company's executive officers, and one employee under the 1994 plan. All options were granted at an exercise price of $3.06, equal to the fair market value on that date. Options granted totaling 245,918, are incentive stock options, while 80,332 options granted are non-qualified options. The remaining 123,750 shares have not been granted as of January 2, 1999.

At January 2, 1999, options exercisable for an aggregate of 476,250 shares of Common Stock were outstanding under the 1994 plan. The following table summarizes stock option transactions for all plans for the three years ended January 2, 1999:

	Shares	Weighted Average Exercise Prices
Shares under option as of December 30, 1995	426,250	$3.90
Options granted in 1996	---	
Options cancelled in 1996	---	
Shares under option as of December 28, 1996	426,250	$3.90
Options granted in 1997	376,250	$3.15
Options cancelled in 1997	(326,250)	$4.17
Shares under option as of December 27, 1997	476,250	$3.12
Options granted in 1998	---	
Options cancelled in 1998	---	
Shares under option as of January 2, 1999	476,250	$3.12

Significant option groups outstanding at January 2, 1999 and related weighted average price and life information follows:

Grant Date	Options Outstanding	Options Exercisable	Exercise Price	Remaining Life (Years)
12/10/97	276,250	276,250	$3.06	5
12/10/97	50,000	20,000	$3.06	9
10/13/95	150,000	60,000	$3.25	7

Options totaling 276,250 granted in 1997 pursuant to the 1994 Incentive Option Plan became exercisable on December 31, 1998, and will expire on December 31, 2003 and have an exercise price of $3.06 per share, equal to the fair market value at the date of grant.

Options totaling 50,000 granted in 1997 pursuant to the 1994 Incentive Option Plan become exercisable on January 31, 2002, subject to accelerated vesting in certain circumstances, expire on January 31, 2007 and have an exercise price of $3.06 per share, equal to the fair market value at the date of grant. However, the granted options may become exercisable earlier at the maximum rate of up to 25% per year for the four years ended December 31, 1997, 1998, 1999 and 2000, to the extent the Company's earnings plan for such fiscal year as previously approved by the Administrator are achieved.

All of the options granted in 1995 pursuant to the 1994 Incentive Option Plan become exercisable on October 13, 2000, subject to accelerated vesting in certain circumstances, expire on October 13, 2005 and have an exercise price of $3.25 per share, equal to the fair market value at the date of grant. However, the granted options may become exercisable earlier at the maximum rate of up to 25% per year for the four years ended December 31, 1996, 1997, 1998 and 1999 to the extent of the Company's earnings plan for such fiscal year as previously approved by the Administrator, are achieved. In each case, early exercise of options is based on the following sliding scale:

Percentage of Earnings Plan Achieved	Options Which Will Become Exercisable
Greater than or equal to 90%..........................	25%
Greater than or equal to 75% but less than 90%........	20
Greater than or equal to 60% but less than 75%........	15
Less than 60%...	0

<TABLE>

NOTE 11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)
($000's omitted except per share amounts)

<CAPTION>

<S> Year ended January 2, 1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<C>	<C>	<C>	<C>
Net sales	$31,334	$36,520	$30,963	$48,014
Gross income, less occupancy and buying costs	10,555	12,978	10,147	17,892
Income (loss) before income taxes	97	2,040	(643)	5,176
Income tax provision (benefit)	40	836	(264)	2,123
Net income (loss)	$57	$1,204	($379)	$3,053
Basic and diluted earnings per share:				
Basic earnings per share:	$0.01	$0.13	($0.04)	$0.34
Diluted earnings per share:	$0.01	$0.13	($0.04)	$0.33

Year ended December 27, 1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$30,306	$34,111	$30,237	$41,137
Gross income, less occupancy and buying costs	10,262	12,214	9,647	14,476
Income (loss) before income taxes	(188)	1,363	(740)	3,575
Income tax provision (benefit)	(77)	559	(303)	1,466
Net income (loss)	($111)	$804	($437)	$2,109

Basic and diluted earnings per share	($0.01)	$0.09	($0.05)	$0.23
	=======	=======	=======	=======

</TABLE>

EXHIBIT 10.12

AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

Amended and Restated Asset Purchase Agreement ("Agreement") dated August 10, 1998, between LILLIE RUBIN FASHIONS, INC., a Delaware corporation, with an office at 15705 NW 13th Avenue, Miami, Florida 33169 ("Seller") and CACHE, INC., a Florida corporation ("Purchaser").

WHEREAS, Seller and Purchaser entered into an Asset Purchase Agreement ("Prior Agreement") dated May 21, 1998, pursuant to which Purchaser was to purchase certain assets of Seller;

WHEREAS, subsequent to entering into the Prior Agreement, pursuant to an order (the "Bidding Procedure Order") of the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court") dated May 27, 1998, an auction ("Auction") was conducted by the Bankruptcy Court of the assets of Seller, and Purchaser was the second highest bidder in the Auction;

WHEREAS, by a letter from Seller to the Bankruptcy Court dated July 24, 1998, Seller advised the Bankruptcy Court that the agreement that Seller had entered into with the highest bidder in the Auction, FW Merger Sub, Inc., for the sale of Seller's assets (such sale having been previously approved by the Bankruptcy Court on June 25, 1998), had been terminated for failure of consideration;

WHEREAS, pursuant to the eight decretal paragraph of the Bidding Procedure Order, in the event of a non-consummation of a sale of Seller's assets to the Auction's highest bidder, the second highest bidder in the Auction is entitled to purchase Seller's assets in accordance with the bid of such second highest bidder;

WHEREAS, at a hearing held on July 30, 1998 by the Bankruptcy Court, the Bankruptcy Court made clear that Seller's assets could be sold without the need for another auction, provided that Seller, on or before August 3, 1998, file and serve notice to certain parties of the new deal it had negotiated for the sale of Seller's assets;

WHEREAS, numerous material changes to Seller's business have occurred during the period of time in which Seller and FW Merger Sub, Inc. were to have consummated a sale of Seller's assets, such changes including, inter alia, the closing of Seller's stores, the termination of employment for the employees of Seller's stores, and the sale of substantially all of Seller's inventory;

WHEREAS, Purchaser maintains its desire to purchase certain of Seller's assets, though as a result of the changes to Seller's business that have occurred since the submittal of Purchaser's bid in the Auction (including without limitation, those set forth in the immediately preceding recital paragraph), Purchaser wishes to modify the terms and conditions pursuant to which Seller shall sell certain of its assets and assign certain of its liabilities to Purchaser;

WHEREAS, the Prior Agreement is still in full force and effect, and Seller and Purchaser desire to reflect the modification of the terms and conditions pursuant to which Seller shall sell to Purchaser certain of Seller's assets and assign to Purchaser certain of Seller's liabilities by amending and restating the Prior Agreement in its entirety as this Agreement;

WHEREAS, a hearing was held by the Bankruptcy Court on August 5, 1998, at which the Bankruptcy Court approved this Agreement and authorized Seller to enter into this Agreement and to consummate the transactions contemplated hereby;

WHEREAS, an order was approved by the Bankruptcy Court on August 7, 1998, approving this Agreement and authorizing Seller to enter into this Agreement and to consummate the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the Prior Agreement, and covenant and agree, as follows:

SECTION 1. Sale of Assets and Acceptable Title.

1.01. Subject to the satisfaction of the conditions set forth in Sections 9, 10, 11 of this Agreement, at the Closing, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, at the price and upon the terms and conditions set forth in this Agreement, and to the extent allowed under applicable non-bankruptcy law: (a) (i) all of the leasehold interests more particularly described in Schedule 1.01(i) attached hereto (the "Leases"), (b) all improvements related or appurtenant to the Leases (the "Improvements"), (c) all of the appurtenances and all of the estate and rights of Seller in and to the Leases and the Improvements, (d) all right, title and interest of Seller, if any, in and to all of the fixtures, equipment and other personal property attached or appurtenant to the Improvements more particularly described in Schedule 1.01(ii), ((a), (b), (c) and (d) collectively, the "Premises"), and (e) all right, title and interest of Seller in and to the Intellectual Property (the Premises and the Intellectual Property, collectively, the "Assets"). The Premises are located at or known as those listed in Schedule 1.01(iii).

1.02. Seller shall convey and Purchaser shall accept undivided good and marketable title to all of the Assets in accordance with the terms of this Agreement, subject only to the matters set forth in Schedule 1.02(i) attached hereto (collectively, "Permitted Exceptions").

1.03. In addition to the purchase of the Assets by Purchaser set forth in Paragraphs 1.01 and 1.02 above, at the Closing Seller shall assign to Purchaser, and Purchaser shall assume, the August Rent Liabilities.

1.04. Except for the August Rent Liabilities, Seller shall be obligated to cure or cause to be cured any defaults of Seller under the Leases to the extent required by 11 U.S.C. #365(b), including without limitation, the payment of all Cure Obligations; provided however, that any obligations of Seller to pay "Pre-August 1 Cache Lease Charges" (as defined in Finding of Fact 18 of the Sale Order) shall be limited to the $25,000.00 escrow provided for in

Finding of Fact 18 of the Sale Order; provided further, that such escrow, whether held by Purchaser, Purchaser's counsel or Seller's counsel, shall remain in full force and effect and available until June 30, 2000, for the payment of any Pre-August 1 Cache Lease Charges for so long as such payments continue to be sought, and during such period, the funds in such escrow shall not be used or distributed to any other party for any purpose other than the payment of Pre-August 1 Cache Lease Charges. In the event that Purchaser is credited by a landlord to a Lease for any portion of Cache Lease Charges for the calendar year of 1998, Purchaser agrees that it shall pay to Seller an amount equal to seven-twelfths (7/12) of such credited amount.

SECTION 2. Purchase Price.

2.01. The purchase price ("Purchase Price") to be paid at Closing by Purchaser to Seller for the Assets shall be paid as follows:

(a) Purchaser shall pay the amount of $775,000.00 to Seller for the Assets; and

(b) Purchaser shall pay to each of the landlords of the Leases, an amount equal to that particular portion of the August Rent Liabilities owing to such landlord.

Seller acknowledges and agrees that nothing in this Agreement shall cause Purchaser to incur any liability for, and Purchaser shall not have any Cure Obligations.

In addition, Purchaser agrees to provide adequate assurances of future performance by Purchaser under the Leases, pursuant to 11 U.S.C. # 365(b)(1) and 11 U.S.C. # 365(b)(3).

SECTION 3. The Closing.

3.01. The Closing shall occur, unless otherwise agreed to in writing by Purchaser and Seller, on August 10, 1998 (the "Closing Date"). The "Closing" means (i) the payment by Purchaser of the Purchase Price and receipt by Purchaser of all rights, title and interest in and to valid assignments and transfers of the Assets, and will be deemed to have occurred when Seller shall have (a) (i) delivered to Purchaser a duly executed and acknowledged Assignment and Assumption of Leases with respect to the Leases, substantially in the form attached as Exhibit A-1 to this Agreement, conveying to Purchaser all of Seller's right, title and interest as Tenant under the Leases (the "Lease Assignment"), (ii) delivered to Purchaser a duly executed and acknowledged Trademark Assignment, substantially in the form attached as Exhibit A-2 to this Agreement, conveying to Purchaser all of Seller's right, title and interest to that certain Intellectual Property listed in Schedules 18.37A and 18.37B (the "Trademark Assignment"), and (iii) delivered to Purchaser a duly executed and acknowledged Copyright Assignment, substantially in the form attached as Exhibit A-3 to this Agreement, conveying to Purchaser all of Seller's right, title and interest to that certain Intellectual Property listed in Schedule 18.37C)(the "Copyright Assignment") (the Lease Assignment, Trademark Assignment and Copyright Assignment shall collectively be referred to herein as the "Assignments"), and (b) delivered to Purchaser duly executed and acknowledged instruments conveying to Purchaser all of Seller's right, title and interest in

and to the Intellectual Property (the "Bill of Sale"). The Assignments and the Bill of Sale shall be drafted by Purchaser and shall be in a form reasonably acceptable to Seller and its counsel.

3.02. The term of this Agreement shall commence upon the due execution and delivery hereof by both parties (the "Agreement Date") and shall continue unless terminated according to the terms hereof.

SECTION 4. Representations and Warranties of Seller.

Seller represents and warrants to Purchaser, as of the date of this Agreement as follows:

4.01. Seller has no Affiliates.

4.02. Seller has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents, to consummate the transactions contemplated hereby and thereby and to perform all terms and conditions hereof and thereof to be performed by it. The execution and delivery of this Agreement and each of the other Transaction Documents by Seller, the performance by Seller of all the terms and conditions hereof and thereof to be performed by it and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized and approved by all necessary organizational action on the part of Seller, and no other organizational proceedings on the part of Seller or any Affiliate of Seller are necessary to approve and authorize the execution, delivery and performance of this Agreement, the other Transaction Documents or the transactions contemplated hereby and thereby. This Agreement has been, and each of the other Transaction Documents will be as of the Closing Date, duly executed and delivered by Seller and does or will, as the case may be, constitute the valid and binding obligation of Seller, enforceable against it in accordance with their respective terms, except as the enforceability hereof or thereof may be limited by (a) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws relating to or affecting creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.03. (a) Seller has (and will convey to Purchaser at the Closing) undivided good and marketable title to the Assets free and clear of all Liens, other than those set forth on Schedule 4.03(a)(i) which Seller represents constitute all of the Liens affecting or relating to the Assets. Since April 29, 1998, except as set forth on Schedule 4.03(a)(ii), Seller has not assigned, conveyed, transferred, licensed or subleased any of the Assets, or entered into any agreements, arrangements or understandings contemplating the same, and Schedule 4.03(a)(iii) sets forth all existing agreements granting any person the right to acquire or license any of the Assets or any interest of Seller therein. Except as set forth on Schedule 4.03(a)(iv), Seller has no knowledge of any defects (except for such defects resulting from ordinary wear and tear) which would prevent any Asset from being usable in the regular and ordinary course of business and in conformance in all material respects with all applicable laws, ordinances, codes, rules and regulations applicable thereto. To the best of Seller's knowledge, no person other than Seller owns any equipment or other

tangible assets or properties situated on any of the Premises or at the Corporate Office. Seller has the right to transfer the Assets to Purchaser, subject to the entry of the Sale Order, and will transfer the Assets to Purchaser free and clear of any Liens.

(b) [INTENTIONALLY OMITTED]

(c) Schedule 4.03(c)(i) sets forth a true, correct and complete list of the Leases. Seller has heretofore delivered to Purchaser true, correct and complete copies of all of the Leases (including without limitation, all amendments, modifications, supplements, work letters and other agreements of any kind with respect to or affecting the Leases). To the best of Seller's' knowledge, all of the Leases are valid and enforceable in accordance with their respective terms with respect to Seller and, to the knowledge of Seller, each other party thereto. Seller has physical possession of all real property, equipment, structures, fixtures, improvements and other assets which are covered by the Leases or located on the Premises. Except as set forth on Schedule 4.03(c)(ii), there is no existing default of Seller under any Lease or, to the knowledge of Seller, of any of the other parties thereto (or, in each case, events or conditions which with notice or lapse of time or both would constitute a default).

(d) Except as set forth in Schedule 4.03(d)(i)(A)), the information concerning the Leases set forth in Schedule 4.03(d)(i)(B) attached hereto (the "Rent Schedule") is true, accurate and complete as of the date hereof, and Seller has no Leases other than those set forth therein. The Rent Schedule sets forth, with respect to each Lease: the commencement and expiration date thereof, the fixed or minimum rent, percentage rent, real estate tax escalation payments, common area maintenance payments, merchant's association dues, and any other additional rent or any other sums of any kind payable by the tenant under any of the Leases, and the rentable area demised thereunder. Except as otherwise set forth in the Rent Schedule or elsewhere in this Agreement:

(i) all of the Leases are in full force and effect and none of them has been modified, amended or extended, except as stated in the Rent Schedule; and

(ii) [INTENTIONALLY OMITTED]

(iii) [INTENTIONALLY OMITTED]

(iv) [INTENTIONALLY OMITTED]

(v) [INTENTIONALLY OMITTED]

(vi) [INTENTIONALLY OMITTED]

(vii) [INTENTIONALLY OMITTED]

(viii) [INTENTIONALLY OMITTED]

(ix) [INTENTIONALLY OMITTED]

(e) In the case of all items of personal property included in the Assets, Seller warrants that it has good and marketable title, free and clear of any Lien.

(f) [INTENTIONALLY OMITTED]

4.04. [INTENTIONALLY OMITTED]

4.05. [INTENTIONALLY OMITTED]

4.06. [INTENTIONALLY OMITTED]

4.07. Seller has no knowledge of any assessment payable in annual installments, or any part thereof, which has become a Lien on any of the Assets (except those listed on Schedule 4.07 annexed hereto).

4.08. Since February 13, 1998, Seller has not caused or permitted any Lease to be terminated (except by reason of nonpayment of rent), modified or amended in any way or to become subject to any other Lien.

4.09. Seller knows of no facts which would prevent Purchaser or Purchaser's assignee or designee from using and operating each Premises after the Closing in the manner by which Seller used and operated such Premises.

4.10. [INTENTIONALLY OMITTED]

4.11 [INTENTIONALLY OMITTED]

4.12 [INTENTIONALLY OMITTED]

4.13 Except as set forth on Schedule 4.13(i), and to the best of Seller's knowledge, (i) there are no legal actions, lawsuits, claims, proceedings, arbitrations or investigations pending, instituted or threatened against, relating to, involving or affecting the Assets or Seller before any court, arbitrator or administrative or governmental body that could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, and there is no basis for any of the foregoing, (ii) Seller has not received a legal memorandum or other written notice from legal counsel (including any general counsel thereof) to the effect that Seller or the Assets are exposed, from a legal standpoint, to any liability that would have a Material Adverse Effect, and (iii) none of Seller or the Assets is subject to any order, writ, injunction or decree of any Governmental Authority. Except as set forth in Schedule 4.13(ii), to the best of Seller's knowledge, none of the Assets is subject to any restriction of any Governmental Authority specific to Seller which is reasonably likely (a) to have a Material Adverse Effect or (b) to cause a material limitation on Purchaser's ability to use the Assets after the Closing in the same manner as heretofore conducted by Seller.

4.14 [INTENTIONALLY OMITTED]

4.15 [INTENTIONALLY OMITTED]

4.16 Seller is the sole and exclusive owner of the properties listed in Schedule 18.37A.

4.17. [INTENTIONALLY OMITTED]

4.18. On or prior to the Agreement Date, Seller's board of directors: (i) shall have approved and authorized the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated herein and therein, and (ii) shall have delivered a copy of a fully executed version thereof to Purchaser.

SECTION 5. [INTENTIONALLY OMITTED]

SECTION 6. Covenants of Seller.

Seller covenants and agrees for the benefit of Purchaser that between the date of this Agreement and Closing, except with the prior written consent of Purchaser:

6.01. Seller shall not cause or permit (i) any Lease to be amended, renewed, extended, modified or terminated in any way, or (ii) any Lease to become subject to any Lien.

6.02. Seller shall not permit occupancy of, or enter into any new sublease for, space in the Premises which is now vacant or which may hereafter become vacant without Purchaser's prior written consent, which may be withheld in Purchaser's sole discretion.

6.03. [INTENTIONALLY OMITTED]

6.04. [INTENTIONALLY OMITTED]

6.05. [INTENTIONALLY OMITTED]

6.06. No fixtures, equipment or personal property included in the Assets shall be removed from the Premises or the Corporate Office.

6.07. [INTENTIONALLY OMITTED]

6.08. [INTENTIONALLY OMITTED]

6.09. [INTENTIONALLY OMITTED]

6.10 [INTENTIONALLY OMITTED]

6.11 [INTENTIONALLY OMITTED]

6.12 [INTENTIONALLY OMITTED]

6.13 [INTENTIONALLY OMITTED]

6.14. [INTENTIONALLY OMITTED].

6.15 [INTENTIONALLY OMITTED]

6.16 Seller shall not act in any way that would be reasonably be expected to materially impair the condition and repair of the Premises.

SECTION 7. [INTENTIONALLY OMITTED]

SECTION 8. Pre-Closing Agreements.

8.01. [INTENTIONALLY OMITTED]

8.02. [INTENTIONALLY OMITTED]

8.03. [INTENTIONALLY OMITTED]

8.04. Under the circumstances set forth in the remainder of this Paragraph 8.04, Purchaser shall be entitled to reimbursement from the Seller of an amount representing the actual costs and expenses incurred by Purchaser (including without limitation, reasonable attorneys' fees) in connection with the proposed acquisition of the Assets, in an amount not to exceed an aggregate amount of $50,000.00 (the "Purchaser Expenses"). In the event that (i) no Sale Order shall have been approved on or before August 7, 1998, (ii) Seller shall have agreed to sell, convey or otherwise transfer the Assets or any portion thereof to any other Person, or (iii) no Closing shall have occurred (other than such non-occurrence being attributable solely to the fault of Purchaser) on or before August 10, 1998 or such other date agreed to in writing by Purchaser and Seller, Purchaser shall be entitled to receive: (I) an amount equal to the Purchaser Expenses, and (II) a topping fee of $75,000.00 (the "Topping Fee"). None of Seller, Purchaser, Norwest Bank Minnesota, National Association (the "Bank"), or the statutory creditors' committee appointed in Chapter 11 Case 98-362 before the Bankruptcy Court shall dispute the allowability of the Topping Fee and the Purchaser's Expenses; provided however, that all such parties reserve all rights with respect to the payment and the priority of the administrative expense claim relating to the Topping Fee and the Purchaser's Expenses. Purchaser's entitlement to the Purchaser's Expenses and the Topping Fee pursuant to the provisions of this Paragraph 8.04 shall survive termination of this Agreement, without limitation.

SECTION 9. Seller's Closing Obligations.

9.01 The obligations of Purchaser to proceed with the Closing contemplated hereby are subject to the satisfaction on or before the Closing Date of all of the following conditions, any one or more of which may be waived in writing, in whole or in part, by Purchaser:

(a) [INTENTIONALLY OMITTED];

(b) An order of the Bankruptcy Court, in a form acceptable to Purchaser shall have been approved, approving this Agreement and the sale of all of the Assets) to Purchaser pursuant to 11 U.S.C. #363 and 365 (the "Sale Order") on or before August 7, 1998, and determining that (i) no additional

auction for the sale of Seller's assets needs to be held, (ii) no further notice to creditors of Seller needs to be given, and (iii) Seller is authorized to enter into this Agreement;

(c) Purchaser has reasonably satisfied itself with respect to the condition of title to the Premises;

(d) [INTENTIONALLY OMITTED]

(e) [INTENTIONALLY OMITTED]

(f) The Sale Order shall not be subject to a "Stay Order" (i.e., the entry by any court of competent jurisdiction of a stay of the Sale Order pursuant to BR 8005);

(g) [INTENTIONALLY OMITTED]

(h) Seller shall have complied with, satisfied or performed, on or before the Closing Date in all material respects, each of the covenants and agreements contained in this Agreement required to be performed by, satisfied by, or complied with, it on or before the Closing Date;

(i) The representations and warranties made by Seller in this Agreement shall be true and correct to the best of Seller's knowledge in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though made on the Closing Date (except for those representations or warranties made as of a specific date which shall be true and correct in all material respects as of such date); and

(j) [INTENTIONALLY OMITTED]

(k) At the Closing, Seller shall have delivered the following to Purchaser:

(1) The Assignments properly executed and acknowledged so as to convey the title required by this Agreement;

(2) A schedule updating the Rent Schedule and setting forth all arrears in rents and all prepayments of rents;

(3) [INTENTIONALLY OMITTED]

(4) [INTENTIONALLY OMITTED]

(5) [INTENTIONALLY OMITTED]

(6) [INTENTIONALLY OMITTED]

(7) [INTENTIONALLY OMITTED]

(8) A properly executed Bill of Sale; and

(9) All other documents necessary for the consummation of the transactions contemplated by this Agreement and the other Transaction Documents or otherwise required by this Agreement or the Transaction Documents to be delivered by Seller.

SECTION 10. Purchaser's Closing Obligations.

At the Closing:

10.01. Purchaser shall deliver to Seller such documents as required by the Sale Order and the Clarification Bidding Procedures Order as will evidence the payment of the Purchase Price payable at the Closing.

10.02. Purchaser shall deliver any other documents required by this Agreement to be delivered by Purchaser.

10.03. [INTENTIONALLY OMITTED]

10.04. Purchaser shall have complied with, satisfied or performed, on or before the Closing Date in all material respects, each of the covenants and agreements contained in this Agreement required to be performed by, satisfied by, or complied with, it on or before the Closing Date;

10.05. [INTENTIONALLY OMITTED]

10.06. [INTENTIONALLY OMITTED]

10.07 At the Closing, Purchaser shall have delivered the following to Seller:

(a) All other documents necessary for the consummation of the transactions contemplated by this Agreement and the Transaction Documents or otherwise required by this Agreement or the other Transaction Documents to be delivered by Purchaser.

SECTION 11. [INTENTIONALLY OMITTED].

11.01. [INTENTIONALLY OMITTED]

11.02. [INTENTIONALLY OMITTED]

SECTION 12. [INTENTIONALLY OMITTED].

12.01. [INTENTIONALLY OMITTED]

SECTION 13. [INTENTIONALLY OMITTED]

SECTION 14. Notices.

14.01. Any notice which one party to this Agreement is required or may desire to give to the other party shall be in writing and may be delivered (1) personally; (2) by United States registered or certified mail, postage prepaid; (3) by Federal Express or other nationally recognized overnight courier service regularly providing evidence of delivery (with charges paid by the party sending the notice); or (4) by telecopy. Any such notice shall be addressed as follows (subject to the right of a party to designate a different address for itself by notice similarly given):

To Seller:

Lillie Rubin Fashions, Inc.
15705 NW 13th Avenue
Miami, Florida 33169
Attention: Edward D. Solomon
James J. Golden
Telephone: (305) 624-4200
Telecopy: (305) 628-2110

With Copies To:

Neligan & Averch, L.L.P.
1717 Main Street, Suite 4050
Dallas, Texas 75201
Attention: Patrick J. Neligan, Jr., Esq.
Blake L. Berryman, Esq.
Telephone: (214) 653-4333
Telecopy: (214) 745-2533

and

Asher Fensterheim
565 Taxter Road
3rd Floor
Elmsford, New York 10521
Telephone: (914) 592-4646
Telecopy: (914) 592-1882

To Purchaser:
Cache, Inc.
1460 Broadway, 15th Floor
New York, New York 10036

Attention: Thomas E. Reinckens
Telephone: (212) 575-3200
Telecopy: (212) 575-3225

With Copies To:

Schulte Roth & Zabel LLP
900 Third Avenue
New York, New York 10022
Attention: Jeffrey S. Sabin, Esq.
Telephone: (212) 756-2290
Telecopy: (212) 593-5955

Any notice so given by United States mail or courier service shall be deemed to have been given on the date delivered (whether accepted or refused) as evidenced by the return receipt or other proof of delivery. Any notice not so given by U.S. mail or courier service shall be deemed to be given upon receipt of the same by the party to whom the same is to be given.

SECTION 15. Termination; Survival of Representations and Warranties.

15.01 Termination Events. Subject to the provisions of Paragraph 15.02, this Agreement may, by written notice given at or prior to the Closing in the manner hereinafter provided, be terminated:

(a) by either Purchaser or Seller if a material default or breach shall be made by the other party hereto with respect to the due and timely performance of any of its covenants and agreements contained herein, or with respect to the due compliance with any of its representations, warranties or covenants, and such default cannot be cured and has not been waived;

(b) by Purchaser if it is not able to satisfy itself prior to Closing as to any aspect of the Assets and Seller is not willing to cure such deficiencies as have been identified by Purchaser or take such other action as is reasonably required by Purchaser to satisfy itself regarding the Assets;

(c) (i) by Purchaser if all of the conditions set forth in Section 9 shall not have been satisfied at the time the Closing would otherwise occur or if satisfaction of any such condition is or becomes impossible, other than solely through failure of Purchaser to fully comply with its obligations hereunder, and shall not have been waived by Purchaser on or before such date; or

(ii) by Seller, if all of the conditions set forth in Section 10 shall not have been satisfied at the time the Closing would otherwise occur or if satisfaction of any such condition is or becomes impossible, other than solely through failure of Seller to fully comply with its obligations hereunder, and shall not have been waived by Seller on or before such date;

(d) [INTENTIONALLY OMITTED]

(e) [INTENTIONALLY OMITTED]

(f) by Purchaser, if a Sale Order has not been approved by the Bankruptcy Court in a form acceptable to Purchaser, on or before August 7, 1998;

(g) [INTENTIONALLY OMITTED]

(h) in writing by mutual consent of Purchaser and Seller; or

(i) by either Purchaser or Seller if the Closing shall not have occurred, other than solely through failure of any such terminating party to fulfill its obligations hereunder, on or before August 10, 1998, or such later date as may be agreed upon by the parties.

Each party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise and the exercise of a right of termination shall not be an election of remedies.

15.02 Effect of Termination. In the event this Agreement is terminated pursuant to Paragraph 15.01, all further obligations of the parties hereunder shall terminate, except that the obligations set forth in Paragraph 8.04 shall survive; provided that, notwithstanding the foregoing, nothing contained herein shall relieve any party from liability for any breach of this Agreement.

15.03 Specific Performance and other Remedies. The parties hereto each acknowledge that the rights of each party to consummate the transactions contemplated hereby are special, unique and of extraordinary character, and that, in the event that any party violates or fails or refuses to perform any covenant or agreement made by it herein, the non-breaching party may be without an adequate remedy at law. The parties each agree, therefore, that in the event that either party violates or fails or refuses to perform any covenant or agreement made by such party herein, the non-breaching party may, subject to the terms of this Agreement and in addition to any remedies at law for damages or other relief, institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief.

15.04. Survival of Representations and Warranties. Except as otherwise provided in this Agreement, the representations, warranties, obligations and agreements set forth in this Agreement (including without limitation, the covenants and agreements set forth in Section 17 and Paragraph 19.08) shall survive until the second anniversary of the Closing.

SECTION 16. Casualty

16.01. All the risks of loss of the Premises shall remain upon Seller for events occurring prior to the Closing, subject to the terms of this Paragraph 16.01. If prior to the Closing, the Improvement or Improvements on any of the leaseholds that constitute the Premises shall be totally destroyed or

damaged to a material extent (with the term "material" being defined in the final sentence of this Paragraph 16.01) by fire or other casualty, Purchaser either (a) may terminate this Agreement by written notice delivered to Seller on or before the earlier of (i) fifteen days after the date upon which Purchase obtains actual knowledge of the casualty or (ii) the date of the Closing, or (b) may consummate the Closing. If Purchaser elects to consummate the Closing despite such total destruction or material damage (which shall conclusively be deemed to be Purchaser's election if Purchaser does not deliver a termination notice as described in the immediately preceding sentence), there shall be no reduction in the Purchase Price; and in such event, at the Closing Seller shall assign to Purchaser, without recourse or warranty, Seller's right, title and interest in and to all insurance proceeds, if any, resulting or to result from the casualty. In the event Seller's landlord has the obligation to restore the Improvement or Improvements and/or is to receive insurance proceeds, Seller shall, upon Purchaser's election to proceed to Closing, require such landlord to restore the Building under the Lease, to the extent required by such Lease. In the event of less than material damage to the Improvement or Improvements on any of the leaseholds that constitute the Premises prior to the Closing, Seller shall repair the same prior to the Closing, at Seller's expense, or cause Seller's landlord to repair same, or shall reimburse Purchaser for the cost of repairing the same by assigning any insurance proceeds resulting therefrom to Purchaser. For purposes of this Paragraph 16.01, the term "material" shall mean damage or destruction, the cost of repairing which exceeds twenty percent (20%) of the value of the Improvement or Improvements on any of the Lease that constitute part of the Premises which were damaged.

SECTION 17. Additional Agreements

17.01 Seller agrees that (i) it shall deliver to Purchaser so that Purchaser shall receive no later than two Business Days after the Closing Date, fully executed original versions of all of the Leases, (ii) it shall use its commercially reasonable efforts to deliver to Purchaser after the Closing, estoppel certificates from the landlords under the Leases running to Purchaser in forms reasonably acceptable to Purchaser.

17.02. [INTENTIONALLY OMITTED]

17.03. (a) Seller hereby acknowledges that Purchaser and Purchaser's Affiliates may be in possession of non-public information regarding Seller, including without limitation, the Assets , and Seller hereby releases each of Purchaser and Purchaser's Affiliates from any liability relating to its possession of any such non-public information in connection with any act or omission from and after the Closing Date.

(b) Purchaser hereby acknowledges that Seller and Seller's Affiliates may be in possession of non-public information regarding Purchaser, and Purchaser hereby releases Seller from any liability relating to its possession of any such non-public information in connection with any act or omission from and after the Closing Date.

17.04. Seller covenants and agrees that, as of the Closing it will not possess or use, and it will not permit the possession or use by others of (provided however, that such non-permission shall not include any requirement that Seller initiate any pursuit of claim or litigation against any unauthorized

users of the properties referenced in this Paragraph 17.04), any of the trademarks, trade names, service marks, service names, copyrights, designs, logos or images listed on Schedules 18.37A, 18.37B and 18.37C, or any confusingly similar trademark, trade name, service mark, service name, copyright, design, logo, image or variation thereof, without the express written consent of the Purchaser.

17.05. Seller covenants and agrees that following the Closing, Seller shall use its reasonable best efforts at Purchaser's expense, to take any and all actions necessary to effect the (i) assignment to and (ii) ownership by

Purchaser of those properties listed in Schedules 18.37A, 18.37B and 18.37C hereof, in the event that at the Closing such assignment and ownership was not so effected.

17.06. Seller covenants and agrees that following the Closing, Seller shall use its reasonable best efforts at Purchaser's expense, to prepare a side agreement by and among Seller, Purchaser and the landlord of the Corporate Office, pursuant to which (i) Purchaser is obligated to pay to such landlord the amount of $4,200.00, (ii) Seller is obligated to pay to such landlord the amount of $5,800.00, and (iii) such landlord is obligated to provide reasonable access to Purchaser to remove from the Corporate Office such items of personal property as Purchaser may, in it sole discretion, determine, from the date of execution of such side agreement through August 31, 1998.

SECTION 18. Definitions. Capitalized terms used herein shall have the meanings ascribed to them in this Section:

18.01. [INTENTIONALLY OMITTED]

18.02. [INTENTIONALLY OMITTED]

18.03. Affiliate: As to the Person specified, any Person, directly or indirectly, controlling, controlled by or under common control with such Person, with the term "control" in such context meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

18.04. Agreement: As described in the Preamble.

18.05. Agreement Approval Date: As defined in Paragraph 3.01.

18.06. Agreement Date: As defined in Paragraph 3.02.

18.07. [INTENTIONALLY OMITTED]

18.08. [INTENTIONALLY OMITTED]

18.09. Assets: As defined in Paragraph 1.01.

18.10. Assignments: As defined in Paragraph 3.01.

18.11. Auction. As defined in the Recitals.

18.12. August Rent Liabilities: (i) All rent obligations under the Leases which arise for the periods on or after August 1, 1998, and (ii) all accrued but unbilled common area maintenance and other similar charges arising pursuant to the Leases arising on or after August 1, 1998, including without limitation, those amounts set forth in Schedule 18.12.

18.13: Bank: As defined in Paragraph 8.04.

18.14. Bankruptcy Court: As defined in the Recitals.

18.15. [INTENTIONALLY OMITTED]

18.16 [INTENTIONALLY OMITTED]

18.17. Bidding Procedures Order: As defined in the Recitals.

18.18. Business Day: A day on which banks are open for the transaction of business both in Miami, Florida and New York City, New York.

18.19. Closing: As defined in Paragraph 3.01; and the terms "Close" and "Closed" shall have meanings correlative to the foregoing.

18.20. Closing Date: As defined in Paragraph 3.01.

18.21. [INTENTIONALLY OMITTED]

18.22 [INTENTIONALLY OMITTED]

18.23 [INTENTIONALLY OMITTED]

18.24. Contracts: All contracts (including without limitation, service, maintenance, supply and management contracts), personal property leases and other agreements relating to or used in connection with the Assets (other than the Leases) to which the Seller is a party or by which the Seller is bound or to which any of the Assets is subject.

18.25. Copyright Assignment: As defined in Paragraph 3.01.

18.26. Corporate Office: The corporate headquarters of Seller located at 15705 NW 13th Avenue, Miami, Florida 33169.

18.27 Cure Obligations: Any obligation of Seller relating to or under the Leases and/or pursuant to 11 U.S.C. # 365, except for the August Rent Liabilities.

18.28. [INTENTIONALLY OMITTED]

18.29. [INTENTIONALLY OMITTED]

18.30. [INTENTIONALLY OMITTED]

18.31. [INTENTIONALLY OMITTED]

18.32. [INTENTIONALLY OMITTED]

18.33 Governmental Authority: The United States of America, any foreign country, any state, commonwealth, territory or possession of either of the foregoing and any county, city, or other local governmental unit or political, regulatory or judicial subdivision or instrumentality of any of the foregoing, including, but not limited to, courts, departments, commissions, boards, bureaus or agencies.

18.34. [INTENTIONALLY OMITTED]

18.35. [INTENTIONALLY OMITTED]

18.36. Improvements: As defined in Paragraph 1.01.

18.37. Intellectual Property: (a) All of Seller's rights and interest, including any rights pursuant to a license agreement, to (i) any and all know-how, software (including without limitation, any software used in connection with Seller's IBM RS6000 computer), technology and related records, files and information (x) relating to customer lists and information, sales information, merchandise information and any other information related thereto, including, without limitation, employee records to the extent Purchaser employs any individual formerly employed by Seller, and (y) if applicable, all federal, state and foreign registrations pertaining thereto or pending applications therefor, owned or used or held for use by Seller or any Affiliate of Seller, and (ii) to the extent not included in (i) immediately above, any and all of the furniture fixtures, business records, licenses, computer equipment and other intangible property and tangible personal property located in or relating to the Corporate Office; and

(b) (i) All trademarks, trade names, service marks, and all of the goodwill of the Business symbolized by and associated with, such marks and/or names, copyrights, trade secrets and other intellectual property (including, if applicable, all federal, state and foreign registrations pertaining thereto or pending applications therefor) owned by Seller or any Affiliate of Seller and used or held for use in or otherwise relating to the conduct of Seller's business, of which Seller represents Schedules 18.37A, 18.37B and 18.37C set forth a true and complete list, together with the right to recover for all past, present and future infringements and other violations of the properties listed in this (b)(i); and (ii) all supplies, merchandise tickets, tags, labels, packaging and tangible items owned by Seller or any Affiliate of Seller and used or held for use in or otherwise relating to the conduct of Seller's business, containing any of the property described in the immediately preceding clause (i), that are not connected, affixed or attached to retail merchandise of Seller at the time of the Closing.

18.38. Lease Assignment: As defined in Paragraph 3.01.

18.39. Leases: As defined in Paragraph 1.01.

18.40. [INTENTIONALLY OMITTED]

18.41. [INTENTIONALLY OMITTED]

18.42. Liens: All liens, pledges, charges, security interests, claims, leasehold interests, tenancies, restrictions, encumbrances, rights-of-way, building use restrictions, exceptions, variances, reservations and limitations of any nature whatsoever.

18.43. Material Adverse Effect: (i) A material adverse effect on the value, condition (financial or other) or prospects of or relating to the Assets, or (ii) an event that would prevent, materially delay, interfere, make illegal or materially hinder, the (A) performance by, as applicable, Seller or Purchaser, of its obligations under this Agreement, or (B) ability of such party to consummate the transactions contemplated in this Agreement; provided however, that a Material Adverse Effect shall not include (x) the closing of Seller's stores, (y) the termination of employment for the employees of Seller's stores, nor (z) the sale of substantially all of Seller's inventory.

18.44. Permitted Exceptions: As defined in Paragraph 1.02.

18.45. Person: Any individual, partnership (limited or general), joint venture, corporation, company, limited liability company, trust, association, unincorporated organization, Governmental Authority or other entity.

18.46. Premises: As defined in Paragraph 1.01.

18.47. Prior Agreement. As defined in the Recitals.

18.48. Purchase Price: As defined in Paragraph 2.01.

18.49 Purchaser: As described in the Preamble.

18.50 [INTENTIONALLY OMITTED]

18.51. Purchaser Expenses: As defined in Paragraph 8.04.

18.52. [INTENTIONALLY OMITTED]

18.53. Rent Schedule: As defined in Paragraph 4.03(d).

18.54 Sale Order: As defined in Paragraph 9.01(b).

18.55 Seller: As described in the Preamble.

18.56. [INTENTIONALLY OMITTED]

18.57. [INTENTIONALLY OMITTED]

18.58. Stay Order: As defined in Paragraph 9.01(f).

18.59. [INTENTIONALLY OMITTED]

18.60. [INTENTIONALLY OMITTED]

18.61. Tax: Any tax (including, without limitation, any income, franchise, capital gains, gross receipts, value-added, excise, ad valorem, transfer, revenue, stamp, sales, use, property, inventory, occupancy, withholding, payroll, gift, estate or inheritance tax), levy, assessment, tariff, impost, imposition, toll, duty (including any customs duty), deficiency, fee or other charge of any kind whatsoever, and any related charge or amount (including, without limitation, any fine, penalty, interest or addition to tax), imposed, assessed or collected by or under the authority of any Governmental Authority.

18.62. Tax Return: Any return, report, statement or form required to be made or filed in respect of any Tax.

18.63. Topping Fee: As defined in Paragraph 8.04

18.64. Trademark Assignment: As defined in Paragraph 3.01.

18.65. Transaction Documents: All certificates, agreements, documents or other instruments to be executed and delivered by the parties or, as may be applicable, either Purchaser or Seller in connection with the transactions contemplated by this Agreement.

SECTION 19. Miscellaneous Provisions.

19.01. No party hereto shall assign this Agreement or its rights hereunder without the prior written consent of the other party.

19.02. This Agreement embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior agreements, understandings, representations and statements, oral or written, are merged into this Agreement, including without limitation, the Prior Agreement. Neither this Agreement nor any provision hereof may be waived, modified, amended, discharged or terminated except by an instrument signed by the party against whom the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

19.03. All disputes between the parties concerning this Agreement or the transactions contemplated hereunder shall be heard and determined by the Bankruptcy Court. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the substantive laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

19.04. The captions in this Agreement are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

19.05. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties.

19.06. This Agreement shall not be binding or effective until properly executed and delivered by Seller and Purchaser.

19.07. This Agreement may be executed in counterparts, each of which shall be deemed an original, and counterpart signature pages may be assembled to form a single original document. This Agreement may be delivered by facsimile.

19.08. (a) Seller, at any time or from time to time shall, at or after the Closing, at Purchaser's reasonable request, execute, acknowledge and deliver to Purchaser such other instruments of conveyance and transfer and will take such other actions and execute and deliver such other documents, certifications and further assurances as Purchaser may reasonably request in order to vest more effectively in Purchaser, or to put Purchaser more fully in possession of, or to perfect or confirm Purchaser's title to, any of the Assets. Without limiting in any way the effect of the immediately preceding sentence, at any time or from time to time at and after the Closing, each of the parties shall cooperate with the other and, at the request of the other, execute and deliver or cause to be executed and delivered all such assignments, consents, documents and instruments, and take or cause to be taken all such other reasonable actions as may be necessary or desirable in order to more fully and effectively carry out, evidence and confirm the intended purposes of this Agreement.

(b) Seller agrees that it shall, subsequent to the Closing, execute and deliver to Purchaser any and all further documents or instruments and do any and all further acts which Purchaser (or its agents or designees) reasonably requests in order to perfect and confirm Purchaser's ownership of the Intellectual Property assigned to Purchaser hereunder (including without limitation the properties listed in Schedules 18.37A, 18.37B and 18.37C hereof) and to register and/or record such ownership in the United States Copyright Office, the United States Patent and Trademark Office and other official offices.

(c) Seller agrees that it shall, subsequent to the Closing, provide all assistance reasonably requested by Purchaser for purposes of defending, policing and otherwise protecting its rights in and to the Intellectual Property assigned to Purchaser hereunder (including without limitation the properties listed in Schedules 18.37A, 18.37B and 18.37C hereof).

(d) Seller hereby appoints Purchaser as Seller's attorney-in -fact as reasonably necessary to confirm and to execute in Seller's name the provisions contained in the foregoing (b) and (c), without prejudice to Purchaser's rights and remedies resulting from Seller's failure to comply therewith.

19.09. The respective representations and warranties of Purchaser and Seller contained herein or in any certificate or other document delivered by any party prior to the Closing shall not be deemed waived or otherwise affected by any investigation made by a party hereto.

19.10. The Schedules and Exhibits hereto are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLER:

LILLIE RUBIN FASHIONS, INC.

By: /S/ JAMES J. GOLDEN

PURCHASER:

CACHE, INC.

By: /S/ THOMAS E. REINCKENS

EXHIBIT 11.1

<TABLE>

EXHIBIT 11.1

CALCULATION OF BASIC AND DILUTED EARNINGS PER COMMON SHARE

<CAPTION>

<S> EARNINGS PER SHARE	FISCAL 1998	FISCAL 1997	FISCAL 1996

Net Income Applicable to Common Stockholders	<C> $ 3,935,000	<C> $ 2,365,000	<C> $ 1,966,000
BASIC EARNINGS PER SHARE			
Weighted Average Number of Common Shares Outstanding	9,091,000	9,091,000	9,091,000
Basic Earnings Per Share	$0.43	$0.26	$0.22
DILUTED EARNINGS PER SHARE			
Weighted Average Number of Common Shares Outstanding	9,091,000	9,091,000	9,091,000
Assuming Conversion of Outstanding Stock Options	476,000	165,000	150,000
Less Assumed Repurchase of Common Stock Pursuant to the Treasury Stock Method	(397,000)	(153,000)	(134,000)
Weighted Average Number of Common Shares Outstanding As Adjusted	9,170,000	9,103,000	9,107,000
Diluted Earnings Per Share	$0.43	$0.26	$0.22

</TABLE>

EXHIBIT 12.1

EXHIBIT 12.1

COMPUTATION OF RATIOS

Ratio of current assets to current liabilities = current assets (at balance sheet date) divided by current liabilities (at balance sheet date).

Inventory turnover ratio = total cost of sales divided by average inventory (beginning and ending inventory, divided by two, at the balance sheet dates).

Debt to equity ratio = total long-term debt (at balance sheet date) divided by stockholders' equity (at balance sheet date).

Book value per share = stockholders' equity less preferred stockholders' equity and dividends in arrears, divided by common shares outstanding (at balance sheet date).

EXHIBIT 24.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 1, 1999 in this Form 10-K, into the Company's previously filed Registration Statement File Numbers 33-40354, 33-40358, 33-65113.

New York, New York
March 24, 1999 /s/ Arthur Andersen LLP

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