Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended June 30, 2001

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-16153

COACH, INC.

(Exact name of registrant as specified in its charter)

Maryland *(State or other jurisdiction of incorporation or organization)*	**52-2242751** *(I.R.S. Employer Identification No.)*
516 West 34th Street, New York, NY *(Address of principal executive offices)*	**10001** *(Zip Code)*

(212) 594-1850

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

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 such filing requirements for the past 90 days. Yes ☑ No o

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 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. ☑

The approximate aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately $1,582,500,000 as of August 31, 2001. For purposes of determining this amount only, the registrant has excluded shares of common stock held by directors and officers. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

On August 31, 2001, the Registrant had 43,783,142 outstanding shares of common stock, which is the Registrant's only class of common stock.

TABLE OF CONTENTS

Table of Contents

COACH, INC.

TABLE OF CONTENTS FORM 10-K

Table of Contents

PART I

Item 1. ***Business of Coach, Inc.***

OVERVIEW

Coach ("Coach" or the "Company") is a designer, producer and marketer of high-quality, modern American classic accessories. Coach believes that it is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. Net sales were $616.1 million in the year ended June 30, 2001 ("fiscal 2001"), $548.9 million in the year ended July 1, 2000, ("fiscal 2000") and $507.8 million in the year ended July 3, 1999 ("fiscal 1999"). Operating income before reorganization costs was $106.3 million in fiscal 2001, $56.0 million in fiscal 2000 and $19.5 million in fiscal 1999. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, leather outerwear, gloves, scarves and personal planning products. Together with its licensing partners, Coach also offers watches, footwear and home and office furniture with the Coach brand name. Coach's products are sold through a number of direct to consumer channels, which at the end of fiscal 2001 included:

• 121 United States retail stores;

• direct mail catalogs;

• on-line store;

• 68 United States factory stores; and

• Two United Kingdom retail stores

Coach's direct to consumer business represented approximately 64% of its total sales in fiscal 2001. Its remaining sales were generated from products sold through a number of indirect channels, which at the end of fiscal 2001 included:

• approximately 1,400 department store and specialty retailer locations in the U.S.;

• approximately 175 international department store, retail store and duty free shop locations in 18 countries; and

• corporate sales programs.

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

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

During this period, Coach embarked on a fundamental transformation of its brand. Coach repositioned its image in a modern, fashionable direction to make it more appealing to consumers. Coach built upon its popular core categories by introducing new products in a broader array of materials and styles to respond to consumers' demands for both fashion and function and it introduced new product categories. In 1999, Coach

[Table of Contents](#)

began renovating its retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase its new product assortments and reinforce a consistent brand position. Over the last three years Coach also has been implementing a flexible, cost-effective manufacturing model in which independent manufacturers supply the majority of its products which allows Coach to bring its broader range of products to market more rapidly and efficiently.

Coach believes that these strategic initiatives have succeeded in repositioning the Company as a modern lifestyle accessories brand. In fiscal 2001 net sales increased 12.2% and earnings from operations before reorganization costs increased 89.7% compared to fiscal 2000. In fiscal 2000, net sales increased 8.1% and earnings from operations before reorganization costs increased 110.7%, compared to fiscal 1999.

Coach has developed a number of strengths including:

• an established and growing brand franchise and a loyal consumer base reinforced by years of investment in effective marketing communications;

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

• comprehensive internal creative direction that defines Coach's image, delivers a consistent message and differentiates it from other brands;

• a well-developed multi-channel presence allowing Coach to serve its customers wherever they choose to shop; and

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

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

Growth Strategies

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

Accelerate New Product Development. Coach is accelerating the development of new products, styles and product categories that support its image as a broader lifestyle accessories brand through:

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

• new collections, product additions and line extensions that add to its existing product portfolio, such as its Coach Hamptons collection of handbags and accessories, which introduced new shapes, fabrics and detailing to Coach's existing handbag and accessories portfolio and the Signature lifestyle collection, with a graphic logo design inspired by materials from our archives. This collection features a broad assortment of products including handbags, women's accessories and shoes;

• new categories of product offerings, such as electronic accessories and products for the home or the recently announced fine jewelry collection;

• continual updates to its core collections, such as a classic briefcase in a lightweight travel twill, and

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

During fiscal 2001, approximately 68% of Coach's net sales were generated from products introduced during this period, including new product categories and line extensions.

Modernize Retail Presentation. Coach is modernizing its brand image by remodeling its retail stores to create a distinctive environment to showcase its new product assortments and reinforce a consistent brand position. These renovated retail stores have demonstrated significantly higher comparable store sales growth

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relative to unrenovated stores. Coach has recently expanded and rebuilt its New York and San Francisco flagship stores in this modern format. Coach expects that:

• all of its retail stores will reflect the new store design by June 2002;

• 78 international locations were converted to, or opened with, the new store design by June 2001 and approximately 62 locations will be remodeled or opened in the new store design by June 2002;

• 24 leading U.S. department store locations were remodeled by June 2001 and approximately 25 additional locations will be remodeled by June 2002.

Increase U.S. Retail Store Openings. Coach opened 15 new U.S. retail stores in fiscal year 2001 and eight in fiscal 2000. In each of the next two years, the Company plans to expand its network of 121 retail stores by opening at least 20 new stores per year located primarily in high volume markets. Coach believes that it has a successful retail store format that reinforces its brand image, generates strong sales per square foot and can be readily adapted to different location requirements. The modernized store environment, as exemplified by the Coach flagship store at 57th Street and Madison Avenue in Manhattan, has an open, loft-like feeling, with crisp white brick walls, ebony-stained wood floors and a timeless, uncluttered look. It generally takes four to six months from the time the Company takes possession of a store to open it.

Further Penetrate International Markets. Coach is increasing its international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities for the Company. Its current network of international distributors serves markets in Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. Coach has significant opportunities to increase sales through existing and new international distribution channels. Coach believes Japanese consumers represent a major growth opportunity because they spend substantially more on a per capita basis on handbags than U.S. consumers.

In June 2001**,** Coach Japan, Inc. ("CJI") was formed. This entity is a joint venture with Sumitomo Corporation and will manage the Coach business in Japan. Coach owns 50% of CJI and has appointed a majority of the Board of Directors. It will be accounted for as a consolidated subsidiary.

CJI plans to open additional locations within existing major retailers, enter new department store relationships and open freestanding retail locations. There are currently a total of 76 Coach locations in Japan, including 62 department stores and 14 retail stores managed by two distributors.

On July 31, 2001, CJI completed the purchase of 100% of the capital stock of PDC from the Mitsukoshi Department Store Group ("Mitsukoshi") for a total purchase price of $7.2 million. Mitsukoshi established PDC in 1991 to expand Coach distribution to select department stores throughout Japan. With this acquisition, CJI will manage all locations currently operated by Mitsukoshi, who will remain a key retailer for the brand. Excess purchase price over fair market value of the underlying net assets was allocated to goodwill based on preliminary estimates of fair values, and is subject to adjustment. Goodwill will be reviewed annually for impairment. The fair value of assets acquired was $21.1 million and liabilities assumed was $15.4 million. Included in the liabilities is an assumption of debt of $13.4 million. Annual net sales of PDC for the fiscal year ended February 28, 2001 were approximately $48 million. In August 2001 operations commenced. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

Improve Operational Efficiencies. Coach upgraded and reorganized its manufacturing, distribution and information systems over the past five years to allow the Company to bring new and existing products to market more efficiently. While maintaining its quality control standards, Coach has shifted the majority of its manufacturing processes from owned domestic factories to independent manufacturers in lower cost markets. As a result, Coach has increased its flexibility, improved its quality and lowered its costs. In fiscal 2001, Coach's gross margin increased to 64.5% from 59.9% during fiscal 2000. Coach intends to continue to increase efficiencies in its sourcing, manufacturing and distribution processes by:

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

Table of Contents

- continue to improve the new product development process and timeline;
- improving time-to-market capabilities and efficiencies;
- integrating computer-assisted design into the product design and development processes;
- establishing product development capabilities to test new materials and new design functionality;
- expanding its organization to improve East Asian independent manufacturing capabilities. In April 2001, Coach opened a sourcing and quality control office in China;
- introducing new business systems that use sales information and demographic data to tailor the mix of product offerings at different retail locations to consumer preferences at such locations;
- shortening product lead times to improve inventory management, and
- continuing implementation of a comprehensive supply chain management strategy.

Promote Gift Purchases of its Products. Coach believes that a substantial amount of its U.S. sales are gift purchases because of the Company's higher sales during the holiday season. Coach intends to further promote the Coach brand as an appealing resource for gift-giving occasions by developing new products well-suited for gift selection, such as coin purses, mirrors, notepad holders and card cases in new styles and designs. In addition, Coach's marketing communication efforts, including advertising, catalog mailings and outbound e-mails, are timed to reach consumers before important holidays throughout the year.

For holiday 2001, the Company will be introducing proprietary packaging designed to further enhance the experience of buying or receiving a gift from Coach.

Capitalize on Growing Interest in e-Commerce. In October 1999 Coach launched its on-line store. Coach's website meets growing consumer demand for the flexibility and convenience of shopping over the Internet by offering a selective array of its products. Coach views its website, like its catalogs, as a key communications vehicle for the brand that also promotes store traffic.

Coach's Products

Handbags. Coach's original business was the design, manufacture and distribution of fine handbags, which accounted for approximately 57% of its net sales in fiscal 2001. Coach makes quarterly offerings of its handbag collections, featuring classically inspired designs as well as fashion trend designs. Typically, there are three to four collections per quarter and four to seven styles per collection, depending on the concept and opportunity.

Accessories. Women's accessories represented approximately 12% of Coach's net sales in fiscal 2001 and consist of wallets, cosmetic cases, key fobs, belts and hair accessories. The Company recently completed a comprehensive updating in the design of the small leather goods collections to coordinate them with its popular handbag collections. Men's accessories also represented approximately 7% of Coach's net sales in fiscal 2001 and consist of belts, leather gift boxes and other small leather goods.

Business Cases. Business cases represented approximately 6% of Coach's net sales in fiscal 2001. The Company recently expanded this category to include nylon cases and computer bags.

Luggage and Travel Accessories. The Coach luggage collection is comprised of cabin bags, duffels, suitcases, garment bags and a comprehensive collection of travel accessories. Luggage and travel accessories represented approximately 4% of Coach's net sales in fiscal 2001.

Outerwear, Gloves and Scarves. Primarily a cold weather category, the assortment is approximately 64% women's and contains a fashion assortment in all three categories. In total, this category represented approximately 3% of Coach's net sales in fiscal 2001.

Personal Planning Products. A complement to Coach's business cases and handbag collections, its personal planning assortment includes folios, planners and desk agendas in a variety of leathers and fabrics. The category represented approximately 2% of Coach's net sales in fiscal 2001.

Jewelry. Beginning in November 2001, Coach, in conjunction with Carolee Designs, Inc., will launch its first jewelry collection. The collection consists of pure sterling silver and leather combinations, some with a touch of brass. Select cuff bracelets will also be offered in a variety of colors of genuine crocodile.

Watches. Movado Group, Inc. has been Coach's watch licensee since 1998 and has developed a distinctive collection of watches inspired by both the women's and men's collections. These watches are manufactured in Switzerland and are branded with the Coach name and logo.

Footwear. Jimlar Corporation became the Company's footwear licensee in 1999 after a three year relationship in which Coach previously purchased Coach shoes manufactured by Jimlar Corporation for sale. The footwear is developed and manufactured in Italy and is distributed through more than 200 locations in the U.S. including certain Coach stores and U.S. department stores. Approximately 81% of the business is in women's footwear which coordinates with Coach handbags and employs fine materials including calf and suede.

Furniture and Home Furnishings. Coach furniture was launched in the Spring of 1999 with Baker Knapp & Tubbs, Inc. as the licensee. The furniture collection is comprised of a range of leather and suede sofas, chairs and benches and includes Coach's distinctive ebony wood and leather field chairs and ottomans. The collection is sold through Baker Knapp & Tubbs showrooms and select dealers across the U.S. The home furnishings collection was developed for Coach retail stores with an assortment of leather frames, mirrors, boxes, trays and pillows.

Office/ Home Office. Coach office furniture will launch in the Fall of 2001 with Steelcase as the licensee. Steelcase and Coach will offer consumers high-end furniture products to outfit the home office and executive workplace.

Design and Merchandising

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

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

Marketing

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

In the U.S., Coach spent approximately $15 million, or 2% of net sales in fiscal 2001, for national, regional and local advertising, primarily print and outdoor advertising, in support of its major selling seasons. Coach catalogs and coach.com also serve as effective brand communications vehicles, driving store traffic as well as direct to consumer sales. Coach's co-branding partners, including Lexus, Palm and Motorola, have together spent over $34 million in advertising relating to the Coach brand over the past five years, and through

their programs have strengthened its brand cachet. Advertising by the co-branding partners provides important additional exposure of the Coach brand, although the revenues generated from the purchase of Coach products by the co-branding partners are not material to the Coach business. In fiscal 2001 Coach licensees spent an additional $6 million as part of an integrated campaign, in which Coach controls concept, design and execution. In conjunction with promoting a consistent global image, Coach uses its extensive customer database and consumer knowledge to target specific products and communications to specific consumers to efficiently stimulate sales across all distribution channels.

Coach also engages in a wide range of direct marketing activities, including catalogs and brochures, targeted to stimulate sales to consumers in their preferred shopping venue. As part of Coach's direct marketing strategy, it uses its database consisting of approximately seven million U.S. households. Catalogs are Coach's principal means of communication and are sent to selected households to stimulate consumer purchases and build brand awareness. In addition, the growing number of visitors to the www.coach.com online store provides an opportunity to increase the size of this database and to communicate with consumers to increase on-line and physical store sales and build brand awareness. Coach's on-line store, like its catalogs and brochures, provides a showcase environment where consumers can browse through a strategic offering of the Company's latest styles and colors.

Coach also has a sophisticated consumer and market research capability, which helps the Company assess consumer attitudes and trends and gauge likelihood of success in the marketplace prior to product introduction.

Channels of Distribution

Direct Channels

Coach has four different channels that provide it with immediate, controlled access to consumers: retail stores, factory stores, e-commerce and direct mail. The direct to consumer business represented approximately 64% of Coach's total sales in fiscal year 2001, with the balance generated through the indirect channels.

Retail Stores. The company's retail stores establish, reinforce and capitalize on the image of the Coach brand. Coach operates 121 retail stores in the United States that are located in upscale regional shopping centers and metropolitan areas. It operates eight flagship stores, which offer the broadest assortment of Coach products in high-visibility locations such as New York, Chicago and San Francisco. The following table shows the number of Coach retail stores and their total and average square footage:

	At end of fiscal year		
	2001	**2000**	**1999**
Retail Stores	121	106	101
Increase vs. prior year	15	5	1
	14.2%	5.0%	1.0%
Retail Square Footage	251,136	209,059	196,494
Increase vs. prior year	42,077	12,565	5,991
	20.1%	6.4%	3.1%
Average Square Footage	2,076	1,972	1,945

Depending on their size and location, the stores present product lines that include handbags, business cases, wallets, footwear, watches, travel and related accessories. As of June 30, 2001 Coach has either remodeled or opened 77 stores to reflect the modern design. These stores represent approximately 80% of retail store sales volume. By June 2002, Coach expects to have remodeled all retail stores to reflect its modern design which creates a distinctive environment that showcases the various products. Store associates are trained to maintain high standards of visual presentation, merchandising and customer service. The result is a complete statement of the Coach modern American style at the retail level.

Factory Stores. Coach's 68 factory stores serve as an efficient means to sell discontinued and irregular inventory outside the retail channels. These stores operate under the Coach Factory name and are

geographically positioned in established centers that are usually greater than 100 miles from major markets. The following table shows the number of Coach factory stores and their total and average square footage:

	At end of fiscal year		
	2001	**2000**	**1999**
Factory Stores	68	63	62
Increase vs. prior year	5	1	—
	7.9%	1.6%	—
Factory Square Footage	198,924	182,510	175,588
Increase vs. prior year	16,414	6,922	1,960
	9.0%	3.9%	1.1%
Average Square Footage	2,925	2,897	2,832

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

e-Commerce. Coach launched its e-commerce website in early October 1999 in anticipation of the holiday season. Approximately 5.2 million consumers have visited the site through June 30, 2001. Coach believes it is positioned to support strong near-term growth, with a simple, clean user interface and, based upon Coach direct mail expertise, excellent order fulfillment capabilities. Like Coach catalogs and brochures, the on-line store provides a showcase environment where consumers can browse through a selected offering of the latest styles and colors.

Direct Mail. Coach mailed its first Coach catalog in 1980. In fiscal year 2001, it mailed at least one Coach catalog to 2.5 million strategically selected households, primarily from its database. While direct mail sales comprise a small portion of Coach's net sales, Coach views its catalogs as a key communications vehicle for the brand that also promotes store traffic. As an integral component of its communications strategy, the graphics, models and photography are upscale and modern and present the product in an environment consistent with the Coach brand position. The catalogs highlight selected products and serve as a reference for customers, whether ordering through the catalog, making in-store purchases or purchasing over the Internet.

Indirect Channels

Coach began as a wholesaler to department and specialty retail stores. This distribution channel remains very important to its overall consumer reach. The Company has grown its wholesale business by working closely with its customers, both domestic and international, to ensure a clear and consistent product presentation. As part of Coach's business transformation, selected shop-within-shop locations in major department stores are being renovated to achieve the same modern look and feel of the Coach retail stores. At the end of fiscal 2001, 24 U.S. department stores were renovated to reflect the new modern design.

International Wholesale. Coach's international business, which represented approximately 16% of total sales in fiscal 2001, is generated almost entirely through wholesale distributors and authorized retailers. Coach has developed relationships with a select group of distributors who market Coach products through specialty retailers, department stores, travel shopping locations, and freestanding Coach stores in 18 countries. Coach's current network of international distributors serves markets such as Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. Coach has created image enhancing environments in these locations to increase brand appeal and stimulate growth. Within the international arena, the primary focus continues to be the Japanese consumer. Coach targets this consumer in Japan and in areas with significant levels of Japanese tourism. The importance of Japanese consumers is illustrated by a comparison of consumption levels: per capita spending on handbags in Japan is substantially greater than in the U.S. Coach's more significant international wholesale customers include Dickson Concepts, Inc., Duty Free Shops, J. Osawa, Mitsukoshi and Unisia.

In June 2001, Coach strengthened its Japanese focus by forming CJI. This entity is a joint venture with Sumitomo Corporation and will manage the Coach business in Japan. CJI plans to open additional locations within existing major retailers, enter new department store relationships and open freestanding retail locations. On July 31, 2001, CJI acquired PDC, a wholly owned subsidiary of Mitsukoshi. With this acquisition CJI will manage all locations currently operated by Mitsukoshi, who will remain a key retailer for the brand.

The following table shows the number of international retail stores, international department store locations and other international locations at which Coach products are sold:

	At end of fiscal year		
	2001	**2000**	**1999**
International Freestanding Stores	20	18	14
International Department Store Locations	131	130	136
Other International Locations	28	26	22

U.S. Wholesale. Coach's products are currently sold in the U.S. at approximately 1,400 wholesale locations. This channel represented approximately 13% of total sales in fiscal 2001. Recognizing the continued importance of U.S. department and specialty stores as a distribution channel for premier accessories, Coach is strengthening its longstanding relationships with its key customers through its products and styles and Coach's renovation program. This channel offers access to Coach customers who prefer shopping at department and specialty stores or who live in geographic areas that are not large enough to support a Coach retail store. The company's more significant U.S. wholesale customers include Federated (including Macy's, Bloomingdale's, Rich's/ Lazarus, Burdine's, and Bon Marche), May Co. (including Lord & Taylor, Foley's, Hecht's, Kaufman's, Robinson's/ May, Famous Barr, Filene's and Meier & Frank), Dillard's, Marshall Fields, Saks Inc., El Portal and Nordstrom.

Business to Business. As part of the indirect channel of distribution, Coach sells some of its products in selected military locations and through corporate incentive and gift-giving programs.

Licensing. In the Company's licensing relationships, Coach takes an active role in the design process and controls the marketing and distribution of products under the Coach brand. The current licensing relationships are as follows:

Category	**Licensing Partner**	**Introduction Date**	**Territory**	**License Expiration Date**
Watches	Movado	Spring '98	U.S. and Japan	2006
Footwear	Jimlar	Spring '99	U.S	2008
Furniture	Baker	Spring '99	U.S. and Canada	2008
Office furniture	Steelcase	Fall '01	U.S	2006

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

Manufacturing

Coach has refined its production capabilities in coordination with the repositioning of its brand. By shifting its production from owned domestic facilities to independent manufacturers in lower-cost markets, it can support a broader mix of product types, materials and a seasonal influx of new, more fashion-oriented styles. During fiscal year 2001, approximately 68% of Coach's sales were generated from products introduced within the fiscal year. At the same time, the Company helps manage total inventory and limit its exposure to

excess and obsolete inventory by designating a large number of the new styles as "limited editions" that are planned to be discontinued and replaced with fresh new products.

Coach has developed a flexible model that meets shifts in marketplace demand and changes in consumer preferences. It uses three main sources to make Coach products: outsourcing with skilled partners, internal manufacturing and production by its licensing partners. All product sources must achieve and maintain

Coach's high quality standards which are an integral part of the Coach identity. The Company monitors compliance with the quality control standards through on-site quality inspections at all Coach-operated or independent manufacturing facilities. One of Coach's keys to success lies in the rigorous selection of raw materials. Coach has long-standing relationships with purveyors of fine leathers and hardware. As it has shifted a significant portion of its production to external sources, Coach still insists that these same raw materials are used in all of its products, wherever they are made.

Approximately 87% of Coach's fiscal year 2001 non-licensed product requirements were supplied by independent manufacturers, measured as a percentage of total units produced. Coach buys independently manufactured products from a variety of countries including China, Costa Rica, Mexico, India, Italy, Spain, Hungary and Turkey. It operates a European Sourcing and Product Development organization based in Florence, Italy which works closely with the New York-based design team. This broad-based multi-country manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities. Coach carefully balances its commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. No one vendor provides more than 20% of the Company's total requirements. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously approved facilities are conducted on a random basis. The Company believes that all of its manufacturing partners are in compliance with Coach integrity standards. Coach currently operates one manufacturing facility in leased premises. In fiscal year 2001, this 66,000 square foot facility in Lares, Puerto Rico produced about 11% of Coach's requirements.

As part of the strategy to shift production to independent manufacturers in lower-cost markets, Coach ceased operations at a Company facility, located in Medley, Florida, in October 2000. In fiscal year 2001, this 107,000 square foot facility contributed approximately 2% of production.

Distribution

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

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

Management Information Systems

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

Table of Contents

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

Trademarks and Patents

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

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

Employees

As of June 30, 2001, Coach employed approximately 2,700 people, approximately 60 of which were covered by collective bargaining agreements. Of the total, approximately 1,400 are engaged in retail selling and administration positions and approximately 900 are engaged in manufacturing, sourcing or distribution functions. The remaining employees are engaged in other aspects of the Coach business. Coach believes that its relations with its employees are good, and it has never encountered a strike or significant work stoppage.

Government Regulation

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

RISK FACTORS

You should consider carefully all of the information set forth or incorporated by reference in this document and, in particular, the following risk factors associated with (1) the Business of Coach and (2) forward-looking information in this document. Please see "Special Note on Forward-Looking Information".

If Coach is unable to successfully implement its growth strategies or manage its growing business, its future operating results will suffer.

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

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

Coach's inability to respond to changes in consumer demands and fashion trends in a timely manner could adversely affect its sales.

Coach's success depends on its ability to identify, originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Its products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. Coach cannot assure that it will be able to continue to develop appealing styles or meet changing consumer demands in the future.

If Coach misjudges the demand for its products it may incur increased costs due to excess inventories.

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

Competition in the markets in which Coach operates is intense and its competitors may develop products more popular with consumers.

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

A downturn in the economy may affect consumer purchases of discretionary luxury items which could adversely affect Coach's sales.

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

If Coach loses key management or design personnel or is unable to attract and retain the talent required for its business, its operating results could suffer.

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

Coach's operating results are subject to seasonal and quarterly fluctuations, which could adversely affect the market price of its common stock.

Because Coach products are frequently given as gifts, Coach has experienced, and expects to continue to experience, substantial seasonal fluctuations in its sales and operating results. Over the past two fiscal years approximately 35% of Coach's annual sales and between 61% and 73% of its operating income were recognized in the second fiscal quarter, which includes the holiday months of November and December. In anticipation of increased sales activity during the second quarter, Coach incurs significant additional expenses. If, for any reason, Coach miscalculates the demand for its products during November and December, it could have significant excess inventory, which would have an adverse effect on its financial performance. In addition, because a substantial portion of Coach's operating income is derived from second quarter sales, a significant shortfall in expected second quarter sales could have an adverse impact on the annual operating results. Coach has sometimes experienced and may continue to experience net losses in any or all of its first, third or fourth fiscal quarters.

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

- the timing of new store openings;

- net sales and profits contributed by new stores;

- increases or decreases in comparable store sales;

- shifts in the timing of holidays;

- changes in its merchandise mix; and

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

As a result of these seasonal and quarterly fluctuations, Coach believes that comparisons of its sales and operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of its future performance. Any seasonal or quarterly fluctuations that Coach reports in the future may not match the expectations of market analysts and investors. This could cause the trading price of Coach's common stock to fluctuate significantly.

Coach's gross profit may decrease if it becomes unable to obtain its products from, or sell its products in other countries due to adverse international events that are beyond its control.

In order to lower its sourcing costs and increase its gross profit, Coach has shifted its production to independent non-U.S. manufacturers in lower-cost markets. Coach's international manufacturers are subject to many risks, including foreign governmental regulations, political unrest, disruptions or delays in shipments, changes in local economic conditions and trade issues. These factors, among others, could influence the ability of these independent manufacturers to make or export Coach products cost-effectively or at all or to procure some of the materials used in these products. The violation of labor or other laws by any of Coach's independent manufacturers, or the divergence of an independent manufacturer's labor practices from those

generally accepted as ethical by Coach or others in the U.S., could damage Coach's reputation and force it to locate alternative manufacturing sources. Currency exchange rate fluctuations could also make raw materials more expensive for these independent manufacturers, and they could pass these increased costs along to Coach, resulting in higher costs and decreased margins for its products. If any of these factors were to render a particular country undesirable or impractical as a source of supply, there could be an adverse effect on Coach's business, including its gross profit.

Coach's failure to continue and increase sales of its products in international markets could adversely affect its gross profit. International sales are subject to many risks, including foreign governmental regulations, foreign consumer preferences, political unrest, disruptions or delays in shipments to other nations and changes in local economic conditions. These factors, among others, could influence Coach's ability to sell products successfully in international markets. Coach generally purchases raw materials and products from international manufacturers in U.S. dollars and sells these products in the U.S. and to its international wholesale customers in U.S. dollars. However, Coach's international wholesale customers sell Coach products in the relevant local currencies, and currency exchange rate fluctuations could adversely affect the retail prices of the products and result in decreased international consumer demand.

Coach's trademark and other proprietary rights could potentially conflict with the rights of others and it may be inhibited from selling some of its products. If Coach is unable to protect its trademarks and other proprietary rights, others may sell imitation brand products.

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

Provisions in Coach's charter and bylaws and Maryland law may delay or prevent an acquisition of Coach by a third party.

Coach's charter and bylaws and Maryland law contain provisions that could make it harder for a third party to acquire Coach without the consent of Coach's Board of Directors. Coach's charter permits its Board of Directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that Coach has the authority to issue. In addition, Coach's Board of Directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Although Coach's Board of Directors has no intention to do so at the present time, it could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for Coach's common stock or otherwise be in the best interest of Coach's stockholders.

On May 3, 2001 Coach declared a “poison pill” dividend distribution of rights to buy additional common stock to the holder of each outstanding share of Coach’s common stock.

Subject to limited exceptions, these rights may be exercised if a person or group intentionally acquires 10% or more of the Company’s common stock or announces a tender offer for 10% or more of the common stock on terms not approved by the Coach Board of Directors. In this event, each right would entitle the holder of each share of Coach’s common stock to buy one additional common share of the Company at an exercise price far below the then-current market price. Subject to certain exceptions, Coach’s Board of Directors will be entitled to redeem the rights at $0.001 per right at any time before the close of business on the tenth day following either the public announcement that, or the date on which a majority of Coach’s Board of Directors becomes aware that, a person has acquired 10% or more of the outstanding common stock. The

Company is currently aware of two institutional shareholders whose common stock holdings exceed the 10% threshold established by the rights plan. Each of these holders has been given permission to increase its ownership in the company to a maximum of 15%, subject to certain exceptions, before triggering the provision of the rights plan.

Coach’s bylaws can only be amended by Coach’s Board of Directors. Coach’s bylaws also provide that nominations of persons for election to Coach’s Board of Directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by Coach’s Board of Directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of Coach’s bylaws. Also, under Maryland law, business combinations, including issuances of equity securities, between Coach and any person who beneficially owns 10% or more of Coach’s common stock or an affiliate of such person are prohibited for a five-year period unless exempted in accordance with the statute. After this period, a combination of this type must be approved by two super-majority stockholder votes, unless some conditions are met or the business combination is exempted by Coach’s Board of Directors. Coach’s Board has exempted any business combination with us or any of our affiliates from the five-year prohibition and the super-majority vote requirements.

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

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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

Coach’s actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this Form 10-K filing entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Coach, Inc.”. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the forward-looking statements contained in this Form 10-K. Other unknown or unpredictable factors also could be materially harmful to Coach’s future results, including the following:

- the financial impact of our decision to dispose of certain non-core businesses;
- our ability to achieve forecasted savings, as well as improvements in productivity and efficiency from our business reshaping;
- fluctuations in the cost or availability of raw materials;
- fluctuations in foreign currency exchange ratios
- competitive activity, including advertising, promotional and price competition;
- market risk involved in new product introductions;
- the ability to anticipate the tastes and demands of its consumers;
- liability resulting from litigation;
- changes in tax and other laws;
- speculation about Coach’s or our business in the press or investment community;
- changes in Coach’s sales or earnings estimates or the publication of research reports by analysts; and
- a downturn in the economy generally.

Item 2. ***Properties***

The following table sets forth the location, use and size of Coach's manufacturing, distribution and corporate facilities as of June 30, 2001, all of which are leased. The leases expire at various times through 2015, subject to renewal options.

Location	Use	Approximate Square Footage
Jacksonville, Florida	Distribution and Customer Service	560,000
516 West 34th Street, New York	Corporate	140,000
Carlstadt, New Jersey	Corporate and Product Development	93,000
Lares, Puerto Rico	Manufacturing	66,000
Florence, Italy	Product Development	16,000
Shenzhen, Peoples Republic of China	Quality Control	1,600

Coach also occupies 121 retail and 68 factory leased retail stores located in the United States and 2 retail locations in the United Kingdom. Coach considers these properties to be in good condition generally and believes that its facilities are adequate for its operations and provide sufficient capacity to meet its anticipated requirements.

Item 3. ***Legal Proceedings***

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

Table of Contents

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

Executive Officers and Directors

The following table sets forth information regarding each of Coach's executive officers and directors serving as of June 30, 2001:

Name	Age	Position(s)(1)
Lew Frankfort	55	Chairman, Chief Executive Officer and Director
Keith Monda	55	Executive Vice President, Chief Operating Officer and Director
David DeMattei	45	President, Retail Division
Reed Krakoff	37	President, Executive Creative Director
Richard Randall	63	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Carole Sadler	42	Senior Vice President, General Counsel and Secretary
Felice Schulaner	41	Senior Vice President, Human Resources
Joseph Ellis(2)(3)	59	Director
Paul Fulton(2)(3)	67	Director
Gary Grom(3)	54	Director
Irene Miller(3)	49	Director
Michael Murphy(2)(3)	64	Director

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

(2) Member of the audit committee.

(3) Member of the compensation and employee benefits committee.

Lew Frankfort has been involved with the Coach business in excess of 20 years. He has served as Chairman and Chief Executive Officer of Coach since November 1995. He has served as a member of Coach's board of directors since June 1, 2000, the date of incorporation. Mr. Frankfort served as Senior Vice President of Sara Lee from January 1994 to October 2000. Mr. Frankfort was appointed President and Chief Executive Officer of the Sara Lee Champion, Intimates & Accessories group in January 1994, and held this position through November 1995. From September 1991 through January 1994, Mr. Frankfort held the positions of Executive Vice President, Sara Lee Personal Products and Chief Executive Officer of Sara Lee Accessories. Mr. Frankfort was appointed President of Coach in July 1985, after Sara Lee acquired Coach, and held this position through September 1991. Mr. Frankfort joined Coach in 1979 as Vice President of New Business Development. Prior to joining Coach, Mr. Frankfort held various New York City government management positions and served as

Commissioner, New York City Agency for Child Development. Mr. Frankfort holds a Bachelor of Arts degree from Hunter College and an MBA in Marketing from Columbia University.

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

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Table of Contents

December 1993, Mr. Monda served as Executive Vice President, Finance and Administration of J. Crew. Mr. Monda holds Bachelor of Science and Master of Arts degrees from Ohio State University.

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

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

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

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

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

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

Table of Contents

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

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

Irene Miller was elected to Coach's Board of Directors in May 2001. Ms. Miller is Chief Executive Officer of Akim, Inc., an investment management and consulting firm and, until June 1997, was Vice Chairman and Chief Financial Officer of Barnes and Noble, Inc., the world's largest bookseller. She joined

Barnes & Noble in 1991, became Chief Financial Officer in 1993 and Vice Chairman in1995. From 1986 to 1990 Ms. Miller was an investment banker at Morgan Stanley & Co. Incorporated, serving as Principal in her last position. Ms. Miller also serves as a director on the Boards of Barnes & Noble, Inc., Oakley, Inc., Inditex, S.A. and The Body Shop International PLC. Ms. Miller holds an M.S. from Cornell University and a B.S. from the University of Toronto.

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

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Refer to the information regarding the market for the Company's Common Stock and the quarterly market price information appearing under the caption "Market and Dividend Information" included herein and the information under "Stock-Based Compensation" in Note 9 to the Consolidated Financial Statements included herein.

Table of Contents

Item 6. *Selected Financial Data (in thousands except for per share data)*

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended June 30, 2001 have been derived from the Company's audited Consolidated Financial Statements with exception of fiscal 1997 data which is unaudited. The financial data should be read in conjunction with "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations", the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

	Fiscal Year Ended				
	June 30, 2001	July 1, 2000	July 3, 1999	June 27, 1998	June 28, 1997
Consolidated Statements of Income:(1)					
Net sales	$616,079	$548,918	$507,781	$522,220	$540,366
Cost of sales	218,507	220,085	226,190	235,512	227,086
Gross profit	397,572	328,833	281,591	286,708	313,280
Selling, general and administrative expenses	291,315	272,816	255,008	261,695	269,011
Operating income before reorganization costs	106,257	56,017	26,583	25,013	44,269
Reorganization costs (2)	4,569	—	7,108	—	—
Operating income	101,688	56,017	19,475	25,013	44,269
Net interest expense	2,258	387	414	236	492
Minority interest	—	—	—	(66)	95
Income before provision for income taxes	99,430	55,630	19,061	24,843	43,682
Provision for income taxes	35,400	17,027	2,346	4,180	11,645
Net income	$ 64,030	$ 38,603	$ 16,715	$ 20,663	$ 32,037
Net income per share					
Basic	$ 1.56(3)	$ 1.10(5)	$ 0.48(6)	$ 0.59	$ 0.91
Diluted	$ 1.52(4)	$ 1.10(5)	$ 0.48(6)	$ 0.59	$ 0.91
Shares used in computing net income per share(7)					
Basic	40,930	35,026	35,026	35,026	35,026
Diluted	42,156	35,026	35,026	35,026	35,026
Consolidated Percentage of Net Sales Data:					
Gross margin	64.5%	59.9%	55.4%	54.9%	58.0%
Selling, general and administrative expenses	47.3%	49.7%	50.2%	50.1%	49.8%
Operating income before reorganization costs	17.2%	10.2%	5.2%	4.8%	8.2%
Operating income	16.5%	10.2%	3.8%	4.8%	8.2%

Net income	10.4%	7.0%	3.3%	4.0%	5.9%

Table of Contents

	Fiscal Year Ended				
	June 30, 2001	July 1, 2000	July 3, 1999	June 27, 1998	June 28, 1997
Consolidated Balance Sheet Data:					
Working capital	$ 47,119	$ 54,089	$ 51,685	$ 95,554	$ 65,709
Total assets	258,711	296,653	282,088	257,710	252,929
Inventory	105,162	102,097	101,395	132,400	102,209
Receivable from Sara Lee	—	63,783	54,150	—	—
Payable to Sara Lee	—	—	—	11,088	8,300
Long term debt	3,690	3,775	3,810	3,845	3,845
Stockholders' equity	148,314	212,808	203,162	186,859	165,361

(1) Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 1997, 1998, 2000 and 2001 were 52 week years.

(2) During 1999, Coach committed to and completed a reorganization plan involving the closure of its Carlstadt, New Jersey warehouse and distribution center, the closure of its Italian manufacturing operation, and the reorganization of its Medley, Florida manufacturing facility. During 2001, Coach committed to and completed a reorganization plan involving the complete closure of its Medley, Florida manufacturing operation. These actions were intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and consolidation of all of its distribution functions at the Jacksonville, Florida distribution center.

(3) $1.54 per share after adding back the impact of the reorganization charge and if the common share sold in the October 2000 initial public offering had been outstanding for the entire year.

(4) $1.50 per share after adding back the impact of the reorganization charge and if the common shares sold in the October 2000 initial public offering had been outstanding for the entire year.

(5) $0.89 per share if the common shares sold in the October 2000 initial public offering had been outstanding for the prior periods.

(6) $0.38 per share if the common shares sold in the October 2000 initial public offering had been outstanding for the prior periods.

(7) The stock dividend issued in October 2000 was retroactively applied to all prior periods.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion of Coach's financial condition and results of operations should be read together with Coach's financial statements and notes to those statements included elsewhere in this document.

Overview

Coach was founded in 1941 and was acquired by the Sara Lee Corporation ("Sara Lee") in July 1985. In October 2000, Coach was listed on the New York Stock Exchange and sold 8.5 million shares of stock in an initial public offering. In April 2001, Sara Lee ended its ownership with a distribution of its remaining shares in Coach via an exchange offer. That exchange offer allowed Sara Lee stockholders to exchange Sara Lee common stock and options for Coach common shares and options.

Coach is a designer, producer and marketer of high-quality, modern American classic accessories. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves.

Coach generates revenue by selling its products directly to consumers and indirectly through wholesale customers and by licensing its brand name to select manufacturers. Direct to consumer sales consist of sales of Coach products through its 121 Company-operated U.S. retail stores, its direct mail catalogs, its e-commerce website and its 68 Company-operated U.S. factory stores. Indirect sales consist of sales of Coach products to

Table of Contents

approximately 1,400 department store and specialty retailer locations in the U.S., and approximately 175 international department store, retail store and duty free shop locations in 18 countries. In the U.S. Coach generates additional wholesale sales through business-to-business programs, in which companies purchase Coach products to use as gifts or incentive rewards. Licensing revenues consist of royalties paid to Coach under licensing arrangements with select manufacturers for the sale of Coach branded watches, footwear and furniture.

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

Selling, general and administrative expenses are comprised of four categories of expenses: selling; advertising, marketing and design; distribution and customer service; and administration and information services. Selling expenses are comprised of store employee compensation, store occupancy costs, store supply costs, wholesale account administration compensation, international wholesale account rebates and mail order costs. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs as well as public relations and market research expenses. Distribution and customer services expenses are comprised of warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administration and information services expenses are comprised of compensation costs for the information systems, executive, finance, human resources and legal departments as well as consulting and software expenses. Selling, general and administrative expenses are affected by the number of stores Coach operates in any fiscal period and the relative proportions of retail and wholesale sales. Selling, general and administrative expenses increase as Coach operates more stores, although an increase in the number of stores generally enables it to spread the fixed portion of its selling, general and administrative expenses over a larger sales base.

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

In the first quarter of fiscal year 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000. This reorganization involved the termination of 362 manufacturing, warehousing and management employees at the Medley facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. The total cost of the reorganization of Medley in fiscal 2001 was $4.6 million, comprised of $3.1 million for worker separation costs, $0.8 million for lease termination costs, and $0.6 million for the write down of long-lived assets to their net realizable values.

Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 consisted of 53 weeks and fiscal years 2000 and 2001 each consisted of 52 weeks.

Results of Operations

The following is a discussion of the results of operations for fiscal 2001 compared to fiscal 2000, and fiscal 2000 compared to fiscal 1999 along with a discussion of the changes in financial condition during fiscal 2001.

Table of Contents

This Management's Discussion and Analysis should be read in conjunction with Coach's Consolidated Financial Statements and accompanying footnotes thereto.

Net sales by business segment for fiscal 2001 compared to fiscal 2000 and fiscal 1999 are as follows:

	Fiscal Year Ended					Percentage of Total Net Sales		
	June 30, 2001	July 1, 2000	July 3, 1999	Rate of Increase		June 30, 2001	July 1, 2000	July 3, 1999
		(dollars in millions)		(2001 v. 2000)	(2000 v. 1999)			
Direct	$391.8	$352.0	$336.5	11.3%	4.6%	63.6%	64.1%	66.3%
Indirect	224.3	196.9	171.3	13.9	15.0	36.4	35.9	33.7
Total net sales	$616.1	$548.9	$507.8	12.2%	8.1%	100.0%	100.0%	100.0%

Consolidated statements of income for fiscal 2001 compared to fiscal 2000 and fiscal 1999 are as follows:

	Fiscal Year Ended					
	June 30, 2001		July 1, 2000		July 3, 1999	
	$	% of net sales	$	% of net sales	$	% of net sales
			(dollars in millions, except for earnings per share)			
Net sales	$613.9	99.6%	$547.1	99.7%	$507.0	99.8%
Licensing revenue	2.2	0.4	1.8	0.3	0.8	0.2
Total net sales	616.1	100.0	548.9	100.0	507.8	100.0
Cost of sales	218.5	35.5	220.1	40.1	226.2	44.6

Gross profit	397.6	64.5	328.8	59.9	281.6	55.4
Selling, general and administrative expenses	291.3	47.3	272.8	49.7	255.0	50.2
Operating income before reorganization costs	106.3	17.2	56.0	10.2	26.6	5.2
Reorganization costs	4.6	0.7	—	—	7.1	1.4
Operating income	101.7	16.5	56.0	10.2	19.5	3.8
Net interest expense	2.3	0.4	0.4	0.1	0.4	—
Income before provision for income taxes	99.4	16.1	55.6	10.1	19.1	3.8
Provision for income taxes	35.4	5.7	17.0	3.1	2.4	0.5
Net income	$ 64.0	10.4%	$ 38.6	7.0%	$ 16.7	3.3%

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Net income per share:			
Basic	$ 1.56(1)	$ 1.10(3)	$ 0.48(4)
Diluted	$ 1.52(2)	$ 1.10(3)	$ 0.48(4)
Weighted-average number of common shares:			
Basic	40,930	35,026	35,026
Diluted	42,156	35,026	35,026

(1) $1.54 per share after adding back the impact of the reorganization charge and if the common shares sold in the October 2000 initial public offering had been outstanding for the entire year.

Table of Contents

(2) $1.50 per share after adding back the impact of the reorganization charge and if the common shares sold in the October 2000 initial public offering had been outstanding for the entire year.

(3) $0.89 per share if the common shares sold in the October 2000 initial public offering had been outstanding for the prior periods.

(4) $0.38 per share if the common shares sold in the October 2000 initial public offering had been outstanding for the prior periods.

Fiscal 2001 Compared to Fiscal 2000

Net Sales

Net sales increased by 12.2% to $616.1 million in fiscal 2001 from $548.9 million in fiscal 2000. These results reflect increased volume in both the direct to consumer and indirect channels.

Direct. Net sales increased 11.3% to $391.8 million in fiscal 2001 from $352.0 million in fiscal 2000. The increase was primarily due to new store openings, store renovations, store expansions and comparable stores sales growth. Comparable store sales growth for retail stores and factory stores open for one full year was 2.1% and 4.3%, respectively. Since the end of fiscal 2000, Coach has opened 15 new retail stores and five new factory stores. In addition, 28 retail stores and five factory stores were remodeled, while three retail stores and one factory store were expanded. No stores were closed during fiscal 2001.

Indirect. Net sales attributable to United States and international wholesale shipments increased 13.9% to $224.3 million in fiscal 2001 from $196.9 million in fiscal 2000. The increase was primarily due to strong gains in the international wholesale channel, highlighted by continued double-digit increases in comparable location sales to Japanese consumers worldwide and increased demand for new products. Licensing revenue increased 23.6% to $2.2 million in fiscal 2001 from $1.8 million in fiscal 2000 due primarily to expanded distribution of licensed footwear product.

Gross Profit

Gross profit increased 20.9% to $397.6 million in fiscal 2001 from $328.8 million in fiscal 2000. Gross margin increased approximately 460 basis points to 64.5% in fiscal 2001 from 59.9% in fiscal 2000. This improvement was driven by a shift in product mix, reflecting the continued diversification into non-leather fabrications with new and successful mixed-material collections. In addition, gross margin benefited from the continuing impact of sourcing cost reductions as well as channel mix, as the international channel continued to expand as a percentage of sales.

The following chart illustrates the gross margin performance we have experienced over the last eight quarters:

	Fiscal Year Ended June 30, 2001	Total

	Q1	Q2	1st Half	Q3	Q4	2nd Half	Year
			(unaudited)				
Gross Margin	63.2%	65.4%	64.5%	65.3%	63.8%	64.5%	64.5%

	Fiscal Year Ended July 1, 2000						
	Q1	Q2	1st Half	Q3	Q4	2nd Half	Tota1 Year
			(unaudited)				
Gross Margin	53.6%	62.1%	58.9%	61.0%	61.5%	61.3%	59.9%

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 6.8% to $291.3 million in fiscal 2001 from $272.8 million in fiscal 2000. Selling, general and administrative expenses decreased to 47.3% as a percentage of net sales versus 49.7% in fiscal 2000.

Selling expenses increased by 14.8% to $178.3 million, or 28.9% of net sales, in fiscal 2001 from $155.4 million, or 28.3% of net sales, in fiscal 2000. The dollar increase in these expenses was primarily due to

Table of Contents

$16.3 million of operating costs associated with new retail and factory stores; increased variable costs for comparable store sales; store remodels; costs to support the additional stores; and store sales promotions to enhance sales. The remaining selling expense increase was caused primarily by volume-related costs in our indirect sales channels.

Advertising, marketing, and design expenses increased by 4.0% to $52.2 million, or 8.5% of net sales, in fiscal 2001 from $50.2 million, or 9.1% of net sales, in fiscal 2000. The dollar increase in these expenses was primarily due to increased staffing expenses of $1.0 million and increased advertising expenses of $0.6 million.

Distribution and customer service expenses increased slightly to $25.8 million, or 4.2% of net sales, in fiscal 2001 from $25.3 million, or 4.6% of net sales, in fiscal 2000. The dollar increase in these expenses was due to higher sales volumes, partially offset by efficiency gains at our distribution and customer service facility.

Administrative expenses decreased to $35.0 million, or 5.7% of net sales, in fiscal 2001 from $41.9 million, or 7.6% of net sales, in fiscal 2000. The decrease in these expenses was due to lower fringe benefit costs and lower performance based compensation expenses, partially offset by higher occupancy costs associated with the lease renewal of our New York City corporate headquarters location and incremental expenses incurred to support new corporate governance activities relating to the Company becoming publicly owned.

Reorganization Costs

In the first fiscal quarter of 2001 management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000. This reorganization involved the termination of 362 manufacturing, warehousing and management employees at the Medley facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach achieved cost savings of $2.7 million in fiscal 2001 and expects $4.5 million in annual savings in future years from these actions. Coach recorded a reorganization cost of $5.0 million in the first quarter of fiscal year 2001. In the second half of fiscal year 2001, this charge was reduced to $4.6 million. This was due primarily to the complete disposition of the fixed assets, in which the proceeds exceeded original estimates by management. This reorganization cost includes $3.1 million for worker separation costs, $0.8 million for lease termination costs and $0.6 million for the write down of long-lived assets to net realizable value. By June 30, 2001, production ceased at the Medley facility, disposition of the fixed assets had been accomplished and the termination of the 362 employees had been completed.

Operating Income

Operating income increased 81.5% to $101.7 million from $56.0 million in fiscal 2000. This increase resulted from higher sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses. Before the impact of reorganization costs, operating income increased 89.7% to $106.3 million, or 17.2% of net sales, in fiscal 2001 from $56.0 million, or 10.2% of net sales, in fiscal 2000.

Interest Expense

Net interest expense increased 483% to $2.3 million, or 0.4% of net sales, in fiscal 2001 from $0.4 million or 0.1% of net sales, in fiscal 2000. The increase was due to interest expense on the note payable to an affiliate of Sara Lee that Coach assumed in October 2000 as part of the initial public offering and interest expense on borrowings on its new Fleet National Bank facility (“Fleet” facility), which replaced the facility previously provided by Sara Lee. There was no interest expense incurred on the facility provided by Sara Lee in the prior year.

Income Taxes

The effective tax rate increased to 35.6% in fiscal 2001 from 30.6% in fiscal 2000. This increase was caused by a lower percentage of income in fiscal 2001 attributable to Company-owned offshore manufacturing, which is taxed at lower rates.

Net Income

Net income increased 65.9% to $64.0 million from $38.6 million in fiscal 2000. This increase was the result of increased operating income partially offset by a higher provision for income taxes and increased interest expense. Before the impact of reorganization costs, net of related tax effect, net income increased 73.5% to $67.0 million, or 10.9% of net sales, in fiscal 2001 from $38.6 million, or 7.0% of net sales, in fiscal 2000.

Earnings Per Share

Diluted net income per share was $1.52 in fiscal 2001. This reflects a weighted average of the shares outstanding before and after the public offering of common stock in October 2000. If the common shares sold in the October 2000 initial public offering had been outstanding for the entire year, net income before the impact of reorganization costs per diluted share would have been $1.50. Prior year diluted net income per share was $1.10 since only the shares owned by Sara Lee are used in the calculation. Comparable net earnings per share in fiscal 2000 would have been $0.89 if the common shares sold in the October 2000 public offering had been outstanding for the prior period.

Fiscal 2000 Compared to Fiscal 1999

Net Sales

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

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

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

Gross Profit

Gross profit increased 16.8% to $328.8 million in fiscal 2000 from $281.6 million in fiscal 1999. Gross margin increased to 59.9% in fiscal 2000 from 55.4% in fiscal 1999. This increase in gross margin was primarily due to manufacturing and sourcing-cost reductions realized during fiscal 2000 from Coach's reorganization that commenced in 1999, as well as increased sales at Coach's retail stores and increased shipments to international distributors. In fiscal 2000, approximately 74% of Coach's total units produced were manufactured by independent manufacturers, compared to approximately 48% in fiscal 1999. Gross profit also increased as a result of the reduction of warehouse sales events and the reduction in employee sales, which have lower gross margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 7.0% to $272.8 million in fiscal 2000 from $255.0 million in fiscal 1999. As a percentage of net sales, selling, general and administrative expenses were 49.7%, compared to 50.2% in fiscal 1999. Selling, general and administrative expenses in fiscal 2000 increased in dollars but decreased as a percentage of net sales.

Selling expenses increased by $3.3 million in fiscal 2000 primarily because of $2.5 million in operating costs associated with eight new retail stores, two new factory stores and six store expansions.

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

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

Administrative expenses increased by $9.3 million in fiscal 2000. The increase in administrative expenses was the result of $11.3 million of incremental performance-based compensation versus fiscal 1999 due to improvements in operating income. Performance-based compensation is calculated utilizing preset financial targets. The compensation increase was partially offset by a $2.0 million reduction in salaries and consulting fees.

Operating Income

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

Income Taxes

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

Net Income

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

FINANCIAL CONDITION

Liquidity and Capital Resources

Net cash provided by operating and investing activities was $93.3 million in fiscal 2001, 51.4% higher than the $61.6 million provided in fiscal 2000. The $31.7 million year-to-year increase in cash provided from operating activities was primarily the result of higher earnings.

Capital expenditures amounted to $31.9 million in fiscal 2001, compared to $26.1 million in fiscal 2000 and in both periods related primarily to new and renovated retail stores. Our future capital expenditures will depend on the timing and rate of expansion of our businesses, new store openings, store renovations and international expansion opportunities.

On July 2, 2000, the Company entered into a revolving credit facility with Sara Lee under which Coach could borrow up to $75 million from Sara Lee. This facility was paid off and terminated on February 27, 2001.

To provide funding for working capital for operations and general corporate purposes, on February 27, 2001, Coach, certain lenders and Fleet National Bank, as primary lender and administrative agent, entered into a $100 million senior unsecured revolving credit facility. Indebtedness under this revolving credit facility bears interest calculated, at Coach’s option, at either:

- a rate of LIBOR plus 70 to 150 basis points based on a rolling four-quarter fixed-charge coverage grid; or

- the prime rate announced by Fleet.

Table of Contents

The initial LIBOR margin under the facility was 125 basis points. As of May 2001, the LIBOR margin was reduced to 100 basis points, reflecting an improvement in our fixed-charge coverage ratio, calculated quarterly in accordance with the pricing grid. Under this revolving credit facility, Coach will pay a commitment fee of 20 to 35 basis points based on any unused amounts, based on the same fixed-charge coverage grid. The initial commitment fee was 30 basis points. As of May 2001, the commitment fee was reduced to 25 basis points. This credit facility may be prepaid without penalty or premium.

The Fleet facility contains various covenants and customary events of default, including:

- Maintenance of a cash flow leverage ratio not greater than 1.5 to 1.0;

- Maintenance of a fixed-charge coverage ratio greater than 1.75 to 1.0 until March 30, 2002 and greater than 2.0 to 1.0 thereafter;

- Annual paydown to $25 million for 30 consecutive days during the period November 1 through June 30; and

- Restrictions on other indebtedness, liens, payment of dividends, mergers and acquisitions, dispositions, transactions with affiliates, and sale and leaseback transactions in excess of amounts approved by the lenders.

The Company has been in compliance with all covenants of the Fleet facility since its inception.

The Company opened 15 new retail stores and five factory stores in fiscal year 2001. The Company expects to complete its store renovations program in fiscal 2002. The Company expects that fiscal 2002 capital expenditures for new retail stores will be approximately $16 million and that capital expenditures for store renovations will be approximately $11 million. The Company intends to finance these investments from internally generated cash flow or by using funds from its revolving credit facility.

The Company experiences significant seasonal variations in working capital requirements. During the first fiscal quarter the Company builds up inventory for the holiday selling season, opens new retail stores and generates higher levels of trade receivables. In the second fiscal quarter working capital requirements are reduced substantially as the Company generates consumer sales and collects wholesale accounts receivable. In fiscal 2001, Coach purchased approximately $222 million of inventory, which was funded by operating cash flow and by borrowings under its revolving credit facilities. During fiscal 2001 the peak borrowings under the Sara Lee and Fleet revolving credit facilities were $37.7 million and $31.0 million, respectively. As of June 30, 2001, the outstanding borrowings under the Fleet facility were $7.7 million. Coach believes that its operating cash flow, together with the revolving credit facility, will provide sufficient capital to fund its operations for the foreseeable future.

Currently, Sara Lee is a guarantor or a party to many of the Company’s store leases. The Company has agreed to make efforts to remove Sara Lee from all of its existing leases and Sara Lee is not a guarantor or a party to any new or renewed leases. The Company has obtained a letter of credit for the benefit of Sara Lee in an amount approximately equal to the annual minimum rental payments under leases transferred to Coach by Sara Lee but for which Sara Lee retains contingent liability. The Company is required to maintain the letter of credit until the annual minimum rental payments under the relevant leases are less than $2.0 million. The initial letter of credit has a face amount of $20.6 million and the Company expects this amount to decrease annually as its guaranteed obligations are reduced. The Company expects that it will be required to maintain the letter of credit for at least 10 years.

Seasonality

Because its products are frequently given as gifts, the Company has historically realized, and expects to continue to realize, higher sales and operating income in the second quarter of its fiscal year, which includes the holiday months of November and December. The Company has sometimes experienced, and may continue to experience, reduced income or net losses in any or all of its first, third or fourth quarters. The higher sales in the second quarter typically result in higher operating profits and margins. This is due to higher gross profits, with no substantial corresponding increase in fixed costs related to operating retail stores and

other administrative and selling costs which remain fairly constant throughout the year. During the holiday season these fixed costs are spread over higher sales, resulting in greater operating income expressed in both dollars and as a percentage of sales in the second quarter compared to the other three quarters. The Company anticipates that its sales and operating profit will continue to be seasonal in nature.

Item 7A — *Quantitative and Qualitative Disclosures about Market Risk*

Foreign Exchange

Approximately 75% of our fiscal year 2001 non-licensed product needs were purchased from independent manufacturers in countries other than the United States. These countries include China, Costa Rica, Italy, India, Spain, Turkey, Thailand, Mexico, Taiwan, Korea, Hungary, Singapore and the Dominican Republic. Additionally, sales are made through international channels to third party distributors. Substantially all purchases and sales involving international parties are denominated in U.S. dollars and, therefore, are not hedged by the Company using any derivative instruments. The Company has not used foreign exchange instruments in the past. As a result of the creation of CJI and its related acquisition in July 2001, the Company may enter into foreign currency hedging transactions in the future.

Interest Rate

The Company has a fixed rate long-term debt related to the Jacksonville distribution center, in the amount of $3.7 million as of June 30, 2001, and uses a sensitivity analysis technique to evaluate the change in fair value of this debt instrument. At June 30, 2001, the effect on the fair value of this debt of a 10% change in market interest rates would be approximately $0.2 million. The Company does not expect its operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

Commodity

The Company buys tanned leather from various suppliers based upon fixed price purchase contracts that extend for periods up to six months. These purchases are not hedged with any derivative instrument. Due to the purchase contracts that are in place, the Company does not expect that a sudden short-term change in leather prices will have a significant effect on its operating results or cash flows, for the current fiscal year. The Company uses a sensitivity analysis technique to evaluate the change in fair value of the leather purchases based upon longer-term price trends.

Item 8. *Financial Statement and Supplementary Data*

See the “Index to Financial Statements” which is located on page 38 of this report.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information regarding directors and executive officers of the registrant set forth in the proxy Statement for Coach’s 2001 annual meeting of stockholders is incorporated herein by reference, as is the text in Part I of this report under the caption “Executive Officers of the Registrant”.

The proxy statement will be filed with the commission within 120 days after the end of the fiscal year covered by the form 10-K pursuant to regulation 14-A under the Securities Exchange Act of 1934, as amended.

Item 11. *Executive Compensation*

The information set forth in the Proxy Statement for the 2001 annual meeting of stockholders is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by the Form 10-K pursuant to Regulation 14A under the Securities

Exchange Act of 1934, as amended.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

(a) Security ownership of management set forth in the Proxy Statement for the 2001 Annual Meeting is incorporated herein by reference.

(b) There are no arrangements known to the registrant that may at a subsequent date result in a change in control of the registrant.

Item 13. ***Certain Relationships and Related Transactions***

The information set forth in the Proxy Statement for the 2001 Annual Meeting is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by the Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) Financial Statements and Financial Statement Schedules See the "Index to Financial Statements" which is located on page 38 of this report.

(b) Exhibits. See the exhibit index which is included herein.

(c) Reports on Form 8-K Current Report on Form 8-K filed with the Commission on May 9, 2001, reporting the registrant's adoption of a "poison pill" rights plan.

Table of Contents

SIGNATURES

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

COACH, INC.

By:

Name: Lew Frankfort
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated below on September 19, 2001.

Signature	Title
Lew Frankfort	Chairman, Chief Executive Officer and Director
Keith Monda	Executive Vice President, Chief Operating Officer and Director
Richard Randall	Senior Vice President and Chief Financial Officer (as principal financial officer and principal accounting officer of Coach)
Joseph Ellis	Director
Paul Fulton	Director
Gary Grom	Director
Irene Miller	Director

Director

Michael Murphy

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

COACH, INC.

INDEX TO FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Coach, Inc:

We have audited the accompanying consolidated balance sheets of Coach, Inc. (a Maryland corporation) as of June 30, 2001 and July 1, 2000, and the related consolidated statements of income, stockholders' equity and cash flows for the fiscal years ended June 30, 2001, July 1, 2000 and July 3, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coach, Inc. as of June 30, 2001 and July 1, 2000 and the results of its operations and its cash flows for the fiscal years ended June 30, 2001, July 1, 2000 and July 3, 1999, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to financial statements 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 schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

New York, New York

July 26, 2001 (except with respect to the matter discussed in Note 16, as to which the date is July 31, 2001)

Table of Contents

COACH, INC.

CONSOLIDATED BALANCE SHEETS

	Fiscal Year Ended	
	June 30, 2001	**July 1, 2000**
	(amounts in thousands)	
ASSETS		
Cash and cash equivalents	$ 3,691	$ 162
Trade accounts receivable, less allowances of $6,288 and $5,931, respectively	20,608	15,567
Inventories	105,162	102,097
Deferred income taxes	13,921	8,996
Prepaid expenses and other current assets	8,185	6,866
Total current assets	151,567	133,688
Receivable from Sara Lee	—	63,783
Intangibles and other assets, net	15,695	15,809
Property and equipment, net	72,388	65,184
Deferred income taxes	19,061	18,189
Total assets	$258,711	$296,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 14,313	$ 7,866
Accrued liabilities	82,390	71,693
Current portion of long term debt	45	40
Revolving credit facility	7,700	—
Total current liabilities	104,448	79,599
Long-term debt	3,690	3,735
Other liabilities	2,259	511
Total liabilities	110,397	83,845
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock: (authorized 25,000,000 shares; $.01 par value) none issued	—	—
Common stock: (authorized 125,000,000 and 100,000,000 shares, respectively; $0.01 par value) issued and outstanding — 43,685,992 and 35,026,333 shares, respectively	437	350
Capital in excess of par value	125,364	—
Retained earnings	23,000	212,753
Accumulated other comprehensive loss	(487)	(295)
Total stockholders' equity	148,314	212,808
Total liabilities and stockholders' equity	$258,711	$296,653

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

COACH, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	June 30, 2001 (52 weeks)	July 1, 2000 (52 weeks)	July 3, 1999 (53 weeks)
	(amounts in thousands, except per share data)		
Net sales	$616,079	$548,918	$507,781
Cost of sales	218,507	220,085	226,190
Gross profit	397,572	328,833	281,591
Selling, general and administrative expenses	291,315	272,816	255,008
Reorganization costs	4,569	—	7,108
Operating income	101,688	56,017	19,475
Interest expense, net	2,258	387	414
Income before provision for income taxes	99,430	55,630	19,061
Provision for income taxes	35,400	17,027	2,346
Net income	$ 64,030	$ 38,603	$ 16,715
Net income per share			
Basic	$ 1.56	$ 1.10	$ 0.48
Diluted	$ 1.52	$ 1.10	$ 0.48
Shares used in computing net income per share(1)			
Basic	40,930	35,026	35,026
Diluted	42,156	35,026	35,026

(1) The stock dividend issued in October 2000 was retroactively applied to the prior periods.

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

COACH, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Total Stockholders' Equity	Preferred Stockholders' Equity	Common Stockholders' Equity	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Comprehensive Income (loss)	Shares of Common Stock
	(amounts in thousands)							
Balances at June 27, 1998	$ 186,859	$ —	$350	$ —	$ 186,901	$(392)		35,026(1)
Net income	16,715	—	—	—	16,715	—	16,715	
Translation adjustments	(9)	—	—	—	—	(9)	(9)	
Minimum pension liability	(403)	—	—	—	—	(403)	(403)	
Comprehensive income							$16,303	
Balances at July 3, 1999	$ 203,162	$ —	$350	$ —	$ 203,616	$(804)		35,026
Net income	38,603	—	—	—	38,603	—	38,603	
Equity distribution	(29,466)	—	—	—	(29,466)	—	—	
Translation adjustments	152	—	—	—	—	152	152	
Minimum pension liability	357	—	—	—	—	357	357	
Comprehensive income							$39,112	
Balances at July 1, 2000	212,808	—	350	—	212,753	(295)		35,026
Net income	64,030	—	—	—	64,030	—	64,030	
Capitalization of receivable from Sara Lee	(63,783)	—	—	—	(63,783)	—	—	
Assumption of long-term debt	(190,000)	—	—	—	(190,000)	—		
Issuance of common stock, net	122,000	—	85	121,915	—	—		8,487
Exercise of stock	2,046	—	2	2,044	—	—		173

options								
Tax benefit from exercise of stock options	1,405	—	—	1,405	—	—		
Translation adjustments	338	—	—	—	—	338	338	
Minimum pension liability	(530)	—	—	—	—	(530)	(530)	
Comprehensive income							$63,838	
Balances at June 30, 2001	$ 148,314	$ —	$437	$125,364	$ 23,000	$(487)		43,686

(1) Stock dividend issued in October 2000 was retroactively applied to the prior periods.

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

COACH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
	(amounts in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 64,030	$ 38,603	$ 16,715
Adjustments for noncash charges included in net income:			
Depreciation	23,231	21,729	21,339
Amortization of intangibles	900	899	917
Reorganization costs	4,569	—	7,108
Tax benefit from exercise of stock options	1,405	—	—
Other noncash credits, net	(192)	(1,688)	2,843
Changes in current assets and liabilities:			
(Increase) decrease in trade accounts receivable	(5,041)	(3,751)	1,315
Decrease in receivable from Sara Lee	31,437	22,442	18,651
(Increase) decrease in inventories	(3,065)	(725)	30,977
(Increase) decrease in deferred taxes	(5,797)	2,661	(4,286)
Increase in other current assets and liabilities	(357)	(90)	(1,876)
Increase (decrease) in accounts payable	6,447	(6,279)	(3,918)
Increase in accrued liabilities	6,762	11,154	5,875
Net cash from operating activities	124,329	84,955	95,660
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of property and equipment	(31,868)	(26,060)	(13,519)
Acquisitions of minority interest	—	—	(896)
Dispositions of property and equipment	799	2,695	2,646
Net cash used in investment activities	(31,069)	(23,365)	(11,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock, net	122,000	—	—
Repayment of long-term debt	(190,040)	(35)	(35)
Borrowings from Sara Lee	451,534	541,047	445,154
Repayments to Sara Lee	(482,971)	(573,122)	(529,043)
Equity distribution	—	(29,466)	
Borrowings on Revolving Credit Facility	68,300	—	—
Repayments of Revolving Credit Facility	(60,600)	—	—
Proceeds from exercise of stock options	2,046	—	—
Net cash used in financing activities	(89,731)	(61,576)	(83,924)
Effect of changes in foreign exchange rates on cash	—	—	(2)
Increase (decrease) in cash and equivalents	3,529	14	(35)
Cash and equivalents at beginning of period	162	148	183
Cash and equivalents at end of period	$ 3,691	$ 162	$ 148

Cash paid for income taxes (1)	$ 35,664	$ —	$ —
Cash paid for interest	$ 2,349	$ 361	$ 297

(1) In fiscal 2000 and fiscal 1999 the Company was a division of Sara Lee and did not pay income taxes.

See accompanying Notes to the Consolidated Financial Statements.

COACH, INC.

Notes to Consolidated Financial Statements

(dollars and shares in thousands, except per share data)

1. Basis of Presentation and Organization

Coach ("Coach" or the "Company") was formed in 1941 and was acquired by the Sara Lee Corporation ("Sara Lee") in July 1985. Coach was operated as a division of Sara Lee in the United States and as a subsidiary in foreign countries until April 5, 2001. On June 1, 2000, Coach was incorporated under the laws of the State of Maryland. Pursuant to the Separation Agreements (as filed on June 16, 2000), Sara Lee transferred to Coach the assets and liabilities that related to the Coach business on October 2, 2000 ("the Separation Date"), prior to the date of completion of Coach's initial public offering, as further discussed below.

On October 5, 2000, Coach was listed on the New York Stock Exchange and sold 7,380 shares of common stock in an initial public offering, representing 17.4% of the outstanding shares. On October 17, 2000, the underwriters exercised their over-allotment option and purchased an additional 1,107 shares of Coach common stock. In total, Coach sold 8,487 shares of its common stock, representing 19.5% of the outstanding shares. In April 2001, Sara Lee completed a distribution of its ownership in Coach via an exchange offer. That exchange offer allowed Sara Lee stockholders to tender Sara Lee common stock for Coach common stock.

Coach designs, manufactures, markets and sells primarily fine leather handbags and accessories. Coach products are manufactured by third-party suppliers as well as by Coach-operated manufacturing facilities. Coach markets products via Company operated retail stores, direct mail catalogs, an e-commerce website, factory stores, and via selected upscale department and specialty retailer locations and international department, retail and duty-free shop locations.

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

2. Significant Accounting Policies

Fiscal year

The Company's fiscal year ends on the Saturday closest to June 30. The fiscal year ended July 3, 1999 ("fiscal 1999") was a 53-week year, while the fiscal year ended June 30, 2001 ("fiscal 2001") and the fiscal year ended July 1, 2000 ("fiscal 2000") were 52-week years. Unless otherwise stated, references to years in the financial statements relate to fiscal years.

Use of Estimates

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

Principles of Consolidation

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

Reclassifications

Certain reclassifications have been made to the 2000 and 1999 statements to conform with the 2001 presentation.

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

Intangible Assets

The excess of cost over fair market value of tangible net assets (goodwill) and trademarks of acquired businesses is amortized on a straight-line basis over the periods of expected benefit, which range from 5 to 40 years. Accumulated amortization of intangible assets at June 30, 2001 and July 1, 2000 was $10,503 and $9,603, respectively.

Impairment of Long-Lived and Intangible Assets

Long-lived assets primarily include property, identifiable intangible assets and goodwill. 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" ("SFAS 121"), long-lived assets being retained for use by the Company are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss is calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance.

Long-lived assets, which are to be disposed of, are reported at the lower of carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which management commits to a plan to dispose of the assets. No impairment loss was recognized in fiscal 2001, 2000 or 1999.

Table of Contents

Revenue Recognition

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

Advertising

Advertising costs, which include media and production, totaled $16,445, $15,764 and $12,598 for the fiscal years 2001, 2000 and 1999, respectively. Advertising costs are expensed when the advertising first appears.

Shipping and Handling

Shipping and handling expense is part of the distribution and customer service component of selling, general and administrative expense. These expenses were $6,039, $4,997 and $5,403 for fiscal years 2001, 2000 and 1999, respectively.

Income Taxes

The Company's operating results have been included in Sara Lee's consolidated U.S. and state income tax returns and in the tax returns of certain Sara Lee foreign operations, for periods where Sara Lee owned greater than 80% of the Company's outstanding capital stock. During these periods, the provision for income taxes in the Company's financial statements has been prepared as if the Company were a stand-alone entity and filed separate tax returns.

The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”). Under SFAS 109, a deferred tax liability or asset is recognized for the estimated future tax consequences of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases.

Stock Based Compensation

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

Fair Value of Financial Instruments

The carrying amount of cash, trade accounts receivable, accounts payable and long-term debt approximated fair value as of July 1, 2000 and June 30, 2001. Coach uses the present value technique to estimate fair market value using discount rates which management believes are commensurate with the risks involved.

Table of Contents

Foreign Currency

The functional currency of the Company’s foreign operations is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The resulting translation adjustments are recorded as a component of other comprehensive income within stockholders’ equity. Gains and losses from foreign currency transactions were not significant for fiscal 2001, 2000 and 1999.

Recent Accounting Pronouncements

Effective July 2, 2000, the Company adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). SFAS 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The cumulative effect of adoption of SFAS 133 did not result in a material impact on the Company’s financial position, results of operations or cash flows. Substantially, all purchases and sales involving international parties are denominated in U.S. dollars and, therefore, are not hedged using any derivative instruments.

In April 2001, the Emerging Issues Task Force (“EITF”) of the Financial Accounting Standards Board (“FASB”) reached a final consensus on Issue 00-25 “Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor’s Products.” This issue addresses the recognition, measurement and income statement classification of consideration provided to distributors or retailers. Previously, the Company has recorded these activities within selling, general and administrative expenses. The Company will adopt this consensus in the first quarter of fiscal 2002. The effect on adoption will result in a reclassification of $15,588, $11,224 and $6,837 from selling, general and administrative expenses to a reduction in net sales for 2001, 2000 and 1999, respectively.

In July 2001, the FASB issued SFAS No. 141, Business Combinations (“SFAS 141”) and No. 142, Goodwill and Other Intangible Assets (“SFAS 142”). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 effective June 30, 2002. The Company is currently evaluating the effect adoption will have on its results of operations and financial position.

Net Income Per Share

Basic net income per share was calculated by dividing net income by the weighted average number of shares outstanding during the period, excluding any potential dilution. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and stock awards. For comparison purposes only, the weighted-average number of shares outstanding immediately following the completion of the initial public offering was considered to be outstanding in fiscal 2000. The difference between the basic and diluted weighted-average shares outstanding in fiscal 2001 is due to the dilutive effect of stock options and restricted stock awards issued under the Company’s stock option plans.

Table of Contents

(dollars and shares in thousands, except per share data)

3. Balance Sheet Components

The components of certain balance sheet accounts are as follows:

	Fiscal Year Ended	
	June 30, 2001	July 1, 2000
Inventory		
Finished goods	$ 104,326	$ 95,446
Work in process	257	677
Materials and supplies	579	5,974
Total inventory	$ 105,162	$ 102,097
Property and Equipment		
Machinery and equipment	$ 9,849	$ 16,256
Furniture and fixtures	74,452	61,192
Leasehold improvements	108,077	89,448
Construction in progress	10,069	15,048
Less: Accumulated depreciation	(130,059)	(116,760)
Total property and equipment, net	$ 72,388	$ 65,184
Accrued Liabilities		
Advertising and promotion	$ 4,283	$ 8,760
Income and other taxes	9,968	6,040
Payroll and benefits	34,139	37,994
Rent, utilities, insurance, interest and administrative	12,186	10,224
Product repairs	4,900	5,400
Accrued operating expenses	16,914	3,275
Total accrued liabilities	$ 82,390	$ 71,693

Table of Contents

4. Income Taxes

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

	Fiscal Year Ended					
	June 30, 2001		July 1, 2000		July 3, 1999	
	Amount	Percent	Amount	Percent	Amount	Percent
Income (loss) before provision for income taxes:						
United States	$92,163	92.7%	$43,527	78.2%	$ 8,919	46.8%
Puerto Rico	7,847	7.9	13,000	23.4	10,241	53.7
Foreign	(580)	(0.6)	(897)	(1.6)	(99)	(0.5)
	$99,430	100.0%	$55,630	100.0%	$19,061	100.0%
Tax expense at U.S. statutory rate:	$34,801	35.0%	$19,471	35.0%	$ 6,671	35.0%
State taxes, net of federal benefit	3,512	3.5	1,888	3.4	889	4.7
Difference between U.S. and Puerto Rican rates	(2,353)	(2.4)	(3,965)	(7.1)	(3,101)	(16.3)
Nondeductible amortization	103	0.1	315	0.6	187	1.0
Other, net	(663)	(0.7)	(682)	(1.3)	(2,300)	(12.1)

(dollars and shares in thousands, except per share data)

Taxes at effective worldwide tax rates	$35,400	35.6%	$17,027	30.6%	$ 2,346	12.3%

Current and deferred tax provisions (benefits) were:

	Fiscal Year Ended					
	June 30, 2001		July 1, 2000		July 3, 1999	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	$34,686	$(5,042)	$10,876	$2,317	$4,680	$(3,643)
Puerto Rico	267	86	585	—	585	(102)
State	6,244	(841)	2,905	344	1,367	(541)
	$41,197	$(5,797)	$14,366	$2,661	$6,632	$(4,286)

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

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Depreciation	$(2,909)	$ —	$(1,852)
Employee benefits	(314)	1,843	(3,920)
Advertising accruals	(240)	—	52
Nondeductible reserves	113	1,076	3,788
Other, net	(2,447)	(258)	(2,354)
	$(5,797)	$2,661	$(4,286)

Table of Contents

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

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Deferred tax assets			
Reserves not deductible until paid	$ 3,224	$ 7,432	$ 7,245
Pension and other employee benefits	9,510	2,727	4,570
Property, plant and equipment	10,288	12,979	14,242
Other	9,960	4,047	3,789
Net deferred tax assets	$32,982	$27,185	$29,846

5. Debt

Until February 27, 2001, Coach participated in a cash concentration system requiring that cash balances be deposited with Sara Lee, which were netted against borrowings/billings provided by Sara Lee.

On July 2, 2000, Coach entered into a revolving credit facility with Sara Lee. The maximum borrowing permitted under this facility was $75,000. Interest accrued at US dollar LIBOR plus 30 basis points. Any receivable balance from Sara Lee under this facility earned interest at US dollar LIBOR minus 20 basis points. The credit facility contained certain covenants, with which all were complied. This facility was terminated on February 27, 2001.

During October 2000, Coach completed an equity restructuring which included the assumption of $190,000 of long-term debt payable to a subsidiary of Sara Lee. This long-term debt had an original maturity date of September 30, 2002, accruing interest at U.S. dollar LIBOR plus 30 basis points. The note contained certain covenants, consistent with the above mentioned revolving credit facility. The net proceeds of the initial public offering were used to partially repay this loan resulting in a balance of $68,000 at October 18, 2000. In January 2001, this loan was fully paid off by the Company by redeeming the short-term investments with Sara Lee and drawing down on the Sara Lee revolving credit facility.

(dollars and shares in thousands, except per share data)

To provide funding for working capital for operations and general corporate purposes, on February 27, 2001, Coach, certain lenders and Fleet National Bank, as primary lender and administrative agent, entered into a $100,000 senior unsecured revolving credit facility. Indebtedness under this revolving credit facility bears interest calculated, at Coach's option, at either:

- a rate of LIBOR plus 70 to 150 basis points based on a rolling four quarter fixed-charge coverage grid; or

- the prime rate announced by Fleet.

The initial LIBOR margin under the facility was 125 basis points. As of May 2001, the LIBOR margin was reduced to 100 basis points reflecting an improvement in our fixed-charge coverage ratio, calculated quarterly in accordance with the pricing grid. Under this revolving credit facility, Coach will pay a commitment fee of 20 to 35 basis points based on any unused amounts, based on the same fixed- charge coverage grid. The initial commitment fee was 30 basis points. As of May 2001, the commitment fee was reduced to 25 basis points. This credit facility may be prepaid without penalty or premium.

Table of Contents

The Fleet facility contains various covenants and customary events of default, including:

- Maintenance of a cash flow leverage ratio not greater than 1.5 to 1.0;

- Maintenance of a fixed-charge coverage ratio greater than 1.75 to 1.0 until March 30, 2002 and greater than 2.0 to 1.0 thereafter;

- Annual paydown to $25,000 for 30 consecutive days during the period November 1 through June 30; and

- Restrictions on other indebtedness, liens, payment of dividends, mergers and acquisitions, dispositions, transactions with affiliates, and sale and leaseback transactions in excess of amounts approved by the lenders.

The Company has been in compliance with all covenants of the Fleet facility since its inception.

During fiscal 2001 the peak borrowings under the Sara Lee and Fleet revolving credit facilities were $37,667 and $31,000, respectively. As of June 30, 2001, the outstanding borrowings under the Fleet facility were $7,700.

6. Leases

Coach, as a division of Sara Lee, leased certain office, distribution, retail and manufacturing facilities. Substantially, all previous existing leases were guaranteed by Sara Lee. All leases entered into after the Company's separation from Sara Lee are in the name of Coach, Inc. with no connection to Sara Lee. The lease agreements, which expire at various dates through 2015, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target, which triggers the related payment, are considered probable. Rent expense for the Company's operating leases consisted of the following:

	Fiscal Year		
	2001	**2000**	**1999**
Minimum rentals	$28,929	$25,495	$26,191
Contingent rentals	2,902	2,869	2,163
Total rent expense	$31,831	$28,364	$28,354

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

Fiscal Year	**Amount**
2002	$ 28,518
2003	28,161
2004	27,555

(dollars and shares in thousands, except per share data)

2005	26,897
2006	25,717
Subsequent to 2006	125,113
Total minimum future rental payments	$261,961

Table of Contents

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

7. Commitments and Contingencies

Currently, Sara Lee is a guarantor or a party to many of Coach's store leases. The Company has agreed to make efforts to remove Sara Lee from all its existing leases and Sara Lee is not a guarantor or a party to any new or renewed leases. The Company has obtained a letter of credit for the benefit of Sara Lee in an amount approximately equal to the annual minimum rental payments under leases transferred to the Company by Sara Lee but for which Sara Lee retains contingent liability. The Company is required to maintain the letter of credit until the annual minimum rental payments under the relevant leases are less than $2.0 million. The initial letter of credit has a face amount of $20.6 million and the Company expects this amount to decrease annually as its guaranteed obligations are reduced. The Company expects that it will be required to maintain the letter of credit for at least 10 years.

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

8. Reorganization Costs

In the first quarter of fiscal year 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida manufacturing facility in October 2000 (the "Medley reorganization"). This reorganization involved the termination of 362 manufacturing, warehousing and management employees at the Medley facility. These actions are intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. The Medley facility is a cost center and separate profitability measures are not available. This facility was treated as a held-for-sale facility under SFAS 121 since the decision to dispose of it was made. Depreciation expense of $252 and $852 for fiscal years 2001 and 2000, respectively, was recognized for this facility.

Coach recorded reorganization costs of $4,950 in the first quarter of fiscal year 2001. In the second half of fiscal year 2001, this charge was reduced to $4,569. These reductions were primarily due to the complete disposition of the fixed assets. The net proceeds from the disposition were greater than the estimate. These reorganization costs include $3,103 for worker separation costs, $832 for lease termination costs, and $634 for the write down of long-lived assets to their net realizable values. The $4,569 of Medley reorganization cost recognized in the financial statements for fiscal year 2001 differs from management's earlier estimate of $6,300 included in the notes to the fiscal year 2000 financial statements. This change is attributable to management's continued negotiations with both the landlord and the employees at the facility and the resulting refinement of the cost estimates made prior to the finalization and recognition of this plan of reorganization.

The composition of the reorganization reserve is set forth in the table below. By June 30, 2001, production ceased at the Medley facility, disposition of the fixed assets had been accomplished and the termination of the 362 employees had been completed. The Medley reorganization actions are complete and the reserve was fully utilized.

Table of Contents

	Revised Reorganization Reserves	Write-down of Long-lived Assets to Net Realizable Value	Cash Payments	Reorganization Reserves as of June 30, 2001
Workers' separation costs	$3,103	$ —	$(3,103)	$ —
Lease termination costs	832	—	(832)	—
Losses on disposal of fixed assets	634	(634)	—	—
Total reorganization reserve	$4,569	$(634)	$(3,935)	$ —

During 1999, Coach closed its Carlstadt, New Jersey warehouse and distribution center, and its Italian manufacturing operation and reorganized its Medley, Florida manufacturing facility (the "Carlstadt reorganization"). As contemplated in the original plan, a portion of the Carlstadt facility remains in use for product development. Related to these facility closures and the reorganization activities, 737 employees were terminated. At July 1, 2000, these reorganization actions were complete and certain workers' separation costs remained to be paid subject to the separation agreements with each employee. During fiscal 2001 workers' separation costs of $142 were paid. The Carlstadt reorganization is now complete and the reserve was fully utilized.

9. Stock-Based Compensation

Sara Lee Stock-Based Plans

For the period through the completion of the exchange offer in April 2001, Coach employees participated in stock-based compensation plans of Sara Lee. Sara Lee maintains various stock option, employee stock purchase and stock award plans.

Stock Options

The exercise price of each stock option equals 100% of the market price of Sara Lee's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years. During 1998, Sara Lee instituted a broad-based stock option incentive program under which Sara Lee granted options, to essentially all full-time Coach employees, to purchase a total of approximately 449 shares of Sara Lee common stock. Under certain stock option plans, an active employee may receive a Sara Lee replacement stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option is 100% of the market value at the date of exercise of the original option and will remain exercisable for the remaining term of the original option. Replacement stock options generally vest six months from the grant date.

Table of Contents

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

(shares in thousands)	Number of Sara Lee Outstanding Options	Weighted-Average Exercise Price	Exercisable Shares	Weighted-Average Exercise Price
Outstanding at June 27, 1998	1,429	$22.43	246	$20.96
Granted	584	24.92		
Exercised	(232)	17.74		
Canceled/ Expired	(263)	22.63		
Outstanding at July 3, 1999	1,518	22.63	603	23.02
Granted	563	22.69		
Exercised	(167)	24.01		
Canceled/ Expired	(216)	21.89		
Transfers	111	19.26		
Outstanding at July 1, 2000	1,809	23.06	935	23.44
Converted	(1,204)	24.11		
Granted	6	19.87		
Exercised	(67)	17.70		
Canceled/ Expired	(240)	22.21		
Outstanding at June 30, 2001	304	$20.21	298	$20.13

The fair value of each Coach option grant under the Sara Lee plans is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Expected lives (years)	3.0	4.0	3.5
Risk-free interest rate	5.4%	5.9%	5.2%
Expected volatility	33.6%	27.0%	24.1%
Dividend yield	2.8%	2.6%	1.8%

The weighted-average fair value of individual options granted during 2001, 2000 and 1999 was $4.65, $4.96 and $4.73, respectively.

Employee Stock Purchase Plan ("ESPP"). Sara Lee maintained an ESPP that permitted full-time Coach employees to purchase a limited number of Sara Lee common shares at 85% of market value. Under the plan, Sara Lee sold 57, 100 and 81 shares to Coach employees in fiscal years 2001, 2000 and 1999, respectively. Pro forma compensation expense is calculated for the fair value of the employees' purchase rights using the Black-Scholes model. Assumptions include an expected life of 1/4 of a year and weighted-average risk-free interest rates of 5.4%, 5.4% and 4.6% in fiscal years 2001, 2000 and 1999, respectively. Other underlying assumptions are consistent with those used for the Sara Lee stock option plans described above.

Stock Unit Awards. Restricted stock unit awards of Sara Lee stock are granted to Coach employees as performance awards and retention awards. The value of performance awards is determined assuming the employee meets the performance requirements and based upon the estimated fair value of the stock earned at the end of the performance cycle. The value is accrued through a charge to earnings as the award vests. The

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

All stock unit awards are restricted and subject to forfeiture and entitle the participant to dividends that are escrowed until the participant receives the shares. The expense related to these awards for fiscal years 2001, 2000 and 1999 was $1,043, $963 and $660, respectively.

Coach Stock-Based Plans. Coach established the 2000 Stock Incentive Plan and the 2000 Non-Employee Director Stock Plan to award stock options and other forms of equity compensation to certain members of Coach management and the outside members of its Board of Directors. The exercise price of each stock option equals 100% of the market price of Coach's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years.

Concurrent with the initial public offering in October 2000, Coach granted 3,191 options to essentially all full-time employees and 15 options to outside members of the Board of Directors at the initial public offering price of $16.

Certain employees with the title of Director or above who held Sara Lee stock options at the initial public offering date were given the right to convert the Sara Lee option into Coach options. Any Sara Lee option converted into a Coach option generally may not be exercised until the earlier of one year following conversion, or at the time Sara Lee ceases to own at least 80% of Coach's outstanding capital stock, subject to the original vesting requirements. Coach employees, at the initial public offering date, converted 1,204 Sara Lee options into the same number of Coach options while maintaining the same exercise price.

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

(shares in thousands)	Number of Coach Outstanding Options	Weighted-Average Exercise Price	Exercisable Shares	Weighted-Average Exercise Price
Outstanding at July 1, 2000	—	—	—	—
Granted at the initial public offering	3,206	16.00		
Sara Lee options converted	1,204	24.12		
Granted	672	28.33		
Exercised	(241)	18.11		
Canceled/ Expired	(119)	17.66		
Outstanding at June 30, 2001	4,722	19.81	875	$24.12

The following table summarizes information about stock options held by Coach employees under Coach option plans at June 30, 2001.

(dollars and shares in thousands, except per share data)

Range of Exercise Prices	Options Outstanding: Number Outstanding at June 30, 2001	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Options Exercisable: Number Exercisable at June 30, 2001	Weighted-Average Exercise Price
$16.00 – 20.00	2,943	8.6	$16.03	86	$16.59
$20.01 – 25.00	934	7.6	22.91	462	22.86
$25.01 – 37.10	845	6.5	29.56	327	27.89
	4,722	8.0	$19.81	875	$24.12

The fair value of each Coach option grant is estimated on the date of grant using the Black-Scholes option-pricing model and the assumption for expected lives of three years, a risk free interest rate of 5.97%, expected volatility of 49% and no dividend yield.

The weighted average fair value of individual options granted during fiscal 2001 was $6.67. Under APB 25, no compensation cost is recognized for stock options and replacement stock options under the stock-based compensation plans and shares purchased under ESPP. Had compensation cost for the grants for stock-based compensation been determined consistent with SFAS 123, net income and net income per share, basic and diluted, for fiscal 2001 would have been as follows:

	Fiscal Year Ended June 30, 2001	July 1, 2000	July 3, 1999
Net income	$58,884	$36,051	$14,615
Net income per share			
Basic	$ 1.44	$ 1.03	$ 0.42
Diluted	$ 1.40	$ 1.03	$ 0.42

10. Retirement Plans

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

Employees who meet certain eligibility requirements and are not part of a collective bargaining arrangement participate in defined benefit pension plans sponsored by Sara Lee through June 30, 2001. These defined benefit pension plans include employees from a number of domestic Sara Lee business units. The annual cost of the Sara Lee defined benefit plans is allocated to all of the participating businesses based upon a specific actuarial computation. All obligations pursuant to these plans are obligations of Sara Lee.

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

	Fiscal Year Ended June 30, 2001	July 1, 2000	July 3, 1999
Coach Leatherware Company, Inc. Supplemental Pension Plan	$ 110	$ 173	$ 386
Participation in Sara Lee sponsored defined benefit plans	3,542	2,154	2,304
Total Expense	$3,652	$2,327	$2,690

Table of Contents

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

	Fiscal Year Ended June 30, 2001	July 1, 2000	July 3, 1999
Components of defined benefit net periodic pension cost (benefit):			

Service cost	$ 183	$ 192	$ 436
Interest cost	337	314	282
Expected return on assets	(415)	(359)	(361)
Amortization of:			
Net initial asset	(48)	(50)	(50)
Prior service cost	29	29	59
Net actuarial loss	24	47	20
Net periodic pension cost	$ 110	$ 173	$ 386

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

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Projected benefit obligation:			
Beginning of year	$5,289	$5,109	$4,583
Service cost	183	192	436
Interest cost	337	314	282
Benefits paid	(177)	(148)	(105)
Actuarial (gain)	(117)	(178)	(87)
Benefit obligation at end of year	$5,515	$5,289	$5,109

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Fair value of plan assets:			
Beginning of year	$4,990	$4,306	$4,313
Actual return (loss) on plan assets	(208)	541	(99)
Employer contributions	—	291	197
Benefits paid	(177)	(148)	(105)
Fair value of plan assets at end of year	$4,605	$4,990	$4,306

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Funded Status	$ (909)	$(299)	$ (803)
Unrecognized:			
Prior service cost	$ 1	$ 205	$ 234
Net actuarial loss	1,156	674	1,081
Net initial asset	—	(48)	(98)
Prepaid benefit cost recognized	$ 248	$ 532	$ 414
Amounts recognized on the consolidated balance sheets:			
Other noncurrent assets	$ 1	$ 205	$ 234
Noncurrent benefit liability	(909)	(299)	(803)
Accumulated other comprehensive income	1,156	626	983
Prepaid benefit cost recognized	$ 248	$ 532	$ 414

(dollars and shares in thousands, except per share data)

Net pension expense for the Coach Leatherware Company, Inc. Plan is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year.

The assumptions used at the respective year-ends were:

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Discount rate	6.50%	6.50%	6.25%
Long-term rate of return on plan assets	8.50%	8.25%	8.50%
Rate of compensation increase	5.50%	5.50%	4.50%

11. Segment Information

The Company operates its business in two reportable segments: Direct to Consumer and Indirect. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through Company-owned retail and factory stores, the Coach catalogue and the internet constitute the Direct to Consumer segment. Indirect refers to sales of Coach products to other retailers. In deciding how to allocate resources and assess performance, Coach's executive officers regularly evaluate the sales and operating income of these segments. Operating income is the gross margin of the segment at standard cost less direct expenses of the segment.

Unallocated corporate expenses include manufacturing variances, general marketing, administration and information systems, distribution and customer service expenses.

Table of Contents

Fiscal 2001	Direct to Consumer	Indirect	Corporate Unallocated	Total
Net Sales	$391,776	$224,303	$ —	$616,079
Operating income (loss)	120,330	89,516	(108,158)	101,688
Interest expense, net	—	—	2,258	2,258
Income (loss) before provision for income taxes	120,330	89,516	(110,416)	99,430
Provision for income taxes	—	—	35,400	35,400
Depreciation and amortization	14,600	1,525	8,006	24,131
Total assets	135,760	60,374	62,577	258,711
Additions to long-lived assets	24,823	2,568	4,477	31,868

Fiscal 2000	Direct to Consumer	Indirect	Corporate Unallocated	Total
Net sales	$352,006	$196,912	$ —	$548,918
Operating income (loss)	103,161	68,011	(115,155)	56,017
Interest expense, net	—	—	387	387
Income (loss) before provision for income taxes	103,161	68,011	(115,542)	55,630
Provision for income taxes	—	—	17,027	17,027
Depreciation and amortization	10,952	1,585	10,091	22,628
Total assets	122,029	51,953	122,671	296,653
Additions to long-lived assets	18,930	1,202	5,928	26,060

Fiscal 1999	Direct to Consumer	Indirect	Corporate Unallocated	Total
Net Sales	$336,506	$171,275	$ —	$507,781
Operating income (loss)	80,615	53,193	(114,333)	19,475
Interest expense, net	—	—	414	414
Income (loss) before provision for income taxes	80,615	53,193	(114,747)	19,061
Provision for income taxes	—	—	2,346	2,346
Depreciation and amortization	9,876	2,153	10,227	22,256
Total assets	116,200	48,539	117,349	282,088
Additions to long-lived assets	6,308	434	6,777	13,519

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

Fiscal Year Ended

(dollars and shares in thousands, except per share data)

	June 30, 2001	July 1, 2000	July 3, 1999
Manufacturing variances	$ (170)	$ (10,230)	$ (13,641)
Advertising, marketing and design	(44,837)	(40,336)	(32,514)
Administration and information systems	(35,011)	(41,928)	(35,187)
Distribution and customer service	(23,571)	(22,661)	(25,883)
Reorganization costs	(4,569)	—	(7,108)
Total corporate unallocated	$(108,158)	$(115,155)	$(114,333)

Table of Contents

Geographic Area Information

As of June 30, 2001, Coach operates 121 retail stores and 68 factory stores in the United States, two retail locations in the United Kingdom, and operates five manufacturing, distribution, product development and quality control locations in the United States, Puerto Rico, Italy and China. Geographic revenue information is based on the location of the end customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period.

	United States	Japan	Other International(1)	Total
Fiscal 2001				
Net sales	$533,058	$45,596	$37,425	$616,079
Long-lived assets	86,871	572	338	87,781
	United States	**Japan**	**Other International(1)**	**Total**
Fiscal 2000				
Net sales	$488,843	$31,443	$28,632	$548,918
Long-lived assets	80,382	—	611	80,993
	United States	**Japan**	**Other International(1)**	**Total**
Fiscal 1999				
Net sales	$463,027	$25,166	$19,588	$507,781
Long-lived assets	77,272	—	677	77,949

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

12. Earnings Per Share

Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have any shares outstanding. The initial capitalization of Coach, Inc. was one share. On October 2, 2000, a stock dividend was declared resulting in 35,026 shares held by Sara Lee. The number of shares outstanding has been restated to reflect the effect of this stock dividend for all periods presented prior to October 2, 2000. During October 2000, the initial public offering of the Company's common stock was accomplished resulting in the issuance of an additional 8,487 shares. Following the offering, 43,513 shares were outstanding. Dilutive securities include share equivalents held in employee benefit programs and the impact of stock option programs.

Table of Contents

The following is a reconciliation of the weighted-average shares outstanding:

(dollars and shares in thousands, except per share data)

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
Shares held by Sara Lee(1)	26,943	35,026	35,026
Shares held by the public	13,987	—	—
Total basic shares	40,930	35,026	35,026
Dilutive securities			
Employee benefit and stock award plans	122	—	—
Stock option programs	1,104	—	—
Total diluted shares	42,156	35,026	35,026

(1) As of April 5, 2001, Sara Lee divested all its shares in Coach.

Diluted net income per share was $1.52 in fiscal 2001. This reflects a weighted-average of the shares outstanding before and after the public offering of common stock in October 2000. If the common shares sold in the October 2000 initial public offering had been outstanding for the entire year, net income before the impact of reorganization costs per diluted share would have been $1.50. Prior years' diluted net income per share was $1.10 and $0.48 for fiscal 2000 and 1999, respectively, since only the shares owned by Sara Lee are used in the calculation. Comparable net earnings per share would have been $0.89 and $0.38 for fiscal 2000 and 1999, respectively if the common shares sold in the October 2000 initial public offering had been outstanding for the prior periods.

13. Relationship with Sara Lee

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

	Fiscal Year Ended		
	June 30, 2001	July 1, 2000	July 3, 1999
(Receivable) payable balance at beginning of period	$ (63,783)	$ (54,150)	$ 11,088
Capitalization of intercompany balance	63,783	—	—
Cash collections from operations	(482,971)(1)	(573,122)	(529,043)
Cash borrowings	451,534(1)	541,047	445,154
Allocations of corporate expenses and charges	31,437	22,442	18,651
Receivable balance at end of period	$ —	$ (63,783)	$ (54,150)

(1) Activity through February 27, 2001.

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

Allocations of corporate expenses and charges consisted of expenses for business insurance, medical insurance, employee benefit plan amounts, income, employment and other tax amounts and allocations from Sara Lee for certain centralized administration costs for treasury, real estate, accounting, auditing, tax, risk management, human resources and benefits administration.

14. Shareholder Rights Plan

On May 3, 2001 Coach declared a "poison pill" dividend distribution of rights to buy additional common stock to the holder of each outstanding share of Coach's common stock.

Subject to limited exceptions, these rights may be exercised if a person or group intentionally acquires 10% or more of the Company's common stock or announces a tender offer for 10% or more of the common stock on terms not approved by Coach's Board of Directors. In this event, each right would entitle the holder of each share of Coach's common stock to buy one additional common share of the Company at an exercise price far below the then-current market price.

Subject to certain exceptions, Coach's Board of Directors will be entitled to redeem the rights at $0.001 per right at any time before the close of business on the tenth day following either the public announcement that, or the date on which a majority of Coach's Board of Directors becomes aware that, a person has acquired 10% or more of the outstanding common stock. The Company is currently aware of two institutional shareholders whose common stock holdings exceed the 10% threshold established by the rights plan. Each of these holders has been given permission to increase its ownership in the Company to a maximum of 15%, subject to certain exceptions, before triggering the provision of the rights plan.

15. Formation of Coach Japan, Inc.

In June 2001, Coach Japan, Inc. ("CJI") was formed. This entity is a joint venture with Sumitomo Corporation and will manage the Coach business in Japan. Coach owns 50% of CJI and has appointed a majority of the Board of Directors. It will be accounted for as a consolidated subsidiary.

CJI plans to open additional locations within existing major retailers, enter new department store relationships and open freestanding retail locations. There are currently a total of 76 Coach locations in Japan, including 62 department stores and 14 retail stores managed by two distributors.

16. Subsequent Event

On July 31, 2001, CJI completed the purchase of 100% of the capital stock of PDC from the Mitsukoshi Department Store Group ("Mitsukoshi") for a total purchase price of $7,194. Mitsukoshi established PDC in 1991 to expand Coach distribution to select department stores throughout Japan. With this acquisition, CJI will manage all locations currently operated by Mitsukoshi, who will remain a key retailer for the brand. Excess purchase price over fair market value of the underlying net assets was allocated to goodwill based on preliminary estimates of fair values, and is subject to adjustment. Goodwill will be reviewed annually for impairment. The fair value of assets acquired was $21,042 and liabilities assumed was $15,394. Included in the liabilities is an assumption of debt of $13,430. Annual net sales of PDC in 2001 was $47,476 for the fiscal year ended February 28, 2001. In August 2001 operations commenced. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company. This acquisition does not violate the covenants of the Fleet facility.

Table of Contents

COACH, INC.

Notes to Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

17. Quarterly Financial Data (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2001				
Net sales	$134,552	$214,158	$130,598	$136,771
Gross profit	84,988	140,012	85,326	87,246
Net income	7,591	39,204	7,993	9,242
Earnings per common shares:				
Basic	$ 0.17	$ 0.90	$ 0.18	$ 0.21
Diluted	$ 0.17	$ 0.88	$ 0.18	$ 0.20
Fiscal 2000				
Net sales	$118,032	$194,128	$115,072	$121,686
Gross profit	63,305	120,487	70,237	74,804
Net income	2,049	28,262	3,034	5,258
Earnings per common shares:				
Basic	$ 0.05	$ 0.81	$ 0.09	$ 0.15
Diluted	$ 0.05	$ 0.81	$ 0.09	$ 0.15

The sum of the quarterly net earnings per share amounts may not equal the full-year amount since the computations of the weighted average number of common-equivalent shares outstanding for each quarter and the full year are made independently.

Table of Contents

COACH, INC.

Market and Dividend Information

Coach's common stock is listed on the New York Stock Exchange and is traded under the symbol "COH". Prior to our October 5, 2000 initial public offering, there was no public trading market for any of our securities. The following table sets forth, for the fiscal periods indicated, the high and low closing prices per share of Coach's common stock as reported on the New York Stock Exchange Composite Tape.

Fiscal Year Ended 2001

	High	Low
Quarter ended		
September 30, 2000	$ —	$ —
December 30, 2000	28.75	16.00
March 31, 2001	36.00	22.44
June 30, 2001	38.49	23.59
Closing price at June 29, 2001	$38.05	

Coach has never declared or paid any cash dividends on its common stock. Coach currently intends to retain future earnings, if any, for use in its business and does not anticipate paying regular cash dividends in its common stock. The Fleet facility prohibits Coach from paying dividends while the credit facility is in place, with certain exceptions. Any future determination to pay cash dividends will be at the discretion of Coach's Board of Directors and will be dependent upon Coach's financial condition, operating results, capital requirements and such other factors as the Board of Directors deems relevant.

Table of Contents

COACH, INC.

Schedule II — Valuation and Qualifying Accounts

For the Fiscal Years Ended June 30, 2001, July 1, 2000 and July 3, 1999

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Write-offs/ Allowances Taken	Balance at End of Year
		(amounts in thousands)		
Fiscal 2001				
Allowance for bad debts	$ 535	$ 355	$ (114)	$ 776
Allowance for returns	5,396	3,048	(2,932)	5,512
Total	$5,931	$ 3,403	$ (3,046)	$6,288
Fiscal 2000				
Allowance for bad debts	$ 894	$ (172)	$ (187)	$ 535
Allowance for returns	5,225	13,760	(13,589)	5,396
Total	$6,119	$13,588	$(13,776)	$5,931
Fiscal 1999				
Allowance for bad debts	$1,718	$ (171)	$ (653)	$ 894
Allowance for returns	7,242	13,860	(15,877)	5,225
Total	$8,960	$13,689	$(16,530)	$6,119

Table of Contents

COACH, INC.

EXHIBITS TO FORM 10-K

For the Fiscal Year Ended June 30, 2001

Commission File No. 1-16153

(a) Exhibits (numbered in accordance with Item 601 of Regulation S-K)

Exhibit No.	Description
3.1	Amended and Restated Bylaws of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.1 to Coach's Current Report on Form 8-K filed on May 9, 2001.
3.2	Articles Supplementary of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.2 to Coach's Current Report on Form 8-K filed on May 9, 2001.

3.3	Articles of Amendment of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.3 to Coach's Current Report on Form 8-K filed on May 9, 2001.
4.1	Rights Agreement, dated as of May 3, 2001, between Coach, Inc. and Mellon Investor Services LLC, which is incorporated herein by reference from Exhibit 4 to Coach's Current Report on Form 8-K filed on May 9, 2001.
4.2	Specimen Certificate for Common Stock of Coach, which is incorporated herein by reference from Exhibit 4.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.1	Revolving Credit Agreement by and between Coach, certain lenders and Fleet National Bank, which is incorporated herein by reference from Exhibit 10.18 to Coach's Registration Statement on Form S-4 (Registration No. 333-54402).
10.2	Master Separation Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.3	Tax Sharing Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.2 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.4	General Assignment and Assumption Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.3 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.5	Employee Matters Agreement between Coach and Sara Lee, which is incorporated by reference herein from Exhibit 2.4 to Coach's Form 10-Q for the quarterly period ended September 30, 2000, filed with the Commission on November 14, 2000
10.6	Real Estate Matters Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.5 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.7	Master Transitional Services Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.8	Indemnification and Insurance Matters Agreement between Coach and Sara Lee, which is incorporated herein by reference from Exhibit 2.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.9	Lease Indemnification and Reimbursement Agreement between Sara Lee and Coach, which is incorporated herein by reference from Exhibit 2.10 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.10	Coach, Inc. 2000 Stock Incentive Plan
10.11	Coach, Inc. Executive Deferred Compensation Plan
10.12	Coach, Inc. Performance-Based Annual Incentive Plan
10.13	Coach, Inc. 2000 Non-Employee Director Stock Plan
10.14	Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors

Table of Contents

Exhibit No.	Description
10.15	Jacksonville, FL Lease Agreement, which is incorporated herein by reference from Exhibit 10.6 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.16	New York, NY Lease Agreement, which is incorporated herein by reference from Exhibit 10.7 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
10.17	Secured Loan Agreement dated July 26, 2001 between Coach and Reed Krakoff
10.18	Pledge, Assignment and Security Agreement dated July 26, 2001 between Coach and Reed Krakoff
21.1	List of Subsidiaries of Coach
23.1	Consent of Arthur Andersen LLP

(b) Reports on Form 8-K

Current Report on Form 8-K, filed with the Commission on May 9, 2001.

EXHIBIT 10.10

COACH, INC.
2000 STOCK INCENTIVE PLAN
(Amended and Restated as of September 4, 2001)

The Coach, Inc. 2000 Stock Incentive Plan was originally approved by the Board of Directors of Coach, Inc. on June 23, 2000 and was originally approved by the stockholders of Coach, Inc. on June 29, 2000. In furtherance of the purposes of said plan and in order to amend said plan in certain respects, the plan has been amended and restated in its entirety, effective as of September 4, 2001. This amendment and restatement constitutes a complete amendment, restatement and continuation of the Coach, Inc. 2000 Stock Incentive Plan.

ARTICLE I — PURPOSES

The purposes of the Coach, Inc. 2000 Stock Incentive Plan are to promote the interests of the Company and its stockholders by strengthening the Company’s ability to attract and retain highly competent officers and employees, and to provide a means to encourage stock ownership and proprietary interest in the Company. The Stock Incentive Plan is intended to provide Plan participants with stock-based incentive compensation which is not subject to the deduction limitation rules prescribed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and, when applicable should be construed to the extent possible as providing for remuneration which is “performance-based compensation” within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

ARTICLE II — DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) **“Award”** means, individually or in the aggregate, an award granted to a Participant under the Plan in the form of an Option, a Stock Award, or an SAR, or any combination of the foregoing.

(b) **“Board”** means the Board of Directors of Coach, Inc.

(c) **“Change of Control”** has the meaning set forth in Article X.

(d) **“Committee”** means the Compensation and Employee Benefits Committee of the Board, a subcommittee thereof, or such other committee as may be appointed by the Board. The Committee shall be comprised of three (3) or more members of the Board, each of whom is both a “non-employee director” under Rule 16b-3 of the Exchange Act and an “outside director” under Section 162(m) of the Code.

(e) **“Company”** means Coach, Inc., a Maryland corporation, or any entity that is directly or indirectly controlled by Coach, Inc. and its subsidiaries.

(f) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

< P> (g) **“Fair Market Value”** means the average of the highest and lowest sale prices of a Share on the New York Stock Exchange Composite Transactions Tape on the date of determination, provided that if there should be no sales of Shares reported on such date, the Fair Market Value of a Share on such date shall be the average of the highest and lowest sale prices of a Share on such Composite Tape for the last preceding date on which sales of Shares were reported and, provided further, that the Fair Market Value of Shares on the date on which the Company first issues Shares to the public that are required to be registered under the Exchange Act (the “IPO”) shall be the initial offering price of Shares on such date. In the event that Shares are not traded on the New York Stock Exchange as of a given date, the Fair Market Value of a Share as of such date shall be established by the Committee acting in good faith.

(h) **“Incentive Stock Option”** means a stock option that complies with Section 422 of the Code, or any successor law.

(i) **“Non-Qualified Stock Option”** means a stock option that does not meet the requirements of Section 422 of the Code, or any successor law.

(j) **“Option”** means an option awarded under Article VI to purchase Shares. An option may be either an Incentive Stock Option or a Non-Qualified Stock Option, as determined by the Committee in its sole discretion.

(k) **“Participant”** means any of the following individuals designated by the Committee as eligible to receive an Award or Awards under the Plan: (i) an officer or key employee of the Company at or above the “director” level, (ii) all other employees of the Company, including, but not limited to, Regional Managers, District Managers, Area Managers and Store Managers in the Company’s Retail Division, (iii) a person expected to become an employee of the Company, or (iv) a former officer or employee of the Company for the purposes of adjustments to Awards pursuant to Article V(b) of the Plan. Notwithstanding the foregoing, an employee of the Company who terminated employment prior to the Company’s IPO shall not be eligible to receive new Awards under the Plan, except to the extent such employee is subsequently rehired by the Company and is eligible to become a Participant in the Plan under (i), (ii) or (iii) above.

(l) **“Plan”** means this Coach, Inc. 2000 Stock Incentive Plan, as amended and restated effective as of September 4, 2001, and as may be further amended from time to time.

(m) **“Prior Plans”** means the Sara Lee Corporation 1989 Incentive Stock Plan, the Sara Lee Corporation 1995 Long-Term Incentive Stock Plan, the Sara Lee Corporation 1998 Long-Term Incentive Plan and the Sara Lee Corporation Share 2000 Global Stock Plan, as they may be amended and restated from time to time.

(n) **“SAR”** means a stock appreciation right.

(o) **“Shares”** means shares of Coach, Inc. common stock, par value $0.01 per share.

(p) **“Stock Award”** means an Award made under Article VI(a)(iii).

ARTICLE III — EFFECTIVE DATE AND DURATION

The Plan became effective on June 29, 2000, the date it was approved by the sole stockholder of the Company, and was amended and restated in its entirety effective as of September 4, 2001. Unless sooner terminated by the Board, the Plan shall expire when Shares are no longer available for the grant, exercise or settlement of Awards.

ARTICLE IV — ADMINISTRATION

The Committee shall be responsible for administering the Plan, and shall have full power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or appropriate. This power includes, but is not limited to, selecting Award recipients, establishing all Award terms and conditions, adopting procedures and regulations governing Awards, and making all other determinations necessary or advisable for the administration of the Plan. In no event, however, shall the Committee have the power to cancel outstanding Options or SARs for the purpose of replacing or regranting such Options or SARs with a purchase price that is less than the purchase price of the original Option or SAR. All decisions made by the Committee shall be final and binding on all persons.

The Committee may delegate some or all of its power to the Chairman and Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate; provided, that (i) the Committee may not delegate its power with regard to the grant of an Award to any person who is a “covered employee” within the meaning of Section 162(m) of the Code or who, in the Committee’s judgment, is likely to be a covered employee at any time during the period an Award to such employee would be outstanding and (ii) the Committee may not delegate its power with regard to the selection for participation in the Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such an officer or other person.

ARTICLE V — AVAILABLE SHARES

(a) **Limitations** - Subject to Article V(b) of the Plan, the aggregate number of Shares which may be delivered to participants under the Plan shall be seven-million four-hundred thousand seven-hundred and ninety-two (7,400,792) Shares, reduced by the aggregate number of Shares which become subject to outstanding Awards; provided, that the number of Shares subject to Awards that are granted in substitution of an option or other award (a “Substitute Award”) issued under the Prior Plans or by an entity acquired by (or whose assets are acquired by) the Company shall not reduce the number of Shares available under the Plan. To the extent that Shares subject to an outstanding Award are not delivered to a participant by reason of the expiration, termination, cancellation or forfeiture of such award or by reason of the tendering or withholding of Shares to satisfy all or a portion the tax withholding obligations relating to an Award, and to the extent Shares are purchased by the Company with the amount of cash obtained upon the exercise of Options, then such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. If the exercise price of any Option granted under the Plan or any Prior Plan is satisfied by tendering Shares (by actual delivery or attestation), only the number of Shares issued to the

participant net of the Shares tendered shall be deemed to be delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.

The aggregate number of Shares that may be used in settlement or payment of Stock Awards is one-million four hundred eighty-thousand one-hundred and fifty-eight (1,480,158) Shares. The number of Shares for which Awards may be granted to any person over the term of the Plan shall not exceed one- one-million four hundred eighty-thousand one-hundred and fifty-eight (1,480,158) Shares; provided, that such limit shall be five-hundred thousand (500,000) Shares with respect to the calendar year in which such person begins service as the Chief Executive Officer of the Company; and provided, further, that neither limit shall include any Restoration Options and the number of Shares for which Restoration Options may be granted to any person in any calendar year shall not exceed five-hundred thousand (500,000) Shares. Issued Shares shall consist of authorized and unissued Shares, or treasury Shares, and no fractional Shares shall be issued. Cash may be paid in lieu of any fractional Shares in settlement of Awards.

(b) **Adjustments** - In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of the Company to stockholders, or any other similar change or event, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number and class of securities available under the Plan, the limits under Article V(a), the number and class of securities subject to each outstanding Option and the purchase price per security, the terms of each outstanding SAR, and the number and class of securities subject to each outstanding Stock Award shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Options without an increase in the aggregate purchase price. If any such adjustment would result in a fractional security being (a) available under the Plan, such fractional security shall be disregarded, or (b) subject to an Award, the Company shall pay the holder of such Award, in connection with the first vesting, exercise or settlement of such award in whole or in part occurring after such adjustment, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the Fair Market Value on the vesting, exercise or settlement date over (B) the exercise price, if any, of such Award.

ARTICLE VI — AWARDS

(a) **General** - The Committee shall determine the type or types of Award(s) to be made to each Participant. Awards may be granted singly, in combination or in tandem, and either individually or on the basis of designated groups or categories. In the sole discretion of the Committee, Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under the Prior Plans or any other compensation plan of the Company, including a plan of any entity acquired by (or whose assets are acquired by) the Company. The types of Awards that may be granted under the Plan are:

(i) **Options** - An Option shall represent the right to purchase a specified number of Shares during a specified period up to ten (10) years as determined by the Committee. The purchase price per Share for each Option shall not be less than one-hundred percent (100%) of the Fair Market Value on the date of grant; provided, that a Substitute Award may be granted with a purchase price per Share that is intended to preserve the economic value of the award being replaced. If an Option is granted retroactively in substitution for an SAR, the Fair Market Value in the Award agreement may be the Fair Market Value on the grant date of the SAR. An Option may be in the form of an Incentive Stock Option, or a Non-Qualified Stock Option, as determined by the Committee; provided that Founders' Grants shall always be Non-Qualified Stock Options. The Shares covered by an Option may be purchased, in accordance with the applicable Award agreement, by cash payment or such other method permitted by the Committee, including (i) tendering (either actually or by attestation) Shares owned at least six (6) months, valued at the Fair Market Value at the date of exercise; (ii) authorizing a third party to sell the Shares (or a sufficient portion thereof) acquired upon exercise of an Option, and assigning the delivery to the Company of a sufficient amount of the sale proceeds to pay for all the Shares acquired through such exercise and any tax withholding obligation resulting from such exercise, or (iii) any combination of the above. The Committee may grant Options that provide for the grant of a restoration option ("Restoration Options") if the exercise price and tax withholding obligations are satisfied by tendering (either actually or by attestation) Shares to, or having Shares withheld by, the Company. The Restoration Option would cover the number of Shares tendered or withheld, would have an option purchase price per Share set at the market price of the shares tendered or withheld as described in the previous sentence (determined, if applicable, as the price at which such shares are sold into the market), and would have a term equal to the remaining term of the original Option. No person may be granted Restoration Options more than twice in any calendar year.

(ii) **SARs** - An SAR shall represent a right to receive a payment, in cash, Shares or a combination, equal to the excess of the Fair Market Value of a specified number of Shares on the date the SAR is exercised over the Fair Market Value on the grant date of the SAR, as set forth in the Award agreement, except that if an SAR is granted retroactively in substitution for an Option, the designated Fair Market Value in the Award agreement may be the Fair Market Value on the grant date of the Option.

(iii) **Stock Awards** - A Stock Award shall represent an Award made in or valued in whole or in part by reference to Shares, such as performance shares or units or phantom shares or units. Stock Awards may be payable in whole or in part in Shares. All or part of any Stock Award may be subject to conditions and restrictions established by the Committee and set forth in the Award agreement or other plan or document, which may include, but are not limited to, continuous service with the Company and/or the achievement of one or more performance goals. The performance criteria that may be used by the Committee in granting Stock Awards contingent on performance goals shall consist of total stockholder return, appreciation in the fair market value of the Company's stock, net sales growth, net revenue, EBITDA, gross margin, cost reductions or savings, funds from operations, operating income, income before income taxes, net income, income per share (basic or diluted), earnings per share (basic or diluted) profitability as measured by return ratios, including return on invested capital, return on equity, return on sales and return on investment, cash flows, market share or cost reduction goals. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based on Company or business unit performance, or based on comparative performance with other companies.

ARTICLE VII — DIVIDENDS AND DIVIDEND EQUIVALENTS

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a Participant's account under a deferred compensation plan maintained by the Company (to the extent permitted under such deferred compensation plan). Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional Shares or Share equivalents.

ARTICLE VIII — PAYMENTS AND PAYMENT DEFERRALS

Payment of Awards may be in the form of cash, Shares, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in Share equivalents.

ARTICLE IX — TRANSFERABILITY

Unless otherwise specified in an Award agreement, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. The interests of Participants under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, or pursuant to an agreement between a Participant and the Company, may not be voluntarily sold, transferred, alienated, assigned or encumbered.

ARTICLE X — CHANGE OF CONTROL

Immediately prior to any Change of Control (as defined below) all Options and SARs previously granted to any Participant shall become fully vested and exercisable and all restrictions with respect to any Stock Awards previously granted to any Participant shall lapse. The phrase "immediately prior to any Change of Control" shall be understood to mean sufficiently in advance of a Change of Control to permit Participants to take all steps reasonably necessary to exercise all Options and SARs and to deal with the Shares underlying all Stock Awards so that all Awards and Shares issuable with respect thereto may be treated in the same manner as the shares of stock of other shareholders in connection with the Change of Control.

A "Change of Control" shall occur when:

(a) A "Person" (which term, when used in this Article X, shall have the meaning it has when it is used in Section 13(d) of the Exchange Act, but shall not include the Company, any underwriter temporarily holding securities pursuant to an offering of such securities, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Voting Stock (as defined below) of

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the Company) is or becomes, without the prior consent of a majority of the Continuing Directors (as defined below), the Beneficial Owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of Voting Stock (as defined below) representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or

(b) The stockholders of the Company approve and the Company consummates a reorganization, merger or consolidation of the Company or the Company sells, or otherwise disposes of, all or substantially all of the Company's property and assets, or the Company liquidates or dissolves (other than a reorganization, merger, consolidation or sale which would result in all or substantially all of the beneficial owners of the Voting Stock of the Company outstanding immediately prior thereto continuing to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the resulting entity), more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such entity resulting from the transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's property or assets, directly or indirectly) outstanding immediately after such transaction in substantially the same proportions relative to each other as their ownership immediately prior to such transaction); or

(c) The individuals who are Continuing Directors of the Company (as defined below) cease for any reason to constitute at least a majority of the Board of the Company.

(d) For purposes of this Article X, (i) the term "Continuing Director" means (A) any member of the Board who is a member of the Board immediately after the issuance of any class of securities of the Company that are required to be registered under Section 12 of the Exchange Act, or (B) any person who subsequently becomes a member of the Board whose nomination for election or election to the Board is recommended by a majority of the Continuing Directors and (ii) the term "Voting Stock" means all capital stock of the Company which by its terms may be voted on all matters submitted to stockholders of the Company generally.

ARTICLE XI — AWARD AGREEMENTS

Awards must be evidenced by an agreement (or rules, in the case of Founders' Grants or any "Employee Options" or "Executive Options" as defined in the Written Consent of the Committee in Lieu of Special Meeting dated March 2, 2001) that sets forth the terms, conditions and limitations of such Award. Such terms may include, but are not limited to, the term of the Award, the provisions applicable in the event the Participant's employment terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind any Award. The Committee need not require the execution of any such agreement by a Participant, in which case acceptance of the Award by the respective Participant shall constitute agreement by the Participant to the terms of the Award.

ARTICLE XII — AMENDMENTS

The Board may amend the Plan at any time as it deems necessary or appropriate, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) and Section 422 of the Code; provided, however, that no amendment shall be made without stockholder approval if such amendment would increase the maximum number of Shares available under the Plan (subject to Article V(b)), or effect any change inconsistent with Section 422 of the Code. No amendment may impair the rights of a holder of an outstanding Award without the consent of such holder. The Board may suspend the Plan or discontinue the Plan at any time; provided, that no such action shall adversely affect any outstanding Award.

ARTICLE XIII — MISCELLANEOUS PROVISIONS

(a) **Employment Rights** - The Plan does not constitute a contract of employment and participation in the Plan will not give a Participant the right to continue in the employ or service of the Company on a full-time, part-time, or any other basis. Participation in the Plan will not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

(b) **Governing Law** - Except to the extent superseded by the laws of the United States, the laws of the State of Maryland, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

(c) **Severability** - In the event any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provisions had never been contained in the Plan.

(d) **Withholding** – The Company shall have the right to withhold from any amounts payable under the Plan all federal, state, foreign, city and local taxes as shall be legally required using statutory rates.

(e) **Effect on Other Plans or Agreements** - Payments or benefits provided to a Participant under any stock, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan.

(f) **Foreign Employees** - Without amending the Plan, the Committee may grant awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its subsidiaries operates or has employees.

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I hereby certify that the Plan was originally approved by the Board of Directors of Coach, Inc. on June 23, 2000 and was originally approved by the stockholders of Coach, Inc. on June 29, 2000.

I hereby certify that the Plan, as amended and restated in its entirety, was approved by the by the Board of Directors of Coach, Inc., effective as of September 4, 2001.

Executed on this fourth day of September, 2001.

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Carole P. Sadler
Secretary

COACH, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN
(Amended and Restated as of August ___, 2001)

Article I
Introduction

1.1 The Plan and Its Effective Date. The Coach, Inc. Executive Deferred Compensation Plan was originally established as of June 1, 2000 (the “Effective Date”). In furtherance of the purposes of said plan and in order to amend said plan in certain respects, the plan has been amended and restated in its entirety, effective as of August ___, 2001. Such amendment and restatement constitutes a complete amendment, restatement and continuation of the Coach, Inc. Executive Deferred Compensation Plan (as amended and restated, the “Plan”).

1.2 Purpose. The Plan is established by Coach, Inc., a Maryland corporation (the “Company”), to enable Eligible Employees (as defined in Section 2.1) to defer future compensation from the Company or an Employer (as defined in Section 6) and to permit such employees to elect to transfer all amounts deferred and not yet paid under the Sara Lee Corporation Executive Deferred Compensation Plan (the “Prior Plan”) to the Plan. To the extent that an Eligible Employee elects a transfer of all amounts deferred and not yet paid under the Prior Plan to the Plan, the provisions of the Plan amend and supercede the provisions of the Prior Plan; provided, that elections and beneficiary designations made by such Eligible Employee under the Prior Plan shall remain in effect under the Plan, except as specifically provided in subsection 2.2(i) below. The Plan is intended to be a top-hat plan described in Section 201(2) of the Employee Retirement Income Security Act of 1974 (“ERISA”).

1.3 Administration. The Plan shall be administered by the Company’s Board of Directors (the “Board”) or such committee or subcommittee of the Board to whom the Board may delegate its authority to administer the Plan (the Board, or such committee or subcommittee shall be referred to herein as the “Administrator”). Unless otherwise determined by the Board, the Administrator shall be the Compensation and Employee Benefits Committee of the Board. The Administrator shall have the powers set forth in the Plan and the power to interpret its provisions. Any decisions of the Administrator shall be final and binding on all persons with regard to the Plan. The Administrator may delegate its authority hereunder to any officer or officers of the Company as it may deem appropriate.

1.4 Plan Year. The Plan shall be administered on the basis of the calendar year (the “Plan Year”). The first Plan Year shall be a short Plan Year beginning on the Effective Date and ending on the next following December 31st.

Article II
Participation and Deferral Elections

2.1 Eligibility and Participation. Subject to the conditions and limitations of the Plan, all officers and other key employees of the Company designated by the Administrator shall be eligible to participate in the Plan (“Eligible Employees”). Any Eligible Employee who makes a Deferral Election as described in Section 2.2 below shall become a participant in the

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Plan (“Participant”) and shall remain a Participant until the entire balance of his Deferral Account (defined in Section 3.1 below) is distributed to him.

2.2 Rules for Deferral Elections. Any Eligible Employee may make irrevocable elections to defer receipt of the amounts described in Section 2.3 below (each such election shall be referred to as a “Deferral Election” and the amount deferred pursuant to such an election the “Deferral”) for a Plan Year in accordance with the rules set forth below.

(a) An Eligible Employee shall be eligible to make a Deferral Election only if he is an active, regular, full-time employee of an Employer on the date such election is made.

(b) For each Plan Year, an Eligible Employee may make no more than one Deferral Election for the Eligible Employee’s Annual Bonus and such number of Deferral Elections with respect to the Eligible Employee’s Annual Base Salary as the Administrator may prescribe.

(c) Subject to the following, all Deferral Elections must be made in such manner as the Administrator may prescribe and must be received by the Administrator or its delegate no later than the date specified by the Administrator:

(i) In no event will the date specified by the Administrator with respect to an Annual Bonus be later than: (A) for the first Plan Year, the thirtieth (30th) day following the Effective Date, or (B) for each Plan Year thereafter, the end of the Plan Year preceding the Plan Year in which the Annual Bonus is anticipated to be paid.

(ii) Any Deferral Election with respect to an Eligible Employee’s Annual Base Salary shall only apply to that portion of the Eligible Employee’s Annual Base Salary remaining to be earned for service during the Plan Year after the date the Deferral Election is made.

(d) As part of each Deferral Election, the Eligible Employee must specify the date on which the Deferral will be paid (the “Distribution Date”). The Distribution Dates specified in an Eligible Employee’s Deferral Elections may, but need not necessarily, be the same for all Deferrals. Except as provided in subsection (f) below, each Distribution Date is irrevocable and shall apply only to that portion of the Participant’s Deferral Account which is attributable to the Deferral.

(e) The Distribution Date selected by an Eligible Employee shall not be earlier than the January 1 immediately following the first anniversary of the date on which the Deferral Election is made.

(f) A Participant may make an irrevocable election to extend a Distribution Date (a “Re-Deferral Election”); provided, that no Re-Deferral Election shall be effective unless (i) the Administrator receives the election prior to the December 1 of the Plan Year preceding the Plan Year in which the Distribution Date to be changed occurs, and (ii) the new Distribution Date is not earlier than the January 1 immediately following the first anniversary of the date the Re-Deferral Election is made. All Re-Deferral Elections must be made in such manner and pursuant to such rules as the Administrator may prescribe.

(g) As part of each Deferral Election, an Eligible Employee must elect the manner in which the Deferral will be paid beginning on the selected Distribution Date. The Deferral may be paid in a single lump sum or in substantially equal annual installments over a period not exceeding ten (10) years as provided under Section 4.1. Except as provided in Section 4.1, an Eligible Employee's election as to the manner of payment shall be irrevocable. If the Participant elects an installment method of payment the Distribution Date must be as of January 1.

(h) A Deferral Election shall be irrevocable; provided, that if the Administrator determines that a Participant has an Unforeseeable Financial Emergency (as defined in Section 4.7), then the Participant's Deferral Elections then in effect shall be revoked with respect to all amounts not previously deferred.

(i) Any Eligible Employee who was a participant in the Prior Plan on the Effective Date may elect to transfer his or her Prior Plan Deferral Account to the Plan at such time and in accordance with such rules as may be established by the Administrator. Amounts transferred under this subsection shall be subject to the Deferral Election and any beneficiary designation made under the Prior Plan and shall be treated as a separate Deferral for all purposes of this Plan.

2.3 Amounts Deferred. An Eligible Employee may make a Deferral Election to defer receipt of the following amounts:

(a) All or any portion of the Eligible Employee's annual bonus for a year due under an annual bonus plan or any other short-term incentive plan of the Company or an Employer (an "Annual Bonus").

(b) All or any portion of the Eligible Employee's Annual Base Salary. "Annual Base Salary" shall mean the regular rate of compensation to be paid to the Eligible Employee for services rendered during the Plan Year excluding severance or termination payments, commissions, foreign service payments, payments for consulting services and such other unusual or extraordinary payments as the Administrator may determine.

(c) Such other bonuses and incentive payments (including without limitation the award or vesting of any Restricted Stock Units or similar awards) under any plan or arrangement established by the Company or an Employer as the Administrator may designate as compensation eligible for deferral under this Plan in such increments and subject to such limitations and restrictions as the Administrator may establish.

Article III
Deferral Accounts

3.1 Deferral Accounts. All amounts deferred pursuant to a Participant's Deferral Elections under the Plan shall be allocated to a bookkeeping account in the name of the Participant ("Deferral Account") and the Administrator shall maintain a separate subaccount under a Participant's Deferral Account for each Deferral. Deferrals shall be credited to the Deferral Account as of the Deferral Crediting Date coinciding with or next following the date on which, in the absence of a Deferral Election, the Participant would otherwise have received the Deferral. A "Deferral Crediting Date" shall mean (1) in the case of deferrals of annual or other

periodic bonus payments, the business day on which such bonus payments are made, and (2) in the case of deferrals of all other types of payments, the business day coinciding with or next following the 15th day of each calendar month and the business day coinciding with or next following the last day of each calendar month.

3.2 Investment of Deferral Account.

(a) Pre-Initial Public Offering. Prior to the date of the Company's initial public offering (the "IPO Date"), interest will be credited to the Participant's Deferral Account as of (i) each business day coinciding with or next following the last day of each month and (ii) the business day immediately preceding the IPO Date. The rate of interest to be credited shall be equal to 7.5 percent, compounded annually.

(b) Post-Initial Public Offering. On and after the IPO Date, the Participant must make an investment election at the time of each Deferral Election. The investment election must be made in writing on such forms and pursuant to such rules as the Administrator may prescribe, subject to paragraph 3.3, and shall designate the portion of the Deferral which is to be treated as invested in each investment alternative. The two investment alternatives shall be as follows:

(i) Stock Equivalent Account. Under the Stock Equivalent Account, the Participant's Deferral Account shall be invested in "Deferred Stock Units" under which each Deferred Stock Unit represents the right to receive one share of Coach, Inc. common stock, par value $0.01 per share ("Common Stock"), on the Distribution Date (subject to Sections 4.1 and 4.11 below). On the IPO Date, the number of Deferred Stock Units to be credited to the Participant's Deferral Account and appropriate subaccounts shall be determined by dividing the balance of the Participant's Deferral Account on that date by the initial offering price of the common stock of Coach, Inc. After the IPO Date, the number of Coach, Inc. Deferred Stock Units to be credited to the Participant's Deferral Account and appropriate subaccounts on each Deferral Crediting Date shall be determined by dividing the Deferral to be "invested" on that date by the average of the high and low quotes of a share of Common Stock on the applicable day on the New York Stock Exchange Composite Transaction Tape ("Market Value"). Fractional Deferred Stock Units will be computed to two decimal places. On any Common Stock dividend record date, an amount equal to the number of Deferred Stock Units held as of such dividend record date multiplied by the dividend paid on Common Stock on the applicable dividend payment date shall either (A) be credited to the Participant's Deferral Account and appropriate subaccount as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date and "invested" in additional Deferred Stock Units as though such dividend credits were a Deferral or (B) at the election of the Participant at such time and in accordance with such rules as established by the Administrator, be paid in cash to the Participant as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date. In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of the Company to stockholders, or any other similar change or event effected without receipt of consideration, such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number of Deferred Stock Units credited to a Participant's Deferral Account. Subject to Sections 4.1 and 4.11, the number of shares of Common Stock to be paid to a Participant on a Distribution Date shall be equal to the number of Deferred Stock Units accumulated in the Deferral Account on such date divided by the total of the payments to be made. Deferred Stock Units shall not have voting rights.

(ii) Interest Account. Under the Interest Account, interest will be credited to the Participant's Deferral Account as of the business day coinciding with or next following each June 30 and December 31 (a "Valuation Date") and on the date the final payment of a Deferral is to be made based on the balance in the Participant's Deferral Account "invested" in the Interest Account on the Valuation Date or such final payment date. The rate of interest to be credited for a Plan Year will be set at the beginning of each Plan Year based upon the U.S. Prime Rate in effect as of such date as reported in the Wall Street Journal or such other source as may be designated by the Administrator. If installment payments are elected, the amount to be paid to the Participant on a Distribution Date shall be determined as follows: the amount of the principal payment of each installment shall be determined by dividing the current principal balance by the number of remaining installment payments and the amount of the interest payment shall be determined by dividing the current interest balance by the number of remaining installment payments. All payments from the Interest Account shall be made in cash.

3.3 Investment Elections and Changes. A Participant's investment election shall be subject to the following rules:

(a) If the Participant fails to make an investment election with respect to a Deferral, the Deferral shall be deemed to be invested in the Interest Account.

(b) All investments in the Stock Equivalent Account shall be irrevocable.

(c) A Participant may elect to transfer amounts invested in the Interest Account to the Stock Equivalent Account as of any Valuation Date by filing an investment change election with the Administrator prior to the Valuation Date the change is to become effective. The amount elected to be transferred to the Stock Equivalent Account shall be treated as invested in Deferred Stock Units as of the Valuation Date and the number of Deferred Stock Units to be credited to the Participant's Deferral Account and appropriate subaccounts as of the Valuation Date shall be determined by dividing the amount to be transferred by the Market Value on such Valuation Date.

(d) Until invested as of the Deferral Crediting Date in either the Interest Account or Stock Equivalent Account, a Participant's Deferral shall be credited with interest in such amount, if any, as the Administrator may determine.

3.4 Vesting. A Participant shall be fully vested at all times in the balance of his Deferral Account.

Article IV
Payment of Benefits

4.1 Time and Method of Payment. Payment of a Participant's Deferral shall be made in a single lump sum or shall commence in installments as elected by the Participant in the Deferral Election. A Participant may make a one-time election after the original Deferral Election to change the method of payment elected by the Participant; provided, that such election shall not be effective unless the election to change the method of payment is received by the

Administrator prior to the December 1 of the Plan Year preceding the Plan Year in which the Distribution Date specified in the original Deferral Election occurs. If a Participant's Deferral Account is payable in a single lump sum, the payment shall be made as soon as practicable following the Distribution Date but not later than thirty (30) days following the Distribution Date. If a Participant's Deferral is payable in installment payments, then the Participant's Deferral shall be paid in annual installments of substantially equal shares over the period as elected by the Participant in the Deferral Election commencing as soon as practicable following the Distribution Date but not later than thirty (30) days following the Distribution Date.

4.2 Payment Upon Total Disability. In the event a Participant becomes totally disabled before all amounts credited to his Deferral Account have been paid, payment of the Participant's Deferral Account shall be made or shall commence in the method of payment elected by the disabled Participant; provided, that the disabled Participant requests payment in writing within one-hundred eighty (180) days of becoming disabled. If such a request is not made, the disabled Participant's Deferrals will be paid pursuant to the Deferral Elections and the normal provisions of the Plan. A Participant will be considered to be totally disabled for purposes of the Plan if the Participant is determined to be totally disabled under the Company's disability plan applicable to the Participant.

4.3 Payment Upon Retirement or Other Termination of Employment. In the event the Participant retires or otherwise terminates employment with the Company for any reason before the entire balance in the Participant's Deferral Account has been paid, the Participant's Deferral Account shall continue to be maintained for the benefit of the Participant and Deferrals shall be paid pursuant to the Deferral Elections and the normal provisions of the Plan; provided, that a Participant's Deferral Election may provide for the immediate payment of the Participant's Deferral Account upon his retirement or other termination of employment.

4.4 Payment Upon Death of a Participant. In the event a Participant dies before all amounts credited to his Deferral Account have been paid, payment of the Participant's Deferral Account shall be made or shall commence in the method of payment elected by the Participant's Beneficiary (as defined in Section 4.5) or the Executor/Executrix of the Participant's estate; provided, that the request is made in writing within one-hundred eighty (180) days of the Participant's death. If such a request is not made, the deceased Participant's Deferrals will be paid pursuant to the Deferral Elections and the normal provisions of the Plan.

4.5 Beneficiary. Each Participant shall designate one or more individuals or entities (collectively, the "Beneficiary") to receive the balance of the Participant's Deferral Account in the event of the Participant's death prior to the payment of his entire Deferral Account. To be effective, any Beneficiary designation shall be filed in writing with the Administrator. A Participant may revoke an existing Beneficiary designation by filing another written Beneficiary designation with the Administrator. The latest Beneficiary designation received by the Administrator shall be controlling. If no Beneficiary is named by a Participant or if he survives all of his named Beneficiaries, the Deferral Account shall be paid in the following order of precedence:

(a) the Participant's spouse;

(b) the Participant's children (including adopted children), per stirpes; or

(c) the Participant's estate.

4.6 Form of Payment. The payment of a portion of a Deferral deemed to be invested in the Investment Account shall be made in cash. The distribution of that portion of a Deferral deemed to be invested in the Stock Equivalent Account shall be distributed in whole shares of Common Stock with fractional shares credited to federal income taxes withheld.

4.7 Unforeseeable Financial Emergency. If the Administrator or its designee determines that a Participant has incurred an Unforeseeable Financial Emergency (as defined below), the Participant may withdraw in cash and/or stock the portion of the balance of his Deferral Account needed to satisfy the Unforeseeable Financial Emergency, to the extent that the Unforeseeable Financial Emergency may not be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. An "Unforeseeable Financial Emergency" is a severe financial hardship to the Participant resulting from (a) a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant; (b) loss of the Participant's property due to casualty; or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Administrator. A withdrawal on account of an Unforeseeable Financial Emergency shall be paid as soon as possible following the date on which the withdrawal is approved.

4.8 Early Withdrawal with Penalty. Notwithstanding the other provisions of the Plan to the contrary, a Participant may request a withdrawal from his Deferral Account by filing a request with the Administrator or its designee in writing. Payment will be made to the Participant within thirty (30) days of the approval of such a request. Any amount withdrawn under this provision will be charged with a ten (10) percent early withdrawal penalty which will be withheld from the amount withdrawn and forfeited as provided in Section 5.5.

4.9 Withholding of Taxes. The Company shall withhold any applicable minimum statutory Federal, state or local income tax from payments due under the Plan. The Company shall also withhold Social Security taxes, including the Medicare portion of such taxes, and any other employment taxes as necessary to comply with applicable laws.

4.10 Small Amounts. Notwithstanding any election by the Participant regarding the timing and manner of payment of his Deferrals, in the event of a Participant's retirement or other termination of employment, the Employer may elect to pay the Participant a lump sum distribution of the entire value of the Participant's Deferral Account; provided, that the value is less than ten-thousand dollars ($10,000) determined as of the Valuation Date coinciding with or immediately following the Participant's termination of employment.

4.11 Payment Upon Bankruptcy Liquidation. Notwithstanding anything contained in the Plan to the contrary, in the event that the Company is liquidated in bankruptcy, (a) no distributions from the Plan shall be made in shares of Common Stock and (b) distributions to a Participant shall be made in cash in an amount determined by multiplying each Deferred Stock Unit in the Participant's Deferral Account by the Market Value of Common Stock on the date such Deferred Stock Unit was first credited to the Participant's Deferral Account.

Article V
Miscellaneous

5.1 Funding. Benefits payable under the Plan to any Participant shall be paid directly by the Participant's Employer (including the Company if the Participant is employed by the Company). The Company and the Employers shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the Plan.

5.2 Account Statements. As soon as practical after the end of each Plan Year (or after such additional date or dates as the Administrator, in its discretion, may designate), each Participant shall be provided with a statement of the balance of his Deferral Account hereunder as of the last day of such Plan Year (or as of such other dates as the Administrator, in its discretion, may designate).

5.3 No Employment Rights. Establishment of the Plan shall not be construed to give any Eligible Employee the right to be retained in the Company's service or to any benefits not specifically provided by the Plan.

5.4 Interests Not Transferable. Except as (a) provided under (i) Section 4.9 or (ii) an agreement between a Participant and the Company, or (b) required for purposes of withholding of any tax under the laws of the United States or any state or locality, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No person shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his benefits under the Plan, or if by any reason of his bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the Plan, then the Administrator, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the Plan and hold or apply them for or to the benefit of such person entitled thereto under the Plan or his spouse, children or other dependents, or any of them, in such manner as the Administrator may deem proper.

5.5 Forfeitures and Unclaimed Amounts. Unclaimed amounts shall consist of the amounts of the Deferral Account of a Participant that are not distributed because of the Administrator's inability, after a reasonable search, to locate a Participant or his Beneficiary, as applicable, within a period of two (2) years after the date upon which the payment of any benefits becomes due and the amount by which a Participant's Account is reduced under Section 4.8. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures will reduce the obligations of the Company under the Plan and the Participant or Beneficiary, as applicable, shall have no further right to his Deferral Account unless the Administrator determines otherwise in a particular case.

5.6 Controlling Law. The law of the State of Maryland, except its law with respect to choice of law, shall be controlling in all matters relating to the Plan to the extent not preempted by ERISA.

5.7 Gender and Number. Words in the masculine gender shall include the feminine, and the plural shall include the singular and the singular shall include the plural.

5.8 Action by the Company. Except as otherwise specifically provided herein, any action required of or permitted by the Company under the Plan shall be by resolution of the Board of Directors of the Company or by action of any committee or subcommittee of the Board or other person(s) authorized by resolution of the Board.

Article VI
Employer Participation

Any subsidiary or affiliate of the Company incorporated under the laws of any state in the United States (an "Employer") may, with the approval of the Administrator and under such terms and conditions as the Administrator may prescribe, adopt the corresponding portions of the Plan. The Administrator may amend the Plan as necessary or desirable to reflect the adoption of the Plan by an Employer; provided, however, that an adopting Employer shall not have the authority to amend or terminate the Plan under Article VII.

Article VII
Amendment and Termination

The Company intends the Plan to be permanent, but reserves the right at any time by action of its Board of Directors to modify, amend or terminate the Plan; provided, however, that any amendment or termination of the Plan shall not reduce or eliminate any Deferral Account accrued through the date of such amendment or termination. The Administrator shall have the same authority to adopt amendments to the Plan as the Board of Directors of the Company in the following circumstances:

(a) to adopt amendments to the Plan which the Administrator determines are necessary or desirable for the Plan to comply with or to obtain benefits or advantages under the provisions of applicable law, regulations or rulings or requirements of the Internal Revenue Service or other governmental or administrative agency or changes in such law, regulations, rulings or requirements; and

(b) to adopt any other procedural or cosmetic amendment that the Administrator determines to be necessary or desirable that does not materially change benefits to Participants or their Beneficiaries or materially increase the Company's or adopting Employers' obligations under the Plan.

* * * * *

I hereby certify that the Plan was originally established effective as of June 1, 2000. I hereby certify that the Plan, as amended and restated in its entirety, was approved by the Board of Directors of Coach, Inc., effective as of August ___, 2001.

Executed on this ___ day of August, 2001.

Carole P. Sadler, Secretary

COACH, INC.
PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

ARTICLE I — PURPOSE OF THE PLAN

The purpose of the Coach, Inc. Performance-Based Annual Incentive Plan is to advance the interests of Coach, Inc. and its stockholders by providing certain of its key executives with annual incentive compensation which is tied to the achievement of pre-established and objective performance goals. The Plan is intended to provide participants with annual incentive compensation which is not subject to the deduction limitation rules prescribed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and should be construed to the extent possible as providing for remuneration which is "performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

ARTICLE II — DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

a. **"Board"** means the Board of Directors of Coach, Inc.

b. **"Committee"** means the Compensation and Employee Benefits Committee of the Board of Directors, a subcommittee thereof, or such other committee as may be appointed by the Board of Directors. The Committee shall be comprised of two (2) or more non-employee members of the Board of Directors who shall qualify to administer the Plan as "disinterested directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and as "outside directors" under Section 162(m) of the Code.

c. **"Corporation"** means Coach, Inc., or any entity that is directly or indirectly controlled by Coach, Inc.

d. **"Plan"** means the Coach, Inc. Performance-Based Annual Incentive Plan, as may be amended and restated from time to time.

e. **"Participant"** means (i) a "covered employee" as defined in Section 162(m) of the Code and the regulations promulgated thereunder, who has been selected by the Committee as a participant in the Plan during a Performance Period and (ii) each other employee who has been selected by the Committee as a participant in the Plan during a Performance Period.

f. **"Performance Award"** means an award granted pursuant to the terms of Article IV of this Plan.

g. **"Performance Goal"** means the performance goal and payout schedules established by the Committee for a Participant (or group of Participants) no later than ninety (90)

days after the commencement of each Performance Period which relates to one or more of the following performance measures of the Corporation and/or its affiliates: cash flow, net income, pre-tax income, net revenue, EBITDA, operating income, diluted earnings per share, earnings per share, gross margin, return on sales, return on equity, return on investment, cost reductions or savings, funds from operations, and/or appreciation in the fair market value of the Corporation's stock.

h. **"Performance Period"** means the Corporation's fiscal year, or such other period as designated by the Committee.

ARTICLE III — PLAN ADMINISTRATION

The Committee shall have full discretion, power and authority to administer and interpret the Plan and to establish rules and procedures for its administration as the Committee deems necessary and appropriate. Any interpretation of the Plan or other act of the Committee in administering the Plan shall be final and binding on all Participants.

ARTICLE IV — PERFORMANCE AWARDS

For each Performance Period, the Committee shall determine the amount of a Participant's Performance Award as follows:

a. **General** - Each Participant shall be eligible to receive a Performance Award if the Participant's Performance Goal for the Performance Period has been achieved. The maximum amount of a Participant's Performance Award, expressed as a percentage of base salary, shall be set by the Committee prior to each Performance Period; provided, however, that in no event shall a Participant's Performance Award exceed two million dollars ($2,000,000). The actual amount of a Participant's Performance Award may be reduced or eliminated by the Committee as set forth in paragraph (b) below.

b. **Reduction or Elimination of Performance Award** - The Performance Award for each Participant may be reduced or eliminated by the Committee in its sole discretion; provided, however, that under no circumstances may the amount of any Performance Award to any Participant be increased. In determining whether a Performance Award will be reduced or eliminated, the Committee shall consider any extraordinary changes which may occur during the Performance Period, such as changes in accounting practices or applicable law, extraordinary items of gain or loss, discontinued operations, restructuring costs, sales or dispositions of assets and acquisitions, and shall consider such individual or business performance criteria that it deems appropriate, including, but not limited to, the Corporation's cash flow, net income, pre-tax income, net revenue, EBITDA, operating income, diluted earnings per share, earnings per share, gross margin, return on sales, return on equity, return on investment, cost reductions or savings, funds from operations, appreciation in the fair market value of the Corporation's stock, and other relevant operating and strategic business results applicable to an individual Participant. Once the Committee has determined the amount of a Participant's Performance award pursuant this

Article IV, and upon the certification required under Article V, the Committee shall grant the Participant's Performance Award pursuant to such terms and procedures as the Committee shall adopt under Article III.

ARTICLE V — PAYMENT OF PERFORMANCE AWARDS

Subject to any stockholder approval required by law, payment of any Performance Award to a Participant for any Performance Period shall be made in cash after written certification by the Committee that the Performance Goal for the Performance Period was achieved, and any other material terms of the Performance Award were satisfied. Any Performance Award may be deferred pursuant to the terms and conditions of the Coach, Inc. Executive Deferred Compensation Plan or a successor thereto.

ARTICLE VI — PLAN AMENDMENT AND TERMINATION

The Committee may amend or terminate the Plan by resolution at any time as it shall deem advisable, subject to any stockholder approval required by law, provided that the Committee may not amend the Plan to change the method for determining Performance Awards or the individual award limit under Article IV without the approval of the majority of votes cast by stockholders in a separate vote. No amendment may impair the rights of a Participant to any Performance Award already granted with respect to any Performance Period.

ARTICLE VII — MISCELLANEOUS PROVISIONS

a. **Employment Rights** - The Plan does not constitute a contract of employment and participation in the Plan will not give a Participant the right to continue in the employ of the Corporation on a full-time, part-time, or any other basis. Participation in the Plan will not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically been granted by the Committee under the terms of the Plan.

b. **Committee's Decision Final** - Any interpretation of the Plan and any decision on any matter pertaining to the Plan which is made by the Committee in its discretion in good faith shall be binding on all persons.

c. **Gender and Number** - Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the plural form of a word shall include the singular form, and the singular form of a word shall include the plural form.

d. **Governing Law** - Except to the extent superseded by the laws of the United States, the laws of the State of New York, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

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e. **Interests Not Transferable** - Any interests of Participants under the Plan may not be voluntarily sold, transferred, alienated, assigned or encumbered, other than by will or pursuant to the laws of descent and distribution.

f. **Severability** - In the event any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provisions had never been contained in the Plan.

g. **Withholding** - The Corporation will withhold from any amounts payable under this Plan all federal, state, foreign, city and local taxes as shall be legally required.

h. **Effect on Other Plans or Agreements** - Payments or benefits provided to a Participant under any stock, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan.

ARTICLE VIII — EFFECTIVE DATE

This Plan is effective as of June 29, 2000, as approved by Sara Lee Corporation as the sole shareholder of the Corporation. The Plan shall automatically terminate as of the first meeting of shareholders on and after the first anniversary of the date on which the Corporation first issues equity securities of the Corporation that are required to be registered under Article II of the Securities Exchange Act of 1934, as amended, unless resubmitted to and approved by shareholders on or prior to that date.

* * *

IN WITNESS WHEREOF, pursuant to resolutions of its Board of Directors dated August 9, 2001, Coach, Inc. has caused this Plan document to be signed by its duly authorized officer this ninth day of August, 2001.

COACH, INC.

By: ________________________

COACH, INC.
2000 NON-EMPLOYEE DIRECTOR STOCK PLAN
(Amended and Restated as of May 3, 2001)

The Coach, Inc. 2000 Non-Employee Director Stock Plan was originally approved by the Board of Directors of Coach, Inc. on June 23, 2000 and was originally approved by the stockholders of the Coach, Inc. on June 29, 2000. In furtherance of the purposes of said plan and in order to amend said plan in certain respects, the plan has been amended and restated in its entirety, effective as of May 3, 2001. This amendment and restatement constitutes a complete amendment, restatement and continuation of the Coach, Inc. 2000 Non-Employee Director Stock Plan.

ARTICLE I — PURPOSE OF THE PLAN

The purpose of the Plan is to promote the long-term growth of the Company by increasing the proprietary interest of Non-Employee Directors in the Company and to attract and retain highly qualified and capable Non-Employee Directors.

ARTICLE II — DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

2.1 **"Annual Cash Retainer"** means that portion of the annual retainer fee payable in cash by the Company to a Non-Employee Director for services as a director of the Company, as such amount may be changed from time to time.

2.2 **"Annual Option Retainer"** means that portion of the annual retainer fee payable in the form of Options by the Company to a Non-Employee Director for services as a director of the Company, as such amount may be changed from time to time.

2.3 **"Award"** means an award granted to a Non-Employee Director under the Plan in the form of Options or Shares, or any combination thereof.

2.4 **"Board"** means the Board of Directors of the Company.

2.5 **"Code"** means the United States Internal Revenue Code of 1986, as amended, or any successor law.

2.6 **"Company"** means Coach, Inc., a Maryland corporation.

2.7 **"Fair Market Value"** means, with respect to any date, the average between the highest and lowest sale prices per Share on the New York Stock Exchange Composite Transactions Tape on such date, provided that if there shall be no sales of Shares reported on such date, the Fair Market Value of a Share on such date shall be deemed to be equal to the average between the highest and lowest sale prices per Share on such Composite Tape

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for the last preceding date on which sales of Shares were reported and, provided further, that the Fair Market Value of a Share on the date the Company first offers Shares to the public in an initial public offering shall be the initial offering price of Shares on such date. In the event that Shares are not traded on the New York Stock Exchange as of a given date, the Fair Market Value of a Share as of such date shall be established by the Board acting in good faith.

2.8 **"Option"** means an option to purchase Shares awarded under Article VIII, which option shall not be an "incentive stock option" within the meaning of Section 422 of the Code.

2.9 **"Option Grant Date"** means the date upon which an Option is granted to a Non-Employee Director.

2.10 **"Optionee"** means a Non-Employee Director of the Company to whom an Option has been granted or, in the event of such Non-Employee Director's death prior to the expiration of an Option, such Non-Employee Director's executor, administrator, beneficiary or similar person, or, in the event of a transfer permitted by Article VII hereof, such permitted transferee.

2.11 **"Non-Employee Director"** means a director of the Company who is not an employee of the Company or any subsidiary of the Company.

2.12 **"Plan"** means the Coach, Inc. 2000 Non-Employee Director Stock Plan, as amended and restated effective as of May 3, 2001, and as may be further amended from time to time.

2.13 **"Shares"** means shares of the Company's common stock, par value $0.01 per share.

2.14 **"Stock Award Date"** means the date on which Shares are awarded to a Non-Employee Director.

2.15 **"Stock Option Agreement"** means a written agreement between a Non-Employee Director and the Company evidencing an Option.

ARTICLE III — ADMINISTRATION OF THE PLAN

3.1 **Administrator of the Plan.** The Plan shall be administered by the Board.

3.2 **Authority of the Board.** The Board shall have full power and authority to: (a) interpret and construe the Plan and adopt such rules and regulations as it shall deem necessary and advisable to implement and administer the Plan and (b) designate persons other than members of the Board to carry out its responsibilities, subject to such limitations, restrictions and conditions as it may prescribe, such determinations to be made in accordance with the Board's best business judgment as to the best interests of the Company and its stockholders and in accordance with the purposes of the Plan. The Board may delegate administrative duties under the Plan to one or more agents as it shall deem necessary or advisable.

3.3 **Effect of Board Determinations.** No member of the Board shall be personally liable for any action or determination made in good faith with respect to the Plan or any Award or to any settlement of any dispute between a Non-Employee Director and the Company. Any decision or action taken by the Board with respect to an Award or the administration or interpretation of the Plan shall be conclusive and binding upon all persons.

3.4 **Governing Law.** Except to the extent superseded by the laws of the United States, the laws of the State of New York, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

ARTICLE IV — AWARDS UNDER THE PLAN

Awards in the form of Options or Shares shall be granted to Non-Employee Directors in accordance with Article VIII. Each Option granted under the Plan shall be evidenced by a Stock Option Agreement. Except as may otherwise be determined by the Board, each Option granted under the Plan shall provide for the grant of a restoration Option if the purchase price of the Shares subject to the original Option is satisfied by surrendering (or attesting to the ownership of) Shares in accordance with Section 8.2. Each such restoration Option shall (a) be an Option to purchase the number of Shares surrendered (either actually or by attestation), plus the number of Shares that the Optionee would have surrendered to pay withholding taxes, calculated as if such Optionee had been obligated to pay such taxes and had surrendered Shares to satisfy such obligation, (b) be fully exercisable (subject to the restrictions contained herein and in the applicable restoration Stock Option Agreement) on and after that date which is six (6) months after the Option Grant Date of the restoration Option, (c) have a purchase price per Share equal to one-hundred percent (100%) of the Fair Market Value per Share on the Option Grant Date of the restoration Option and (d) have a term equal to the remaining term of the original Option.

ARTICLE V — ELIGIBILITY

Each Non-Employee Director of the Company shall be eligible to participate in the Plan in accordance with Article VIII.

ARTICLE VI — SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Article XI, the aggregate number of Shares available for all grants of Options and awards of Shares in any fiscal year shall be two-tenths (2/10) of one (1) percent (.2%) of the outstanding Shares as of the last day of the immediately preceding fiscal year.

ARTICLE VII — TRANSFERABILITY OF OPTIONS

Options granted under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution, except that the Board may provide for the transferability of any particular Option in the manner set forth in the related Stock Option Agreement.

ARTICLE VIII — ANNUAL RETAINER ELECTIONS

Each Non-Employee Director shall be eligible to be granted Options or Shares, or a combination thereof, subject to the following terms and conditions:

8.1 **Grant of Options or Shares.** Options and Shares shall be awarded to Non-Employee Directors pursuant to the Plan as follows:

(a) An Option to purchase 5,000 Shares shall be granted to each Non-Employee Director on the day that the Company first offers Shares to the public in an initial public offering.

(b) On the day of the last regularly scheduled meeting of the Board held in the second fiscal quarter of each fiscal year: (i) each Non-Employee Director shall be granted the Annual Option Retainer, and (ii) each Non-Employee Director who, at least ten (10) business days prior thereto, files with the Board or its designee a written election to receive Options or Shares, or a combination thereof, in lieu of all or a portion of such Non-Employee Director's Annual Cash Retainer for the one-year period beginning in the month of November coincident with or next following such meeting date, shall be granted such Options or Shares. In the event a Non-Employee Director does not file a written election in accordance with the preceding sentence, Options or Shares, or a combination thereof, shall be granted to such Non-Employee Director on the tenth (10th) business day after the date such Non-Employee Director files with the Board or its designee a written election to receive Options or Shares, or a combination thereof, in lieu of all or a portion of such Non-Employee Director's Annual Cash Retainer. An election pursuant to Section 8.1(b)(ii) shall be irrevocable on and after the tenth (10th) business day prior to the date of grant of the Options or Shares, as the case may be. An election pursuant to the second sentence of this Section 8.1(b) shall be irrevocable.

(c) The Board may, in its sole discretion, grant Options or award Shares to any Non-Employee Director pursuant to such terms and conditions as the Board shall determine, consistent with the terms of the Plan. The terms and conditions of any such grant or award shall be set forth in a Stock Option Agreement or other written agreement entered into between the Company and the Non-Employee Director governing the award of Shares hereunder.

8.2 **Number and Terms of Options.** The number of Shares subject to an Option granted pursuant to Section 8.1(b)(ii) above shall be the number of whole Shares equal to the ratio of (a) the product of (i) three and (ii) the portion of the Annual Cash

Retainer (expressed as a dollar amount) which the Non-Employee Director has elected pursuant to Section 8.1(b)(ii) to be payable in Options to (b) the Fair Market Value per Share on the Option Grant Date. Any fraction of a Share shall be disregarded and the remaining amount of such Annual Retainer shall be paid in cash or Shares as the Non-Employee Director has elected. The purchase price per Share under each Option granted pursuant to Section 8.1(a) or 8.1(b) shall be equal to the Fair Market Value per Share on the Option Grant Date.

Subject to Article IX and any restrictions contained in the applicable Stock Option Agreement, each Option granted to a Non-Employee Director shall become fully vested and exercisable with respect to all Shares covered by such Option on the six month anniversary of the Option Grant Date. In no event shall the period of time over which the Option may be exercised exceed ten (10) years from the Option Grant Date. An Option, or portion thereof, may be exercised in whole or in part only with respect to whole Shares.

Shares shall be issued to the Optionee pursuant to the exercise of an Option only upon receipt by the Company from the Optionee of payment in full either in cash or by surrendering (or attesting to the ownership of) Shares together with proof acceptable to the Board that such Shares have been owned by the Optionee for at least six (6) months prior to the date of exercise of the Option, or a combination of cash and Shares, in an amount or having a combined value equal to the aggregate purchase price for the Shares subject to the Option or portion thereof being exercised. The value of owned Shares submitted (directly or by attestation) in full or partial payment for the Shares purchased upon exercise of an Option shall be equal to the aggregate Fair Market Value of such owned Shares on the date of the exercise of such Option.

8.3 **Number of Shares.** The number of Shares granted pursuant to this Article shall be the number of whole Shares equal to the ratio of (a) the portion of the Annual Retainer which the Non-Employee Director has elected pursuant to Section 8.1 to be payable in Shares (expressed as a dollar amount) to (b) the Fair Market Value per Share on the Stock Award Date. Any fraction of a Share shall be disregarded and the remaining amount of such Annual Retainer shall be paid in cash or Options as the Non-Employee Director has elected. Upon an Award of Shares to a Non-Employee Director, the stock certificate representing such Shares shall be issued and transferred to the Non-Employee Director, whereupon the Non-Employee Director shall become a stockholder of the Company with respect to such Shares and shall be entitled to vote the Shares; *provided, however*, subject to Article IX, any stock certificates representing Shares awarded in respect of, and prior to, the one-year period beginning on the date of grant of a Stock Award shall not be transferred to the Non-Employee Director until immediately after the first annual meeting of stockholders held after the date of grant of the Stock Award and (x) an amount equal to the amount of dividends that would otherwise be paid on such Shares on or after the date of the meeting at which such Shares are granted and prior to such annual meeting of stockholders shall be held by the Company until immediately after such annual meeting of stockholders and (y) such Shares and dividend equivalents shall be forfeited in the event the Non-Employee Director is not elected a director of the Company at such annual meeting of stockholders.

ARTICLE IX — CHANGE OF CONTROL

9.1 **Effect of Change of Control.** Upon the occurrence of an event of “Change of Control”, as defined below, any and all outstanding Options shall become immediately vested and exercisable and any and all stock certificates representing Shares awarded to a Non-Employee Director pursuant to the first sentence of Section 8.1 and not transferred to such Non-Employee Director pursuant to Section 8.3, and any and all dividend equivalents with respect thereto held by the Company pursuant to Section 9.3, shall be transferred to such Non-Employee Director.

9.2 **Definition of Change of Control.** A “Change of Control” shall occur when:

(a) A “Person” (which term, when used in this Section 9.2, shall have the meaning it has when it is used in Section 13(d) of the Exchange Act, but shall not include the Company, any underwriter temporarily holding securities pursuant to an offering of such securities, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Voting Stock (as defined below) of the Company) is or becomes, without the prior consent of a majority of the Continuing Directors (as defined below), the Beneficial Owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of Voting Stock (as defined below) representing twenty percent (20%) or more of the combined voting power of the Company’s then outstanding securities; or

(b) The stockholders of the Company approve and the Company consummates a reorganization, merger or consolidation of the Company or the Company sells, or otherwise disposes of, all or substantially all of the Company’s property and assets, or the Company liquidates or dissolves (other than a reorganization, merger, consolidation or sale which would result in all or substantially all of the beneficial owners of the Voting Stock of the Company outstanding immediately prior thereto continuing to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the resulting entity), more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such entity resulting from the transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s property or assets, directly or indirectly) outstanding immediately after such transaction in substantially the same proportions relative to each other as their ownership immediately prior to such transaction): or

(c) The individuals who are Continuing Directors of the Company (as defined below) cease for any reason to constitute at least a majority of the Board of the Company.

(d) For purposes of this Section 9.2, (i) the term “Continuing Director” means (A) any member of the Board who is a member of the Board immediately after the issuance of any class of securities of the Company that are required to be registered under Section 12

of the Exchange Act, or (B) any person who subsequently becomes a member of the Board whose nomination for election or election to the Board is recommended by a majority of the Continuing Directors and (ii) the term “Voting Stock” means all capital stock of the Company which by its terms may be voted on all matters submitted to stockholders of the Company generally.

ARTICLE X — AMENDMENT AND TERMINATION

The Board may amend the Plan from time to time or terminate the Plan at any time; *provided, however*, that no action authorized by this Article shall adversely change the terms and conditions of an outstanding Award without the Non-Employee Director’s consent.

ARTICLE XI — ADJUSTMENT PROVISIONS

11.1 If the Company shall at any time change the number of issued Shares without new consideration to the Company (such as by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the Shares) or make a distribution of cash or property which has a substantial impact on the value of issued Shares, the total number of Shares reserved for issuance under the Plan shall be appropriately adjusted and the number of Shares covered by each outstanding Option and the purchase price per Share under each outstanding Option shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Option shall not be changed.

11.2 Notwithstanding any other provision of the Plan, and without affecting the number of Shares reserved or available hereunder, the Board shall authorize the issuance, continuation or assumption of outstanding Options or provide for other equitable adjustments after changes in the Shares resulting from any merger, consolidation, sale of assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence in which the Company is the continuing or surviving Company, upon such terms and conditions as it may deem necessary to preserve the rights of Optionees and holders of Shares that are subject to any restrictions under the Plan.

11.3 In the case of any sale of assets, merger, consolidation or combination of the Company with or into another Company other than a transaction in which the Company is the continuing or surviving Company and which does not result in the outstanding Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), any Optionee who holds an outstanding Option shall have the right (subject to the provisions of the Plan and any limitation applicable to the Option) thereafter and during the term of the Option, to receive upon exercise thereof the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of Shares which would have been obtained upon exercise of the Option or portion thereof, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of Shares of the surviving or new Company, cash, securities, evidence of indebtedness, other property or any

combination thereof receivable in respect of one Share of the Company upon consummation of an Acquisition.

ARTICLE XIII — FOREIGN DIRECTORS

Without amending the Plan, Awards granted to Non-Employee Directors who are foreign nationals may have such terms and conditions different from those specified in the Plan as may, in the judgment of the Board, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Board may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its subsidiaries operate or have Non-Employee Directors.

ARTICLE XIV — EFFECTIVE DATE AND TERM OF PLAN

The Plan originally became effective on June 29, 2000, the date it was approved by the stockholders of the Company, and shall terminate when terminated by the Board.

* * * * *

I hereby certify that the Plan was originally approved by the Board of Directors of Coach, Inc. on June 23, 2000 and was originally approved by the stockholders of Coach, Inc. on June 29, 2000.

I hereby certify that the Plan, as amended and restated in its entirety, was approved by the by the Board of Directors of Coach, Inc., effective as of May 3, 2001.

Executed on this third day of May, 2001.

Carole P. Sadler
Secretary

COACH, INC. NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS
(Amended and Restated as of May 3, 2001)

The Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors was originally approved by the Board of Directors (the “Board”) of Coach, Inc., a Maryland corporation (the “Company”), on June 23, 2000, and was originally approved by the stockholders of the Company on June 29, 2000. In furtherance of the purposes of said plan and in order to amend said plan in certain respects, the plan has been amended and restated in its entirety, effective as of May 3, 2001. This amendment and restatement constitutes a complete amendment, restatement and continuation of the Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors (as amended and restated, the “Plan”).

Section 1. Participation.

(a) A member of the Board who is not an employee of the Company may elect to defer the compensation that he or she earns for services as a director that he or she has not elected to receive in a form other than cash (“Annual Cash Retainer”) which would otherwise be payable for each fiscal year quarter (or other payment period established by the Company) (“Retainer Payment Quarter”) but for such director’s election to participate in the Plan.

(b) The deferred Annual Cash Retainer (“Deferred Compensation”) shall be paid on such future date (the “Distribution Date”) or dates and in such manner as a director who elects to participate in the Plan (“Participating Director”) shall elect in a written Deferred Compensation Agreement in such form, consistent with the terms of the Plan, as shall be provided by the Board or its delegate (“Deferred Compensation Agreement”); *provided, however*, that no Deferred Compensation shall be paid in the same calendar year in which any portion of the Annual Cash Retainer representing the Deferred Compensation is earned. Any election to defer all or any portion of the Annual Cash Retainer shall be applicable to all future Annual Cash Retainer fees earned until the election is revoked by the Participating Director pursuant to Section 4 hereof.

Section 2. Administration. The Plan shall be administered by the Board. The Board may delegate certain administrative authority to a committee or subcommittee of the Board or to one or more employees of the Company, but shall retain the ultimate responsibility for the interpretation of, and amendments to, the Plan. Members of the Board shall not be liable for any of their actions or determinations made in good faith with respect to the administration of the Plan. Except to the extent superseded by the laws of the United States, the laws of the State of Maryland, without regard to its conflict of laws principles, shall govern in all matters relating to the Plan.

Section 3. Establishment and Maintenance of Deferral Accounts.

(a) The Company shall establish and maintain a separate Deferred Compensation account (“Deferral Account”) for each Participating Director which, except as otherwise may be provided pursuant to Section 6, shall be a bookkeeping account. Deferred Compensation shall be credited to the Deferral Account as of the business day coinciding with or next following the 15th day of each calendar month or the business day coinciding with or next following the last day of each calendar month, in each case coincident with or next following the date the retainer fees would otherwise have been paid to the Participating Director (“Credit Dates”).

(b) Each Participating Director must make an investment election at the time such Participating Director elects to defer compensation pursuant to Section 1. The Participating Director shall, pursuant to the applicable Deferred Compensation Agreement, designate the portion of the Deferred Compensation which is to be treated as invested in each investment alternative. The two investment alternatives shall be as follows:

(i) Stock Equivalent Account. Under the Stock Equivalent Account, the Participating Director’s Deferral Account shall be invested in “Deferred Stock Units” under which each Deferred Stock Unit represents the right to receive one share of Coach, Inc. common stock, par value $0.01 per share (“Common Stock”), on the Distribution Date (subject to Section 5(a)). The number of Coach, Inc. Deferred Stock Units to be credited to the Participating Director’s Deferral Account and appropriate subaccounts on each Credit Date shall be determined by dividing the Deferred Compensation to be “invested” on that date by the average of the high and low quotes of a share of Common Stock on the applicable day on the New York Stock Exchange Composite Transaction Tape (“Market Value”). Fractional Deferred Stock Units will be computed to two decimal places. On any Common Stock dividend record date, an amount equal to the number of Deferred Stock Units held as of such dividend record date multiplied by the dividend paid on Common Stock on the applicable dividend payment date shall either (A) be credited to the Participating Director’s Deferral Account and appropriate subaccount as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date and “invested” in additional Deferred Stock Units as though such dividend credits were Deferred Compensation or (B) at the election of the Participating Director at such time and in accordance with such rules as established by the Board, be paid in cash to the Participating Director as of the March 31st, June 30th, September 30th or December 31st coincident with or next following the dividend payment date. In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of the Company to stockholders, or any other similar change or event effected without receipt of consideration, such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number of Deferred Stock Units credited to a Participating Director’s Deferral Account. Subject to Section 5(a), the number of shares of Common Stock to be paid to a Participating Director on a Distribution Date shall be equal to the number of Deferred Stock Units accumulated in the Deferral Account on such date divided by the total of the payments to be made. Deferred Stock Units shall not have voting rights.

(ii) Interest Account. Under the Interest Account, interest will be credited to the Participating Director’s Deferral Account as of the business day coinciding with or next following each June 30 and December 31 (a “Valuation Date”) and on the date the final payment of Deferred Compensation is to be made based on the balance in the Participating Director’s Deferral Account “invested” in the Interest Account on the Valuation Date or such final payment date. The rate of interest to be credited for a Plan Year (as defined in Section 4) will be set at the beginning of each Plan Year based upon the U.S. Prime Rate in effect as of such date as reported in the Wall Street Journal or such other source as may be designated by the Board. If installment payments are elected, the amount to be paid to the Participating Director on a Distribution Date shall be determined as follows: the amount of the principal payment of each installment shall be determined by dividing the current principal balance by the number of remaining installment payments and the amount of the interest payment shall be determined by dividing the current interest balance by the number of remaining installment payments. All payments from the Interest Account shall be made in cash.

(c) A Participating Director's investment election shall be subject to the following rules:

(i) If the Participating Director fails to make an investment election with respect to Deferred Compensation, the Deferred Compensation shall be deemed to be invested in the Interest Account.

(ii) All investments in the Stock Equivalent Account shall be irrevocable.

(iii) A Participating Director may elect to transfer amounts invested in the Interest Account to the Stock Equivalent Account as of any Valuation Date by filing an investment change election with the Board prior to the Valuation Date the change is to become effective. The amount elect to be transferred to the Stock Equivalent Account shall be treated as invested in Deferred Stock Units as of the Valuation Date and the number of Deferred Stock Units to be credited to the Participating Director's Deferral Account and appropriate subaccounts as of the Valuation Date shall be determined by dividing the amount to be transferred by the Market Value on such Valuation Date.

(iv) Until invested as of the Credit Date in either the Interest Account or Stock Equivalent Account, a Participating Director's Deferred Compensation shall be credited with interest in such amount as the Board may determine.

(d) A Participating Director may elect to re-defer balances of existing Deferred Compensation accounts. A re-deferral shall be effected by executing and delivering an election form at least six months prior to the original payment date and provided further that such re-deferral is not within the same tax year as the original deferral payment date.

Section 4. Revocation of Election. A Participating Director may elect to revoke the election to defer his or her Annual Cash Retainer by written notice delivered to the Secretary of the Company at least seven (7) business days prior to the date the

retainer fees would otherwise have been paid to the Participating Director ("Revocation Notice"). The revocation shall become effective at the beginning of the next immediate Retainer Payment Quarter and shall be applicable only to Annual Cash Retainer fees earned after the effective date of the Revocation Notice, and, thereafter, the Participating Director shall not be entitled to defer any future Annual Cash Retainer fees for the remaining portion of the Plan Year in which the Revocation Notice is delivered. "Plan Year" means the twelve-month period beginning on November 1 and ending on October 31.

Section 5. Payments of Deferred Compensation.

(a) As specified in the Deferred Compensation Agreement, a Participating Director may elect to receive payments of Deferred Compensation either (i) in a lump sum payment as of the Distribution Date or (ii) in annual installments over a period not to exceed ten (10) years commencing as of the Distribution Date. If the Participating Director elects an installment method of payment the Distribution Date must be as of January 1.

(b) The Deferral Account shall continue to be maintained for the benefit of the participating Director and paid in accordance with the Deferred Compensation Agreement in the event that the Participating Director's service as a director shall terminate prior to all of the outstanding balance in the Deferral Account being paid out.

(c) If a Participating Director shall die while an active director of the Company prior to all the payments being made from the Deferral Account, the unpaid balance of the Deferral Account shall be paid on the thirtieth (30th) day after the date the Secretary of the Company has been duly notified of his or her death to either of the Participating Director's estate or to his or her designated beneficiary or beneficiaries, as designated in the Deferred Compensation Agreement, or in the absence of such designation, to his or her personal representative. Such death payment shall be made in a single lump sum, irrespective of the time and manner of payment specified in the Deferred Compensation Agreement.

Section 6. Unfunded Obligation of the Company. Deferral Account balances shall constitute general contractual obligations of the Company to the Participating Directors. The Company shall not segregate assets, create any security interest or encumber its assets in order to provide for or fund the payment of any Deferral Account balances.

Section 7. Non-Assignability. The rights and benefits of a Participating Director under the Plan are personal and cannot be pledged, transferred or assigned except by designation of a beneficiary (or beneficiaries), by will or the laws of descent and distribution.

Section 8. Amendments. Any substantive amendment to the Plan shall be approved by the Board. No amendment shall be made which would adversely affect the tax status of the Deferred Compensation accumulated in the Deferral Accounts.

Section 9. Effective Date; Termination. The Plan originally became effective on June 29, 2000. The Board may terminate the Plan at any time; provided that, such termination shall not affect the rights of Participating Directors that have accrued under the Plan prior to such termination. In the event of a termination, the payment schedule specified in the Deferred Compensation Agreement or under the terms of the Plan shall continue to be followed.

* * * * *

I hereby certify that the Plan was originally approved by the Board of Directors of Coach, Inc. on June 23, 2000 and was originally approved by the stockholders of Coach, Inc. on June 29, 2000.

I hereby certify that the Plan, as amended and restated in its entirety, was approved by the by the Board of Directors of Coach, Inc., effective as of May 3, 2001.

Executed on this third day of May, 2001.

Carole P. Sadler
Secretary

SECURED LOAN AGREEMENT

SECURED LOAN AGREEMENT (as amended, supplemented or otherwise modified from time to time, the "Agreement"), dated as of July 26, 2001 (the "Effective Date"), by and between REED KRAKOFF, a natural person residing in the State of New York (the "Borrower") and COACH, INC., a Maryland corporation (the "Lender").

W I T N E S S E T H:

WHEREAS, the Borrower desires that the Lender make a loan of $2,000,000 to Borrower; and

WHEREAS, the Lender is willing to make such a loan, subject to the terms and conditions set forth herein and in the other Loan Documents (as defined below).

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements herein contained and other good and valuable consideration receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. AMOUNT AND TERMS OF THE LOAN

1.1 The Loan. The "Loan" hereunder shall mean the loan by the Lender to the Borrower in the principal amount of $2,000,000.

1.2 The Note. The Loan shall be evidenced by a promissory note in substantially the form attached hereto as Exhibit A (the "Note"), which Note shall be executed by the Borrower as of the Effective Date. Every term contained in the Note shall be deemed incorporated into this Agreement. To the extent any provision of the Note shall be deemed to be inconsistent with the provisions of this Agreement, however, the provisions of this Agreement shall control.

1.3 The Pledge Agreement. As a condition to the Loan, the Borrower shall enter into a Pledge, Assignment and Security Agreement in substantially the form attached hereto as Exhibit B (the "Pledge Agreement"), which Pledge Agreement shall be dated as of the Effective Date. Pursuant to the Pledge Agreement, the Borrower's obligations under this Agreement shall be secured by certain stock options and other security as set forth in the Pledge Agreement (the "Pledged Security").

1.4 Interest

(a) The outstanding principal balance of the Loan and any other obligations arising under this Agreement shall bear interest at the rate of 5.12% per annum (which 5.12% per annum is equal to the annual midterm applicable federal rate for the calendar month of July, 2001 as published by the Internal Revenue Service in Revenue Ruling 2001-34). Interest on the Loan shall be calculated on the basis of a 360-day year and the actual number of days elapsed.

(b) Interest on the Loan shall accrue with annual compounding from and including the Effective Date but excluding the date of any repayment thereof, and, except as otherwise provided by in this Agreement, shall be payable by the Borrower to the Lender in one lump sum on the fifth anniversary of the Effective Date.

(c) Nothing contained herein shall be deemed to require the payment of interest at a rate in excess of the maximum rate permitted by applicable law. In the event that the amount required to be paid hereunder for any calendar month exceeds the maximum rate permitted by law, such amounts shall be automatically reduced for such month to the maximum rate permitted by applicable law.

(d) The Borrower shall compensate the Lender, upon the Lender's delivery of a written demand therefor to the Borrower (which demand shall, absent manifest error, be final and conclusive and binding upon all of the parties hereto) for all reasonable losses, expenses and liabilities that the Lender sustains as a consequence of any default by the Borrower in repaying the Loan or any other amounts owing hereunder when required by the terms of this Agreement.

1.5 Repayment of Principal. Except as otherwise provided in this Agreement, repayment of principal shall be due and payable in installments as follows:

(a) $400,000 on the second anniversary of the Effective Date;

(b) $400,000 on the third anniversary of the Effective Date;

(c) $400,000 on the fourth anniversary of the Effective Date; and

(d) $800,000 on the fifth anniversary of the Effective Date.

1.6 Prepayment. The Borrower may prepay all or any part of the Loan, including interest, without penalty or premium at any time from time to time.

1.7 Acceleration. Notwithstanding Section 1.5, immediately upon the occurrence of any Event of Default (as defined in Section 7.1) and during any continuance thereof, the Lender may declare the Loan, all interest thereon and all other amounts and obligations payable to be forthwith due and payable to the Lender or may take any other action as provided in Section 7.2 herein.

1.8 Payment Procedures. All payments made by Borrower under this Agreement shall be made to the Lender at its office at the address indicated in Section 9.8 and shall be made by wire transfer in U.S. dollars in immediately available funds to the following account: The Northern Trust Company, Chicago, Illinois, Account Number 21-229, Bank Routing Number 071000152, or such other account number as may be designated by the Lender in writing from time to time. All payments received by the Lender shall be applied first to fees (if any), then to unpaid principal and interest in accordance with the terms of this

Agreement. To the extent not previously repaid, all principal and interest outstanding with respect to the Loan, plus any accrued but unpaid fees or other obligations arising under this Agreement, shall be due and payable in full on the fifth anniversary of the Effective Date.

2. EFFECTIVENESS

2.1 Effectiveness. None of this Agreement, the Pledge Agreement or the Note (collectively, the "Loan Documents") shall become effective until (i) all parties hereto have executed and delivered a counterpart hereof (including by way of facsimile transmission) and (ii) the conditions precedent set forth in Section 5 hereof shall have been satisfied.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

The Borrower represents and warrants to the Lender as follows:

3.1 Authority. The Borrower has the requisite legal capacity to own his assets, to borrow money, to execute, deliver and perform each of the Loan Documents to which he is a party and all other documents, certificates and instruments delivered in connection therewith, and to effect and carry out the transactions contemplated herein and therein. Each Loan Document has been duly authorized and, when executed and delivered, will be a valid and legally binding instrument enforceable against Borrower in accordance with its terms. The execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby (a) will not (immediately or with the passage of time, or the giving of notice) violate (i) any law, order, rule or regulation or determination of an arbitrator, a court, or other governmental agency, applicable or binding upon the Borrower or any of the Borrower's property (including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System) or as to which the Borrower or any of the Borrower's property is subject (collectively, "Requirement of Law"), or (ii) any provision of any agreement, instrument, or undertaking to which the Borrower is a party or by which the Borrower or any of the Borrower's property is bound and (b) will not result in the creation or imposition of any lien upon any of the property of the Borrower, other than those in favor of the Lender pursuant to the Loan Documents. No consents, approvals or other authorizations or notices, other than those which have been obtained and are in full force and effect, are required by any state or federal regulatory authority or other person or entity ("Person") in connection with the execution and delivery of the Loan Documents and the performance of any obligations contemplated thereby.

3.2 Pledged Security Ownership. The Borrower is the owner of, or has contractual rights to, the Pledged Security subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option, or other encumbrance whatsoever, except the liens and security interests created by the Loan Documents. The pledge and grant of the Pledged Security by the Borrower pursuant to the Pledge Agreement creates a valid and perfected first priority security interest in the Pledged Security in favor of the Lender. The Borrower is not subject to any contractual obligation restricting or limiting the ability of the Borrower to pledge the Pledged Security pursuant to the Pledge Agreement.

3.3 Litigation. There are no actions, suits, proceedings or governmental investigations or inquiries pending, or to the best knowledge of the Borrower threatened, against the Borrower or the Lender, that could, if adversely determined, have a material adverse effect on the performance of any obligation contemplated in or arising under the Loan Documents (a "Material Adverse Effect").

3.4 Other Debt

(a) Exhibit C attached hereto fully and accurately states, as of the Effective Date, all outstanding indebtedness (other than the Loan hereunder) and committed undrawn lines of credit of the Borrower in excess of $100,000 and any other indebtedness and committed undrawn lines of credit under $100,000 which in the aggregate exceed $100,000 (collectively, the "Other Debt"), and

(b) No default or event of default is existing with respect to such Other Debt and all representations and warranties made pursuant to the documents relating to the Other Debt are true and correct.

3.5 Taxes. All federal, state, local and foreign tax returns, reports and statements (collectively, the "Tax Returns") required to be filed by the Borrower or any of the Borrower's Tax Affiliates (as defined below) have been filed with the appropriate governmental agencies in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any extensions obtained for the filing thereof), all such Tax Returns are true and correct in all material respects, and all taxes, charges and other impositions due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof. Proper and accurate amounts have been withheld by the Borrower and each of the Borrower's Tax Affiliates, if any, from their respective employees, as applicable, for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law and such withholdings have been timely paid to the respective governmental authorities. "Tax Affiliate" shall mean, as to any Person, (i) any subsidiary of such Person and (ii) any affiliate of such Person with which such Person files or is eligible to file consolidated, combined or unitary tax returns.

3.6 Full Disclosure. No written statement prepared or furnished to the Lender in connection with the transactions contemplated hereby (including, without limitation, financial statements) by or on behalf of the Borrower, when all such statements are taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein not misleading. All facts known to the Borrower which are material to an understanding of the financial condition, business, properties or prospects of the Borrower have been disclosed to the Lender.

3.7 No Burdensome Restrictions; No Defaults

(a) The Borrower is not a party to any contractual obligation the compliance with which would have a Material Adverse Effect or the performance of which, either unconditionally or upon the happening of an event, will result in the creation of a lien (other than a lien granted pursuant to a Loan Document) on the property or assets of the Borrower.

(b) The Borrower is not in default under or with respect to any contractual obligation owed by the Borrower and, to the knowledge of the Borrower, no other party is in default under or with respect to any contractual obligation owed to the Borrower, other than those defaults which in the aggregate have no Material Adverse Effect.

(c) No Event of Default or event which, with the lapse of time and/or notice, would become an Event of Default (such event, a "Default") has occurred and is continuing.

(d) There is no Requirement of Law the compliance with which by the Borrower would have a Material Adverse Effect.

4. REPRESENTATIONS AND WARRANTIES OF THE LENDER

4.1 Contractual Obligations. The Lender is not subject to any contractual obligation restricting or limiting the ability of the Borrower to pledge the Pledged Security pursuant to the Pledge Agreement.

5. CONDITIONS PRECEDENT

The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent:

5.1 Documents. The Lender shall have received the following, validly executed to the satisfaction of the Lender:

(a) this Agreement;

(b) the Note; and

(c) the Pledge Agreement.

5.2 Approvals.

The Lender and the Borrower shall have received all necessary governmental approvals (domestic and foreign) and third party approvals in connection with the Loan and the transactions contemplated by the Loan Documents, which approvals shall have been received and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the making of the Loan and the transactions contemplated thereby. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the making of the Loan or the transactions contemplated by the Loan Documents.

5.3 Compliance with Covenants. The Borrower shall have complied with and performed all of the Borrower's covenants and obligations under the Loan Documents.

5.4 No Event of Default. No Default or Event of Default exists.

5.5 Related Information. The Borrower shall have provided to the Lender in form satisfactory to the Lender such other financial and personal information relating to the Borrower as requested by the Lender.

5.6 Fees and Expenses. The Lender has paid all costs and expenses in connection with the preparation, execution and delivery of the Loan Documents including but

not limited to the reasonable fees and out-of-pocket expenses of Latham & Watkins, counsel to the Lender.

6. COVENANTS OF THE BORROWER

6.1 Certain Affirmative Covenants. The Borrower covenants and agrees that until full and complete performance by the Borrower of all obligations arising under the Loan and the Loan Documents, the Borrower shall:

(a) Cooperate with the Lender and execute such further instruments and documents as the Lender shall reasonably request to carry out to its satisfaction the transactions contemplated by the Loan Documents; provided, however, that the Borrower shall be under no obligation to provide any collateral other than the Pledged Security;

(b) As soon as possible and in any event within two business days after acquiring knowledge thereof notify the Lender in writing of the occurrence of any Default or Event of Default;

(c) Cause to be promptly delivered to the Lender copies of all written notices, and notice of any oral notices, received by the Borrower with respect to any part of the Pledged Security;

(d) Promptly give notice to the Lender of any challenge to the title of the Pledged Security and defend the Lender's right, title and security interest in and to the Pledged Security and the proceeds thereof against the claims and demands of all persons (the Borrower also agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Lender as collateral and will likewise defend the Lender's right thereto and security interest therein);

(e) Promptly provide the Lender with such other information respecting condition or operations, financial or otherwise, of the Borrower as the lender may from time to time reasonably request; and

(f) At the request of the Lender, provide the Lender with duly authorized certificates evidencing any Pledged Security, together with stock powers executed in blank to the Lender.

6.2 Negative Covenants. The Borrower covenants and agrees that until full and complete performance by the Borrower of all obligations arising under the Loan and the Loan Documents, the Borrower shall not:

(a) Sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to the Pledged Security, nor create, incur, or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrances with respect to any of the Pledged Security or interest therein, or any proceeds thereof, except for the liens and security interests provided or permitted hereby;

(b) Without the prior written consent of the Lender, grant proxies, assign or otherwise transfer voting interests in the Pledged Security, or vote as a stockholder of the Lender to issue any stock or other securities of any nature in addition to or in exchange or substitution for the Pledged Security or engage in any other transaction that could have an adverse effect on the value of the Pledged Security or the rights and remedies of the Lender in respect thereof;

(c) Sell any shares of Coach, Inc. common stock in a manner that would adversely effect the Lender’s ability to sell the Pledged Security; or

(d) Use the proceeds of the Loan to purchase or carry (i) “securities” within the meaning of Regulation T of the Board of Governors of the Federal Reserve System, or (ii) “Margin Stock” within the meaning of Regulation G, U, or X of the Board of Governors of the Federal Reserve System.

6.3 Compliance with Laws, etc. The Borrower shall comply in all material respects with all Requirements of Law, contractual obligations, commitments, instruments, licenses, permits and franchises; provided, however, that there shall not be deemed a default under this Section if all such non-compliances in the aggregate have no Material Adverse Effect.

6.4 Payment of Taxes. The Borrower shall pay and discharge, before the same shall become delinquent, all lawful governmental claims, taxes, assessments, charges and levies; provided, however, that there shall not be deemed a default under this Section if all such non-payments in the aggregate have no Material Adverse Effect.

6.5 Reporting Requirements. The Borrower shall furnish to the Lender:

(a) Promptly after the commencement thereof, notice of all actions, suits and proceedings before any domestic or foreign governmental authority or arbitrator, affecting the Borrower, except those which in the aggregate, if adversely determined, would have no Material Adverse Effect;

(b) Promptly (and in any event within two business days) after Borrower becomes aware of the existence of (i) any breach or non-performance of, or any default under, any contractual obligation which is material to the financial condition of the Borrower, or (ii) any event, development or other circumstances which has any reasonable likelihood of causing of resulting in a Material Adverse Effect, written notice in reasonable detail specifying the nature of the breach, non-performance, default, event, development or circumstance, including without limitation, the anticipated effect thereof, which notice shall be promptly confirmed in writing within five days;

(c) Upon the request of the Lender, copies of all federal, state and local tax returns and reports filed by the Borrower or any of the Borrower’s affiliates in respect of taxes measured by income (excluding sales, use and like taxes); and

(d) Such other information respecting the financial condition of the Borrower as the Lender may from time to time reasonably request.

6.6 Indebtedness. The Borrower shall not create or suffer to exist any indebtedness except:

(a) The Loan;

(b) Current liabilities in respect of taxes, assessments and governmental charges or levies incurred; and

(c) Indebtedness existing on the Effective Date and set forth on Exhibit C, or refinancings thereof which do not increase the principal amount thereof or provide for any payment of principal prior to the dates and in the amounts required under the terms of the indebtedness being refinanced.

(d) Indebtedness secured by a purchase money mortgage.

(e) Indebtedness (other than as set forth in subparagraphs (a) through (d), above) not exceeding $5,000,000 in the aggregate.

7. EVENTS OF DEFAULT; ACCELERATION

7.1 Events of Default. Each of the following shall constitute an “Event of Default”:

(a) The Borrower shall fail to make any payment of principal or interest on the Loan or other amounts due under the Loan Documents on the date which such payment is due;

(b) The Borrower shall fail to perform any term, covenant or agreement contained in Sections 6.1(b) or 6.2 herein; or (ii) the Borrower shall fail to perform any other term, covenant or agreement contained herein or in any Loan Document and such failure shall continue for fifteen (15) days after the earlier of the date on which (x) the Borrower becomes aware of such failure or (y) written notice of such failure has been given to the Borrower by the Lender;

(c) Any representation or warranty of the Borrower in any Loan Document shall prove to have been false in any material respect upon the date when made;

(d) The Borrower's employment with the Lender shall be terminated for any reason or the Borrower shall materially breach any provision of any employment agreement that may be entered into between the Borrower and the Lender prior to the time the Borrower repays the Loan in full;

(e) The Borrower shall default in the payment when due (whether by scheduled maturity, by required prepayment, by acceleration, by demand, or otherwise) of any indebtedness for borrowed money owing to any other person, or any interest or premium thereon of any amount owing in respect of such indebtedness, in excess of $100,000; or the Borrower shall default in the performance or observance of any obligation or condition with respect to such indebtedness or any other event shall occur or condition exist, if the effect of such default, event

or condition is to accelerate the maturity of any such indebtedness or to permit (without regard to any required notice or lapse of time) the holder or holders thereof, or any trustee or agent for such holders, to accelerate the maturity of any such indebtedness, or any such indebtedness shall become or be declared to be due and payable prior to its stated maturity other than as a result of a regularly scheduled payment date;

(f) The Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator; (ii) be generally unable to pay the Borrower's debts as such debts become due; (iii) make a general assignment for the benefit of the Borrower creditors; (iv) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect); (v) file a petition seeking to take advantage of any other law of any jurisdiction relating to bankruptcy, insolvency, or composition or readjustment of debts; (vi) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against the Borrower in an involuntary case under the United States Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing;

(g) A proceeding or case shall be commenced, without the application or consent of the Borrower, in any court of competent jurisdiction, seeking (i) the liquidation of the Borrower's assets, or the composition or readjustment of the Borrower's debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of any substantial part of the Borrower's assets, or (iii) similar relief in respect of the Borrower under any law of any jurisdiction relating to bankruptcy, insolvency, or the composition or readjustment of debts, and such proceedings or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of sixty (60) days; or an order for relief against the Borrower shall be entered in an involuntary case under any bankruptcy, insolvency, composition, readjustment of debt, liquidation of assets or similar law of any jurisdiction;

(h) There shall remain in force, undischarged, unbonded, or unstayed, for more than thirty (30) days, any final judgment against the Borrower that, with other outstanding final judgments, undischarged, against the Borrower exceeds in the aggregate $100,000;

(i) The Borrower shall die or become incapacitated;

(j) Any provision of the Pledge Agreement shall for any reason cease to be valid and binding on the Borrower or the Borrower shall so state in writing; or the Pledge Agreement shall for any reason cease to create a valid lien on the Pledged Security purported to be covered thereby, or such lien shall cease to be a perfected and first priority lien with respect to the Pledged Security, or the Borrower shall so state in writing; or

(k) Any necessary approval, qualification or license of any governmental entity required in connection with any Loan Document or the transactions contemplated thereby shall be revoked, terminated, withdrawn, suspended, modified, withheld, or not renewed, which in the Lender's judgment, would individually or in the aggregate have a Material Adverse Effect.

7.2 Remedies Upon Default. Immediately upon the occurrence of any Event of Default and during the continuance thereof, the Lender may declare the Loan, all interest

thereon and all other amounts and obligations payable under any Loan Document to be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower; provided that, upon the occurrence of an Event of Default specified in subparagraphs (g) and (h) above, the Loan, all such interest and all such amounts and obligations payable under any Loan Document shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. In addition to the remedies set forth above, the Lender shall have the rights and remedies (a) set forth in the Pledge Agreement, (b) in any other instrument or agreement securing, evidencing, or relating to any of the obligations of the Borrower hereunder, (c) all the rights and remedies of a secured party under the Uniform Commercial Code and (d) the Lender shall also have the right to offset any amounts otherwise payable from the Lender to the Executive (including, without limitation, any salary, bonus or severance payments) by the amount of such unpaid principal and/or interest. The Borrower further waives and agrees not to assert any rights or privileges it may acquire under Section 9-112 of the Uniform Commercial Code and the Borrower shall be liable for the deficiency if the proceeds of any sale or other disposition of the Pledged Security are insufficient to pay all amounts to which the Lender is entitled, and the fees of any attorneys employed by the Lender to collect such deficiency.

7.3 Regulatory Approval. To the extent necessary, the Borrower agrees to use Borrower's best efforts to obtain all approvals, authorizations, consents and licenses or to provide any regulatory notices required by, any federal, state, or local regulatory agency or governmental body with jurisdiction thereof in connection with any foreclosure with respect to the Pledged Security or subsequent sale or other disposition of any or all of the Pledged Security, or any change in the voting rights or control of the voting rights relating thereto upon the occurrence and continuance of an Event of Default, and, to the extent not otherwise unlawful, to deal with the Pledged Security in a manner consistent with the best interests of the Lender, including selling the Pledged Security at the request of the Lender to any Person authorized to purchase Pledged Security.

8. ARBITRATION

8.1 AGREEMENT TO BINDING ARBITRATION. THE PARTIES AGREE THAT ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE BREACH THEREOF, SHALL AT EITHER PARTIES, ELECTION, BE SUBMITTED TO ARBITRATION BEFORE THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. EITHER PARTY MAY OBTAIN PROVISIONAL OR ANCILLARY REMEDIES SUCH AS INJUNCTIVE RELIEF OR THE APPOINTMENT OF A RECEIVER, OR EXERCISE SELF-HELP, AT ANY TIME WITHOUT WAIVING ITS RIGHT TO ARBITRATION.

9. MISCELLANEOUS

9.1 Expenses. Whether or not any advances are made pursuant to the Loan, the Lender agrees to pay all costs and expenses in connection with the preparation, execution,

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delivery, administration, and enforcement of the Loan and the Loan Documents and the perfection and continuation of the security interest in the Pledged Security

9.2 Governing Law; Submission to Jurisdiction. This Agreement, the Pledge Agreement and the Note are contracts under the laws of the State of New York and shall for all purposes be governed by and construed in accordance with the laws of the State of New York, without regard to its principals of conflicts of laws. The Borrower and the Lender hereby submit to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York City for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower and the Lender irrevocably waive, to the fullest extent permitted by applicable law, any objection that the Borrower or the Lender may now or hereafter have to laying of the venue of any such proceedings brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

9.3 Waiver of Jury Trial. THE BORROWER AND THE LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9.4 Further Assurances. Subject to Section 6.1(a), the Borrower shall, at any time, and from time to time, upon the written request of the Lender, execute and deliver such further documents and do such further acts and things as the Lender may reasonably request to effect the purposes of this Agreement, including, in the case of the Borrower, delivering to the Lender at the request of the Lender a proxy with respect to the Pledged Security, and this Agreement shall constitute a proxy with respect to the Pledged Security.

9.5 Waivers. No course of dealing between any of the Borrower and the Lender, nor any failure to exercise, nor any delay in exercising, any right, power or privilege of the Lender hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

9.6 Rights Cumulative. The rights and remedies provided herein, in the Pledge Agreement, in the Note, and in all other agreements, instruments, and documents delivered pursuant to or in connection with this Agreement, and by applicable law are cumulative and are in addition to and not exclusive of any other rights or remedies provided by law.

9.7 Severability. The provisions of this Agreement are severable. If any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision or part thereof in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision in this Agreement in any jurisdiction.

9.8 Notices. All notices and other communications made or required to be given pursuant to the Loan Documents shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (if receipt is confirmed by the facsimile operator of the recipient), or delivered by overnight courier service, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

(a) To the Borrower:

Reed Krakoff
162 East 70th Street
New York, NY 10021

With a copy to:

Reed Krakoff
516 West 34th Street
New York, NY 10001

(b) To the Lender:

Coach, Inc.
516 West 34th Street
New York, NY 10001
Attention: Carole P. Sadler, Esq.
Facsimile No: (212) 629-2398

With a copy to:

Latham & Watkins
885 Third Avenue
New York, NY 10022
Attention: Bradd L. Williamson, Esq.
Facsimile No.: (212) 751-4864

9.9 Successors and Assign. This Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the parties hereto; provided, however, that the Borrower may not assign any rights or obligations hereunder without the written consent of the Lender.

9.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one document.

9.11 Termination. This Agreement shall terminate upon irrevocable payment in cash in full of all obligations secured hereby, at which time the Lender will deliver all of the Pledged Security being held hereunder to the Borrower or as otherwise instructed by the Borrower.

[signature page follows]

IN WITNESS WHEREOF, the parties hereby have caused this Agreement to be duly executed and delivered as of the day and year first above written.

BORROWER
/s/ Reed Krakoff

Reed Krakoff
LENDER
By:/s/ Keith Monda

Name: Keith Monda
Title: Chief Operating Officer

PLEDGE, ASSIGNMENT AND SECURITY AGREEMENT

PLEDGE, ASSIGNMENT AND SECURITY AGREEMENT, dated as of July 26, 2001, made by Reed Krakoff, a natural person residing in the sate of New York (the "Pledgor") to Coach, Inc., a Maryland corporation (the "Pledgee"). Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms in the Loan Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Pledgor has entered into that certain Secured Loan Agreement with the Pledgee, dated as of July 26, 2001 (as it may be amended, supplemented or modified from time to time, the "Loan Agreement") evidencing a loan (the "Loan") of $2,000,000 by the Pledgee to the Pledgor;

WHEREAS, the Pledgor has been granted certain options to purchase shares of the Pledgee's common stock; and

WHEREAS, It is a condition precedent to the effectiveness of the Loan Agreement that the Pledgor shall grant the security interest contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan contemplated by the Loan Agreement, the Pledgor hereby agrees with the Pledgee as follows:

Section 1 Grant of Security. The Pledgor hereby assigns, transfers and pledges to the Pledgee, and hereby grants to the Pledgee a security interest in, all of the Pledgor's right, title and interest in, to and under the following, in each case, as to each type of property described below, whether now owned or hereafter acquired, wherever located and whether now or hereafter existing (the "Collateral"):

(a) That certain option granted to Pledgor by Pledgee described on Schedule I hereto (the "Option") to purchase 150,000 shares of Coach, Inc. common stock, par value $0.01 per share ("Common Stock"), and all shares of Common Stock acquired upon exercise of the Option (collectively, "Security Collateral"), and all dividends, cash, instruments and other property from time to time received upon the sale of, or receivable or otherwise distributed in respect of or in exchange for, any or all of such Security Collateral;

(b) That certain Stock Option Agreement, to the extent that it evidences the Option, in substantially the form set forth on Schedule II hereto (the "Assigned Agreement"), including without limitation all rights of the Pledgor under or with respect to the Assigned Agreement (all such Collateral being the "Agreement Collateral");

(c) All proceeds of any and all of the foregoing Collateral (including, without limitation, any property or cash) and, to the extent not otherwise included, all payments under insurance (whether or not the Pledgee is the loss payee

thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral; and

(d) Any other property or right constituting any part of the Pledged Security.

Section 2 Security for Obligations. This Agreement secures the payment of all obligations of the Pledgor now or hereafter existing under the Loan Documents (all such obligations of the Pledgor being the "Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Obligations and would be owed by the Pledgor to the Pledgee under any of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Pledgor.

Section 3 Release of Security

(a) As of the date of the repayment of any Loan principal under the Loan Agreement, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor with respect to that number of shares of Common Stock subject to the Option (or acquired upon exercise of the Option) equal to the product of (a) 150,000 and (b) the ratio of (i) the amount of Loan principal repaid as of such date to (ii) $2,000,000.

(b) As of the date of each repayment of Loan principal, the termination of the security interest as described in Section 3(a) shall apply first with respect to any shares of Common Stock purchased by Pledgor upon exercise of the Option prior to such repayment date (or any other property received with respect to such shares) and then with respect to shares of Common Stock subject to the Option as of the date of such repayment.

Section 4 Pledgor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Pledgor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Pledgee of any of the rights hereunder shall not release the Pledgor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Pledgee shall have no obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Pledgee be obligated to perform any of the obligations or duties of the Pledgor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 5 Delivery of Collateral. All certificates or instruments representing or evidencing the Collateral shall be delivered to and shall be held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee (as pledgee hereunder) or any of its nominees any or all of the Collateral. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing the Collateral for certificates or instruments of smaller or larger denominations.

Section 6 Representations and Warranties. The Pledgor represents and warrants as follows:

(a) A fully executed original counterpart of the Assigned Agreement has been delivered to the Pledgee.

(b) The Pledgor is the legal and beneficial owner of the Collateral free and clear of any lien, security interest, option or other charge or encumbrance, except for the security interests created by this Agreement. No effective financing statement or other document similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Pledgee relating to this Agreement.

(c) This Agreement has been duly executed and delivered by the Pledgor and is a valid and binding obligation of the Pledgor, enforceable against the Pledgor in accordance with its terms.

(d) The execution and delivery by the Pledgor of this Agreement and the performance of its obligations thereunder are within the Pledgor's authority and capacity and do not contravene any law, regulation, order or contractual restriction binding on or affecting the Pledgor.

(e) The Pledge and grant of the Collateral pursuant to this Pledge Agreement creates a valid and perfected first priority security interest in the Collateral in favor of the Pledgee, securing the payment of all of the Obligations.

Section 7 Further Assurances

(a) The Pledgor agrees that from time to time the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Pledgor will: (i) deliver and pledge to the Pledgee promptly upon receipt thereof all instruments or certificates representing or evidencing any of the Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Pledgee; and (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be

necessary or desirable, or as the Pledgee may request, in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby.

(b) The Pledgor hereby authorizes the Pledgee to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Pledgor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Pledgor will furnish to the Pledgee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Pledgee may reasonably request, all in reasonable detail.

(d) The Pledgor agrees to defend the title of the Collateral and the lien thereon of the Pledgee against the claim of any other person and to maintain and preserve such lien until payment in full of all of the Obligations.

Section 8 Assigned Agreement. The Pledgor shall at its expense (a) perform and observe all the terms and provisions, in all material respects, of the Assigned Agreement to be performed or observed by it, enforce the Assigned Agreement in accordance with their respective terms, and take all such action to such end as may be from time to time reasonably requested by the Pledgee, (b) furnish to the Pledgee such information and reports regarding the Collateral as the Pledgee may reasonably request and (c) upon request of the Pledgee make to any other party to the Assigned Agreement such demands and requests for information and reports or for action as the Pledgor is entitled to make thereunder.

Section 9 Voting Rights; Dividends

(a) So long as no Event of Default shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Security Collateral of the Pledgor or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents; provided, however, that the Pledgor shall not exercise or shall refrain from exercising any such right if, in the Pledgee's judgment, such action could have a material adverse effect on the Security Collateral or any part thereof; provided further, that the Pledgor shall give the Pledgee at least five business days' written notice of the manner in which he intends to exercise, or his reasons for refraining from exercising, any such right.

(ii) Any and all (A) dividends and interest paid or payable including cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Security Collateral, (B) dividends and other distributions paid or payable in cash in respect of any Security Collateral in

connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, (C) cash paid, payable or otherwise distributed in respect of principal of or in exchange for, any Security Collateral, and (D) cash dividends paid or payable in violation of the terms of the Loan Documents, shall be, and shall be forthwith delivered to the Pledgee to hold as, Security Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor and be forthwith delivered to the Pledgee as Security Collateral in the same form as so received (with any necessary endorsement).

(iii) The Pledgee shall (A) execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above and (B) release to the Pledgor amounts of the Collateral as the Pledgor may reasonably request, but solely to the extent necessary to permit the Pledgor to exercise the rights set forth in the Assigned Agreement; provided that such exercise shall comply with the terms and provisions of such agreements and provided further that upon the exercise by the Pledgor of any such rights, all proceeds resulting from such exercise shall be, and shall be forthwith delivered to the Pledgee to hold as, Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor and be forthwith delivered to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

(iv) Upon the receipt by the Pledgee of adequate supporting documents, the Pledgee shall release to the Pledgor amounts of the Collateral as the Pledgor may reasonably request, but solely to the extent necessary to pay all taxes due and payable by the Pledgor upon the exercise of any options under the respective Assigned Agreement, and any gain recognized upon the sale or exchange of any collateral, or on any dividends or distributions previously received by the Pledgor and pledged to the Pledgee pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of any Event of Default all rights of the Pledgor to exercise or refrain from exercising the consensual rights that it would otherwise be entitled to exercise pursuant to Section 9(a)(i) shall cease, and all such rights shall thereupon become vested in the Pledgee, which shall thereupon have the sole right to exercise or refrain from exercising such consensual rights.

Section 10 Transfers and Other Liens. The Pledgor shall not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral or (b) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the Collateral, except for the security interest under this Agreement.

Section 11 Pledgee Appointed Attorney-in-Fact. The Pledgor hereby irrevocably appoints the Pledgee the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to

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time in the Pledgee's discretion, to take any action and to execute any instrument that the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) To ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above, and

(c) To file any claims or take any action or institute any proceedings that the Pledgee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Pledgee with respect to any of the Collateral.

Section 12 Pledgee May Perform. If the Pledgor fails to perform any agreement contained herein, the Pledgee may itself perform, or cause performance of, such agreement, and the expenses of the Pledgee incurred in connection therewith shall be payable by the Pledgor.

Section 13 Pledgee's Duties. The powers conferred on the Pledgee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Pledgee shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property.

Section 14 Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Pledgee may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of New York at that time (the "UCC") (whether or not the UCC applies to the affected Collateral), and also may (i) require the Pledgor to, and the Pledgor hereby agrees that it will at its expense and upon request of the Pledgee forthwith, assemble all or part of the Collateral as directed by the Pledgee and make it available to the Pledgee at a place to be designated by the Pledgee which is reasonably convenient to both parties and (ii) without notice except as specified below, sell or, to the extent permitted by applicable law, purchase the Collateral or any part thereof in one or more parcels at public or private sale, at

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any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives any claim against the Pledgee arising by reason of the fact that the price at which any Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Pledgee accepts the first offer received and does not offer such Collateral to more than one offeree.

(b) The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act") and applicable state securities laws, the Pledgee may be compelled, with respect to the sale of all or any part of the Collateral, to limit purchases to those who will agree, among other things, to acquire such securities for their own account, for investment, and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such sale may result in prices and other terms less favorable to the seller than if such a sale were a public sale without such restrictions, and notwithstanding such circumstances, agrees that such sale shall be deemed to have been made in a commercially reasonable manner.

(c) Any cash held by the Pledgee as Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and then or at any time thereafter be applied (after payment of any amounts payable to the Pledgee pursuant to Section 15) in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

(d) The Pledgee may exercise any and all rights and remedies of the Pledgor under or in connection with the Assigned Agreement or otherwise in respect of the Collateral, including, without limitation, any and all rights of the Pledgor to demand or otherwise require payment of any amount under, or performance of any provision of, the Assigned Agreement.

(e) Subject to Section 9, all payments received by the Pledgor under or in connection with the Assigned Agreement or otherwise in respect of the Collateral shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee in the same form as so received (with any necessary endorsement).

In exercising the remedies provided for herein, the Pledgee shall comply with all provisions of the Assigned Agreement and with applicable law, including without limitation the securities laws.

Section 15 Amendments. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Pledgee.

Section 16 Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Obligations and all other amounts payable under the Loan Documents (b) be binding upon the Pledgor, its successors and assigns and (c) inure to the benefit of, and be enforceable by, the Pledgee and its successors, transferees and assigns.

* * * * * * *

IN WITNESS WHEREOF, the Pledgor has duly executed and delivered this Agreement, and the Pledgee has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized, as of the date first above written.

PLEDGOR

/s/ Reed Krakoff

Reed Krakoff

PLEDGEE

By: /s/ Keith Monda

Title: Chief Operating Officer

Schedule I

Option

Pledgor	Issuer	Class of Stock	Number of Shares	Exercise Price
Reed Krakoff	Coach, Inc	Common	150,000	$16.00

Exhibit 21.1

LIST OF SUBSIDIARIES OF COACH, INC.

1. Coach Services, Inc. (Maryland)
2. Coach Leatherware International, Inc. (Delaware)
3. Coach Stores Puerto Rico, Inc. (Delaware)
4. Coach Japan Holdings, Inc. (Delaware)
5. Coach Japan Investments, Inc. (Delaware)
6. Coach (UK) Limited (United Kingdom)
7. Coach Europe Services S.r.l. (Italy)

Exhibit 23.1

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements File Nos. 333-64610 and 333-51706.

ARTHUR ANDERSEN LLP

New York, New York
September 17, 2001