UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 27, 2014

or

☐ **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	**52-2242751**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

516 West 34th Street, New York, NY 10001
(Address of principal executive offices); (Zip Code)

(212) 594-1850
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☑	Accelerated Filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

On October 24, 2014, the Registrant had 275,590,311 outstanding shares of common stock, which is the Registrant's only class of common stock.

COACH, INC.
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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This document, and the documents incorporated by reference in this document, in our press releases and in oral statements made from time to time by us or on our behalf, contain certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on management’s current expectations, that involve risks and uncertainties that could cause our actual results to differ materially from our current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “may,” “will,” “should,” “expect,” “confidence,” “trends,” “intend,” “estimate,” “on track,” “are positioned to,” “on course,” “opportunity,” “continue,” “project,” “guidance,” “target,” “forecast,” “anticipated,” “plan,” “potential,” the negative of these terms or comparable terms. Future results will vary from historical results and historical trends are not indicative of future trends, which will depend upon a number of factors, including but not limited to: (i) the successful execution of our business strategies and our multi-year transformation initiatives; (ii) the effect of existing and new competition in the marketplace; (iii) our exposure to international risks, including currency fluctuations and our efforts to expand internationally into a global lifestyle brand; (iv) changes in economic or political conditions in the markets where we sell or source our products; (v) our ability to successfully anticipate consumer preferences; (vi) our ability to control costs; (vii) the effect of seasonal and quarterly fluctuations in our sales on our operating results; (viii) our ability to access credit and capital markets; (ix) our ability to protect against infringement of our trademarks and other proprietary rights; and such other risk factors as set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended June 28, 2014. Coach, Inc. assumes no obligation to revise or update any such forward-looking statements for any reason, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

Coach’s quarterly financial results and other important information are available by calling the Investor Relations Department at (212) 629-2618.

Coach maintains its website at www.coach.com where investors and other interested parties may obtain, free of charge, press releases and other information as well as gain access to our periodic filings with the Securities and Exchange Commission (the "SEC").

INFORMATION REGARDING HONG KONG DEPOSITORY RECEIPTS

Coach’s Hong Kong Depositary Receipts are traded on The Stock Exchange of Hong Kong Limited under the symbol 6388. Neither the Hong Kong Depositary Receipts nor the Hong Kong Depositary Shares evidenced thereby have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to, or for the account of, a U.S. Person (within the meaning of Regulation S under the Securities Act), absent registration or an applicable exemption from the registration requirements. Hedging transactions involving these securities may not be conducted unless in compliance with the Securities Act.

COACH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 27, 2014	June 28, 2014
	(millions) (unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 660.9	$ 591.9
Short-term investments	246.6	276.7
Trade accounts receivable, less allowances of $1.4 million and $1.4 million, respectively	209.0	198.6
Inventories	597.4	526.2
Deferred income taxes	88.9	112.6
Other current assets	136.0	149.2
Total current assets	1,938.8	1,855.2
Property and equipment, net	701.2	713.9
Long-term investments	467.7	484.5
Goodwill	339.4	361.4
Other assets	223.9	248.1
Total assets	$ 3,671.0	$ 3,663.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 173.7	$ 153.9
Accrued liabilities	473.8	518.7
Current debt	170.0	140.5
Total current liabilities	817.5	813.1
Other liabilities	413.4	429.4
Total liabilities	1,230.9	1,242.5
See Note 14 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; $0.01 par value per share) none issued	—	—
Common stock: (authorized 1,000.0 million shares; $0.01 par value per share) issued and outstanding 275.6 million and 274.4 million shares, respectively	2.8	2.7
Additional paid-in-capital	2,666.2	2,646.1
Accumulated deficit	(193.3)	(219.5)
Accumulated other comprehensive loss	(35.6)	(8.7)
Total stockholders' equity	2,440.1	2,420.6
Total liabilities and stockholders' equity	$ 3,671.0	$ 3,663.1

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	September 27, 2014	September 28, 2013
	(millions, except per share data) (unaudited)	
Net sales	**$ 1,038.8**	$ 1,150.8
Cost of sales	**323.4**	324.2
Gross profit	**715.4**	826.6
Selling, general and administrative expenses	**535.6**	505.0
Operating income	**179.8**	321.6
Interest income, net	**0.7**	1.7
Income before provision for income taxes	**180.5**	323.3
Provision for income taxes	**61.4**	105.4
Net income	**$ 119.1**	$ 217.9
Net income per share:		
Basic	**$ 0.43**	$ 0.77
Diluted	**$ 0.43**	$ 0.77
Shares used in computing net income per share:		
Basic	**275.0**	281.4
Diluted	**276.4**	284.5
Cash dividends declared per common share	**$ 0.3375**	$ 0.3375

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
	September 27, 2014	September 28, 2013
	(millions) (unaudited)	
Net income	**$ 119.1**	$ 217.9
Other comprehensive (loss) income, net of tax:		
Net unrealized gains (losses) on cash flow hedging derivatives	**3.8**	(5.1)
Net unrealized (losses) gains on available-for-sale investments	**(0.5)**	0.1
Foreign currency translation adjustments	**(30.2)**	10.5
Other comprehensive (loss) income, net of tax	**(26.9)**	5.5
Comprehensive income	**$ 92.2**	$ 223.4

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	September 27, 2014	September 28, 2013
	(millions) **(unaudited)**	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 119.1**	$ 217.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**43.3**	45.0
Provision for bad debt	**0.2**	0.2
Share-based compensation	**21.9**	17.5
Excess tax shortfall (benefit) from share-based compensation	**1.6**	(0.9)
Transformation and other related charges; sale of Reed Krakoff business	**18.9**	(0.9)
Deferred income taxes	**22.0**	16.4
Other non-cash credits, net	**(5.1)**	(2.1)
Changes in operating assets and liabilities:		
Trade accounts receivable	**(14.1)**	(0.6)
Inventories	**(92.7)**	(104.8)
Accounts payable	**21.6**	(19.9)
Accrued liabilities	**(27.8)**	19.2
Other liabilities	**(4.7)**	0.2
Other balance sheet changes, net	**34.7**	(23.1)
Net cash provided by operating activities	**138.9**	164.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of interest in equity method investment	**(28.9)**	(18.2)
Acquisitions, net of cash acquired	**—**	(2.0)
Purchases of property and equipment	**(40.4)**	(45.9)
Loans to related parties	**—**	0.5
Purchases of investments	**(26.3)**	(165.8)
Proceeds from maturities and sales of investments	**101.6**	—
Net cash provided by (used in) investing activities	**6.0**	(231.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments	**(92.6)**	(95.0)
Repurchase of common stock	**—**	(175.0)
Repayment of debt	**(0.5)**	—
Proceeds from share-based awards	**9.0**	24.5
Borrowings under revolving credit facility	**100.0**	—
Repayment of revolving credit facility	**(70.0)**	—
Taxes paid to net settle share-based awards	**(11.9)**	(36.9)
Excess tax (shortfall) benefit from share-based compensation	**(1.6)**	0.9
Acquisition-related payment of contingent consideration	**(3.9)**	—
Net cash used in financing activities	**(71.5)**	(281.5)
Effect of changes in foreign exchange rates on cash and cash equivalents	**(4.4)**	0.6
Increase (decrease) in cash and cash equivalents	**69.0**	(348.2)
Cash and cash equivalents at beginning of period	**591.9**	1,062.8
Cash and cash equivalents at end of period	**$ 660.9**	$ 714.6
Supplemental information:		
Cash paid for income taxes	**$ 10.6**	$ 24.4
Cash paid for interest	**$ 0.5**	$ 0.5

See accompanying Notes.

Notes to Condensed Consolidated Financial Statements
(In millions, except per share data)
(Unaudited)

1. Nature of Operations

Coach, Inc. (the “Company”) is a leading New York design house of modern luxury accessories and lifestyle collections. The Company’s primary product offerings, manufactured by third-party suppliers, include women’s and men’s bags, women’s and men’s small leather goods, business cases, footwear, wearables including outerwear, watches, weekend and travel accessories, scarves, sunwear, fragrance, jewelry, travel bags and other lifestyle products. Coach’s products are sold through its North America and International reportable segments. The North America segment includes sales to North American consumers through Coach-operated stores (including the Internet), and sales to wholesale customers and distributors. The International segment includes sales to consumers through Coach-operated stores (including the Internet) and concession shop-in-shops in Japan and mainland China, Coach-operated stores and concession shop-in-shops in Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 35 countries. The Company also records sales generated in ancillary channels including licensing and disposition.

2. Basis of Presentation and Organization

Interim Financial Statements

These interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC and are unaudited. In the opinion of management, such condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income, comprehensive income and cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended June 28, 2014.

The results of operations, cash flows and comprehensive income for the quarter ended September 27, 2014 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on June 27, 2015 ("fiscal 2015").

Basis of Consolidation

These unaudited interim condensed consolidated financial statements present the consolidated financial position, income, comprehensive income and cash flows of the Company, including all entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal 2015 will be a 52-week period. Fiscal 2014 ended on June 28, 2014 and was also a 52-week period ("fiscal 2014"). The first quarter of fiscal 2015 ended on September 27, 2014 and was a 13-week period. The first quarter of fiscal 2014 ended on September 28, 2013 and was also a 13-week period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the condensed consolidated financial statements include reserves for customer returns and markdowns; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; the valuation of stock-based compensation awards and related estimated forfeiture rates; and reserves for restructuring, among others.

3. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Codification Topic 606, "*Revenue from Contracts with Customers*," which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2018. The Company is currently evaluating this guidance, but does not expect its adoption to have a material effect on its consolidated financial statements.

4. Transformation and Other Actions

Transformation Charges

During the fourth quarter of fiscal 2014, Coach announced a multi-year strategic plan to transform the brand and reinvigorate growth. This multi-faceted, multi-year transformation plan (the "Transformation Plan") includes key operational and cost measures needed in order to fund and execute this plan, including: (i) the investment in capital improvements in stores and wholesale locations during fiscal 2015 and through fiscal 2017; (ii) the optimization and streamlining of our organizational model as well as the closure of underperforming North American stores in fiscal 2015; (iii) the realignment of inventory levels to reflect the Company's elevated product strategy beginning in fiscal 2014; (iv) the investment in incremental advertising costs to further promote this new strategy starting in fiscal 2015; and (v) the significant scale-back of promotional events, particularly within the outlet Internet sales site which started in fiscal 2014.

The Company expects to incur pre-tax charges of approximately $250 million to $300 million, in total, under the Transformation Plan. In the fourth quarter of fiscal 2014, the Company recorded charges of $131.5 million under this plan. During the first quarter of fiscal 2015, the Company incurred transformation-related charges of $37.1 million, ($26.7 million after-tax, or $0.10 per diluted share). The charges recorded in selling, general and administrative ("SG&A") expenses and cost of sales were $33.1 million and $4.0 million, respectively, and primarily relate to the Company's North America business.

A summary of charges and related liabilities under the Company's Transformation Plan are as follows (in millions):

	Inventory-Related Charges(1)	Impairment(2)	Store-Related Costs(3)	Organizational Efficiency Costs(4)	Other(5)	Total
Balance at June 29, 2013	$ —	$ —	$ —	$ —	$ —	$ —
Fiscal 2014 charges	82.2	35.5	12.2	1.0	0.6	131.5
Cash payments	—	—	—	—	—	—
Non-cash adjustments	(66.8)	(35.5)	(6.7)	—	—	(109.0)
Balance at June 28, 2014	$ 15.4	$ —	$ 5.5	$ 1.0	$ 0.6	$ 22.5
Fiscal 2015 charges	**3.0**	**—**	**13.2**	**18.1**	**2.8**	**37.1**
Cash payments	**(13.2)**	**—**	**(0.5)**	**(7.3)**	**(2.8)**	**(23.8)**
Non-cash adjustments	**(3.0)**	**—**	**(13.2)**	**(2.7)**	**—**	**(18.9)**
Balance at September 27, 2014	**$ 2.2**	**$ —**	**$ 5.0**	**$ 9.1**	**$ 0.6**	**$ 16.9**

(1) Inventory-related charges, recorded within cost of sales, primarily relate to reserves for the donation and destruction of certain on-hand inventory and future non-cancelable inventory purchase commitments.

(2) Impairment charges, recorded within SG&A expenses, were based on discounted expected cash flows within certain impacted retail stores, and resulted in the reduction of the net carrying value of store-related long-lived assets to their estimated fair value.

(3) Store-related costs, recorded within SG&A expenses, relate to store closure costs which include accelerated depreciation charges associated with store assets that the Company will no longer benefit from as a result of the Transformation Plan, as well as lease termination and store employee severance costs.

(4) Organizational efficiency charges, recorded within SG&A expenses, primarily relate to the severance and related costs of corporate employees.

(5) Other charges comprise of consulting costs and the write-down of certain assets that will not be placed into service by the Company, which are recorded within SG&A expenses and certain freight and handling costs incurred related to the destruction of inventory which are recorded within cost of sales.

The above charges were recorded as corporate unallocated expenses within the Company's condensed consolidated statements of income.

The Company expects to incur additional pre-tax charges of approximately $80.0 million to $130.0 million, primarily during the remainder of fiscal 2015, in connection with the Transformation Plan. These costs will primarily consist of store-related costs and organizational efficiency charges.

Sale of Reed Krakoff Business

In the first quarter of fiscal 2014, the Company sold the Reed Krakoff business, involving the sale of the equity interests of Reed Krakoff LLC and certain assets, including the Reed Krakoff brand name and related intellectual property rights, to Reed Krakoff International LLC (“Buyer”). The sale was pursuant to the Asset Purchase and Sale Agreement dated July 29, 2013 (the “Purchase Agreement”) with Buyer and Reed Krakoff, the Company’s former President and Executive Creative Director. Coach received a de minimus amount of cash and convertible preferred membership interests representing 8.0% of Buyer’s issued and outstanding convertible preferred units and initial equity value immediately following such issuance. Coach recorded a cost method investment of $3.3 million, which is included in Long-term investments in the condensed consolidated balance sheet at September 27, 2014.

In connection with the Purchase Agreement, Mr. Krakoff’s resignation from Coach and the closing of the sale, Mr. Krakoff waived his right to receive compensation, salary, bonuses, equity vesting and certain other benefits. The Company recorded a loss of $2.7 million during the first quarter of fiscal 2014 related to the sale, which is recorded in SG&A expenses on the condensed consolidated statements of income.

5. Acquisition

On July 1, 2013 (fiscal 2014), the Company became the 100% owner of its European joint venture by purchasing Hackett Limited’s 50% interest in the joint venture, enabling Coach to assume direct control and consolidate its European retail business. The joint venture included 18 retail locations in Spain, Portugal, Great Britain, France, Ireland and Germany. The results of the acquired business have been included in the condensed consolidated financial statements since the date of acquisition within the International segment. The purchase price consisted of cash payments of approximately $15.1 million and the forgiveness of a loan from Coach to Hackett Limited of approximately $18.0 million. The allocation of the purchase price resulted in goodwill of $14.8 million, which is not tax deductible. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the condensed consolidated results of the Company.

6. Goodwill and Intangible Assets

The change in the carrying amount of the Company’s goodwill, all of which is included within the International reportable segment, is as follows (in millions):

	Total
Balance at June 28, 2014	$ 361.4
Foreign exchange impact	(22.0)
Balance at September 27, 2014	**$ 339.4**

At September 27, 2014 and June 28, 2014, the Company’s intangible assets, which are not subject to amortization, consisted of $9.8 million of trademarks which are recorded within Other assets on the condensed consolidated balance sheets.

7. Stockholders' Equity

A reconciliation of stockholders' equity is presented below (in millions, except per share data):

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 29, 2013	281.9	$ 2.8	$ 2,520.5	$ (101.9)	$ (12.2)	$ 2,409.2
Net income	—	—	—	217.9	—	217.9
Other comprehensive income	—	—	—	—	5.5	5.5
Shares issued for stock options and employee benefit plans	1.8	—	(12.4)	—	—	(12.4)
Share-based compensation	—	—	27.3	—	—	27.3
Excess tax benefit from share-based compensation	—	—	0.9	—	—	0.9
Repurchase and retirement of common stock	(3.3)	—	—	(175.0)	—	(175.0)
Dividends declared ($0.3375 per share)	—	—	—	(94.8)	—	(94.8)
Balance at September 28, 2013	280.4	$ 2.8	$ 2,536.3	$ (153.8)	$ (6.7)	$ 2,378.6
Balance at June 28, 2014	**274.4**	**$ 2.7**	**$ 2,646.1**	**$ (219.5)**	**$ (8.7)**	**$ 2,420.6**
Net income	**—**	**—**	**—**	**119.1**	**—**	**119.1**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(26.9)**	**(26.9)**
Shares issued for stock options and employee benefit plans	**1.2**	**0.1**	**(2.9)**	**—**	**—**	**(2.8)**
Share-based compensation	**—**	**—**	**24.6**	**—**	**—**	**24.6**
Excess tax shortfall from share-based compensation	**—**	**—**	**(1.6)**	**—**	**—**	**(1.6)**
Dividends declared ($0.3375 per share)	**—**	**—**	**—**	**(92.9)**	**—**	**(92.9)**
Balance at September 27, 2014	**275.6**	**$ 2.8**	**$ 2,666.2**	**$ (193.3)**	**$ (35.6)**	**$ 2,440.1**

The components of accumulated other comprehensive income (loss) ("AOCI"), as of the dates indicated, are as follows (in millions):

	Unrealized (Losses) Gains on Cash Flow Hedges[1]	Unrealized (Losses) Gains on Available-for-Sale Securities	Cumulative Translation Adjustment	Other[2]	Total
Balances at June 29, 2013	$ 3.7	$ (1.3)	$ (11.6)	$ (3.0)	$ (12.2)
Other comprehensive (loss) income before reclassifications	(1.8)	0.1	10.5	—	8.8
Less: gains reclassified from accumulated other comprehensive income to earnings	3.3	—	—	—	3.3
Net current-period other comprehensive (loss) income	(5.1)	0.1	10.5	—	5.5
Balances at September 28, 2013	$ (1.4)	$ (1.2)	$ (1.1)	$ (3.0)	$ (6.7)
Balances at June 28, 2014	**$ 0.6**	**$ 1.8**	**$ (9.2)**	**$ (1.9)**	**$ (8.7)**
Other comprehensive income (loss) before reclassifications	**4.6**	**(0.5)**	**(30.2)**	**—**	**(26.1)**
Less: gains reclassified from accumulated other comprehensive income (loss) to earnings	**0.8**	**—**	**—**	**—**	**0.8**
Net current-period other comprehensive (loss) income	**3.8**	**(0.5)**	**(30.2)**	**—**	**(26.9)**
Balances at September 27, 2014	**$ 4.4**	**$ 1.3**	**$ (39.4)**	**$ (1.9)**	**$ (35.6)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of ($2.5) million and $0.6 million as of September 27, 2014 and September 28, 2013, respectively. The amounts reclassified from AOCI are net of tax of ($0.4) million and ($2.0) million as of September 27, 2014 and September 28, 2013, respectively.

(2) The components of Other include the accumulated loss on the Company's minimum pension liability adjustment and an investment in an auction rate security of ($1.9) million and $0 million as of September 27, 2014 and ($2.0) million and ($1.0) million as of September 28, 2013, respectively. As of September 27, 2014 and September 28, 2013 the balances of AOCI are net of tax of $1.5 million and $2.1 million, respectively.

8. Earnings per Share

Basic net income per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted net income per share is calculated similarly but includes potential dilution from the exercise of stock options and restricted stock units ("RSUs") and any other potentially dilutive instruments, only in the periods in which such effects are dilutive under the treasury stock method.

The following is a reconciliation of the weighted-average shares outstanding and calculation of basic and diluted net income per share:

	Three Months Ended	
	September 27, 2014	September 28, 2013
	(millions, except per share data)	
Net income	**$ 119.1**	$ 217.9
Total weighted-average basic shares outstanding	**275.0**	281.4
Effect of dilutive securities	**1.4**	3.1
Total weighted-average diluted shares	**276.4**	284.5
Net income per share:		
Basic	**$ 0.43**	$ 0.77
Diluted	**$ 0.43**	$ 0.77

Earnings per share amounts have been calculated based on unrounded numbers. Options to purchase shares of the Company's common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding RSUs that are issuable only upon the achievement of certain performance goals. Performance-based RSUs ("PRSUs") are included in the computation of diluted shares only to the extent that the underlying performance conditions (and any applicable market condition modifiers) (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of September 27, 2014 and September 28, 2013, there were approximately 12.2 million and 4.4 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of PRSUs, which were excluded from the diluted share calculations.

9. Share-based Compensation

The following table shows the total compensation cost and the related tax benefits recognized for share-based compensation plans in the condensed consolidated statements of income for the periods indicated:

	Three Months Ended	
	September 27, 2014[(1)]	September 28, 2013[(2)]
	(millions)	
Share-based compensation expense	**$ 24.6**	$ 27.3
Income tax benefit related to share-based compensation expense	**7.3**	8.5

(1) Approximately $2.7 million of share-based compensation expense (and approximately $1.1 million of income tax benefit) are related to organizational efficiency costs under the Company's Transformation Plan, as a result of the accelerated vesting of certain awards. See Note 4 herein, for more information.

(2) Approximately $9.8 million of share-based compensation expense (and approximately $3.8 million of income tax benefit) are related to the sale of the Reed Krakoff business and restructuring and transformation recognized by the Company in the first quarter of fiscal 2014.

Stock Options

A summary of stock option activity under the Coach stock option plans during the three months ended September 27, 2014 is as follows:

	Number of Options Outstanding	Weighted-Average Exercise Price per Option
	(millions)	
Outstanding at June 28, 2014	11.7	$ 44.21
Granted	3.8	36.31
Exercised	(0.4)	20.92
Forfeited or expired	(0.3)	51.87
Outstanding at September 27, 2014	14.8	42.72
Vested and expected to vest at September 27, 2014	14.5	42.64
Exercisable at September 27, 2014	8.6	42.67

At September 27, 2014, $40.3 million of total unrecognized compensation cost related to non-vested stock option awards is expected to be recognized over a weighted-average period of 1.2 years.

The weighted-average grant-date fair value of individual options granted during the first quarter of fiscal 2015 and fiscal 2014 was $6.40 and $10.02, respectively. The total intrinsic value of options exercised during the first quarter of fiscal 2015 and fiscal 2014 was $6.3 million and $16.5 million, respectively.

The total cash received from these option exercises was $9.0 million and $24.5 million, respectively, and the actual tax benefit realized from these option exercises was $2.5 million and $6.3 million, respectively.

Service-based Restricted Stock Unit Awards

A summary of RSU activity during the quarter ended September 27, 2014 is as follows:

	Number of Non-vested RSUs	Weighted-Average Grant-Date Fair Value per RSU
	(millions)	
Non-vested at June 28, 2014	3.2	$ 54.68
Granted	1.6	36.27
Vested	(1.1)	56.64
Forfeited	(0.1)	52.47
Non-vested at September 27, 2014	3.6	45.90

At September 27, 2014, $119.1 million of total unrecognized compensation cost related to non-vested RSU awards is expected to be recognized over a weighted-average period of 1.2 years.

The weighted-average grant-date fair value per share of RSU awards granted during the first quarter of fiscal 2015 and fiscal 2014 was $36.27 and $53.32, respectively. The total fair value of RSUs vested during the first quarter of fiscal 2015 and fiscal 2014 was $38.2 million and $66.3 million, respectively.

Performance-based Restricted Stock Unit Awards

A summary of PRSU activity, during the three months ended September 27, 2014 is as follows:

	Number of Non-vested PRSUs	Weighted-Average Grant-Date Fair Value per PRSU
	(millions)	
Non-vested at June 28, 2014	**0.9**	**$ 44.60**
Granted	**0.3**	**36.27**
Change due to performance condition achievement	**(0.1)**	**54.67**
Vested[(1)]	**—**	**58.34**
Forfeited[(1)]	**—**	**50.54**
Non-vested at September 27, 2014	**1.1**	**41.69**

(1) During the three months ended September 27, 2014, less than 0.1 million PRSU's vested or forfeited, individually and in the aggregate.

At September 27, 2014, $23.6 million of total unrecognized compensation cost related to non-vested PRSU awards is expected to be recognized over a weighted-average period of 1.4 years.

Included in the non-vested amount at September 27, 2014 are approximately 0.8 million PRSU awards that are based on performance criteria which compares the Company's total stockholder return over the performance period to the total stockholder return of the companies included in the Standard and Poor's 500 Index. There were no awards granted during the first quarter of fiscal 2015 with this performance criteria.

The weighted-average grant-date fair value per share of PRSU awards granted during the first quarter of fiscal 2015 and fiscal 2014 was $36.27 and $36.70, respectively. The total fair value of shares vested during the quarter of fiscal 2015 and fiscal 2014 was $0.7 million and $25.9 million, respectively.

In the first quarter of fiscal 2015 and 2014, the cash tax benefit realized for the tax deductions from all service and performance-based RSUs were $10.6 million and $30.7 million, respectively.

10. Debt

The Company has a $700.0 million revolving credit facility with certain lenders and JP Morgan Chase Bank, N.A. as the administrative agent (the “JP Morgan facility”). During the first quarter of fiscal 2015, the Company amended the JP Morgan facility, extending the maturity date to September 9, 2019. The JP Morgan facility is available to be used for general corporate purposes of the Company and its subsidiaries. At Coach’s request and lenders’ consent, revolving commitments of the JP Morgan facility may be increased to $1.0 billion. As of September 27, 2014 and June 28, 2014, there was $170.0 million and $140.0 million outstanding on the JP Morgan facility. Due to the short-term nature of this borrowing, the fair value approximates carrying value.

Borrowings under the JP Morgan Facility bear interest at a rate per annum equal to, at Coach’s option, either (a) a rate based on the rates applicable for deposits in the interbank market for U.S. dollars or the applicable currency in which the loans are made plus an applicable margin or (b) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%). Additionally, Coach pays a commitment fee on the average daily unused amount of the JP Morgan Facility. At September 27, 2014, the commitment fee was 9 basis points.

Coach Japan, a wholly owned subsidiary of the Company, maintains credit facilities with several Japanese financial institutions to provide funding for working capital and general corporate purposes, allowing a total maximum borrowing capacity of 5.3 billion yen, or approximately $49 million, as of September 27, 2014. Interest is based on the Tokyo Interbank rate plus a margin of 25 to 30 basis points. During fiscal 2014 and through the first quarter of fiscal 2015, there were no borrowings under these facilities.

Coach Shanghai Limited, a wholly owned subsidiary of the Company, maintains a credit facility to provide funding for working capital and general corporate purposes, allowing a total maximum borrowing capacity of 63.0 million Chinese renminbi, or approximately $10 million, as of September 27, 2014. Interest is based on the People's Bank of China rate. During fiscal 2014 and through the first quarter of fiscal 2015, there were no borrowings under this facility.

Both the Coach Japan and Coach Shanghai Limited credit facilities can be terminated at any time by the respective financial institutions, and there is no guarantee that they will be available to the Company in future periods.

11. Fair Value Measurements

The Company categorizes its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. The three levels of the hierarchy are defined as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1. Level 2 inputs include quoted prices for identical assets or liabilities in non-active markets, quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs reflecting management's own assumptions about the input used in pricing the asset or liability.

The following table shows the fair value measurements of the Company's assets and liabilities at September 27, 2014 and June 28, 2014 (in millions):

	Level 1		Level 2		Level 3	
	September 27, 2014	June 28, 2014	**September 27, 2014**	June 28, 2014	**September 27, 2014**	June 28, 2014
Assets:						
Cash equivalents[1]	**$ 42.4**	$ 1.2	**$ 82.0**	$ 45.1	**$ —**	$ —
Short-term investments:						
Time deposits[2]	**—**	—	**—**	75.1	**—**	—
Government securities - U.S.[2]	**50.6**	42.0	**—**	—	**—**	—
Corporate debt securities - U.S.[2]	**—**	—	**56.5**	25.4	**—**	—
Corporate debt securities - non U.S.[2]	**—**	—	**47.8**	34.6	**—**	—
Long-term investments:						
Asset backed securities[3]	**—**	—	**0.9**	1.1	**—**	—
Government securities - U.S.[3]	**46.7**	55.3	**—**	—	**—**	—
Corporate debt securities - U.S.[3]	**—**	—	**120.6**	144.9	**—**	—
Corporate debt securities - non U.S.[3]	**—**	—	**86.2**	98.8	**—**	—
Derivative Assets:						
Zero-cost collar options[4]	**—**	—	**6.4**	0.4	**—**	—
Forward contracts and cross currency swaps[4]	**—**	—	**0.2**	0.1	**—**	—
Total	**$ 139.7**	$ 98.5	**$ 400.6**	$ 425.5	**$ —**	$ —
Liabilities:						
Derivative liabilities:						
Zero-cost collar options[4]	**$ —**	$ —	**$ —**	$ 0.6	**$ —**	$ —
Forward contracts and cross currency swaps[4]	**—**	—	**—**	0.3	**—**	—
Total	**$ —**	$ —	**$ —**	$ 0.9	**$ —**	$ —

(1) Cash equivalents consist of money market funds and time deposits with maturities of three months or less at the date of purchase. Due to their short term maturity, management believes that their carrying value approximates fair value.

(2) Short-term available-for-sale investments are recorded at fair value, which approximates their carrying value, and are primarily based upon quoted vendor or broker priced securities in active markets. Short-term held to maturity investments are recorded at amortized cost, which approximates fair value.

(3) Fair value is primarily determined using vendor or broker priced securities in active markets. These securities have maturity dates between calendar years 2015 and 2017.

(4) The fair value of these hedges is primarily based on the forward curves of the specific indices upon which settlement is based and includes an adjustment for the counterparty's or Company's credit risk.

Non-Financial Assets and Liabilities

The Company's non-financial instruments, which primarily consist of goodwill and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill), non-financial instruments are assessed for impairment and, if applicable, written-down to and recorded at fair value, considering market participant assumptions.

Adverse changes in future market conditions or weaker operating results compared to our expectations could result in losses or a potential impairment charge if the Company is unable to recover the carrying value of certain assets.

12. Derivative Instruments and Hedging Activities

Substantially all of the Company's transactions involving international parties, excluding international consumer sales, are denominated in U.S. dollars, which limits the Company's exposure to the effects of foreign currency exchange rate fluctuations. However, the Company is exposed to foreign currency exchange risk related to its foreign operating subsidiaries' U.S. dollar-denominated inventory purchases and various cross-currency intercompany and related party loans. Coach uses derivative financial instruments to manage these risks. These derivative transactions are in accordance with the Company's risk management policies. Coach does not enter into derivative transactions for speculative or trading purposes.

The Company records all derivative contracts at fair value on the consolidated balance sheet. The fair values of foreign currency derivatives are based on the forward curves of the specific indices upon which settlement is based and include an adjustment for the Company's credit risk. Judgment is required of management in developing estimates of fair value. The use of different market assumptions or methodologies could affect the estimated fair value.

For derivative instruments that qualify for hedge accounting, the effective portion of changes in the fair value of these instruments is either (i) offset against the changes in fair value of the hedged assets or liabilities through earnings or (ii) recognized as a component of AOCI until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows, respectively.

Each derivative instrument entered into by the Company that qualifies for hedge accounting is expected to be highly effective at reducing the risk associated with the exposure being hedged. For each derivative that is designated as a hedge, the Company documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how hedge effectiveness will be assessed over the term of the instrument. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed and documented by the Company on at least a quarterly basis.

To the extent that a derivative designated as a cash flow hedge is not considered to be effective, any change in its fair value related to such ineffectiveness is immediately recognized in earnings within foreign currency gains (losses). If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are recognized in earnings within foreign currency gains (losses). Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the original hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within foreign currency gains (losses).

As a result of the use of derivative instruments, the Company may be exposed to the risk that the counterparties to such contacts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings, among other factors.

The fair values of the Company's derivative instruments are recorded on its condensed consolidated balance sheets on a gross basis. For cash flow reporting purposes, the Company classifies proceeds received or amounts paid upon the settlement of a derivative instrument in the same manner as the related item being hedged, primarily within cash from operating activities.

Hedging Portfolio

The Company enters into derivative contracts primarily to reduce its risks related to exchange rate fluctuations on U.S. dollar-denominated inventory purchases and various cross-currency intercompany loans. To the extent its derivative contracts designated as cash flow hedges are highly effective in offsetting changes in the value of the hedged items, the related gains (losses) are initially deferred in AOCI and subsequently recognized in the condensed consolidated statements of income as follows:

- *Zero-cost collars* - These derivatives are primarily executed by two of the Company's businesses outside of the United States (Coach Japan and Coach Canada), and are recognized as part of the cost of the inventory purchases being hedged within cost of sales, when the related inventory is sold to a third party. Current maturity dates range from October 2014 to June 2015.
- *Cross currency swaps* - These derivatives relate to intercompany loans, and are recognized within foreign currency gains (losses) generally in the period in which the related payments being hedged are revalued or settled. Current maturity dates are in November 2014.

Forward foreign currency exchange contracts, designated as fair value hedges and associated with intercompany and other contractual obligations, are recognized within foreign currency gains (losses) generally in the period in which the related payments being hedged are revalued. Current maturity dates are in October 2014.

The following tables provide information related to the Company's derivatives as of September 27, 2014 and June 28, 2014:

	Notional Value		Derivative Assets			Derivative Liabilities		
				Fair Value			Fair Value	
Designated Derivative Hedging Instruments [1]	**September 27, 2014**	June 28, 2014	Balance Sheet Classification	**September 27, 2014**	June 28, 2014	Balance Sheet Classification	**September 27, 2014**	June 28, 2014
				(millions)				
C - Inventory purchases	**$ 125.1**	$ 90.2	Other Current Assets	**$ 6.4**	$ 0.4	Accrued Liabilities	**$ —**	$ (0.6)
CCS - Intercompany loans	**3.4**	4.8	Other Current Assets	**0.1**	0.1	—	**—**	—
FC - Intercompany Loans	**11.0**	8.4	Other Current Assets	**0.1**	—	—	**—**	—
FC - Contractual Obligations[2]	**—**	4.0	—	—	—	Accrued Liabilities	**—**	(0.3)
Total Hedges	**$ 139.5**	$ 107.4		**$ 6.6**	$ 0.5		**$ —**	$ (0.9)

(1) C = Zero-cost Collars; CCS = Cross Currency Swaps; FC = Forward foreign currency exchange contracts

(2) Contractual obligations at the end of fiscal 2014 consisted of a $4.0 million payment due to Shinsegae International, related to the acquisition of the domestic retail business in South Korea.

Designated Cash Flow Hedges:	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) Quarter Ended[1] September 27, 2014	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) Quarter Ended[1] September 28, 2013	Income Statement Classification	Amount of Net Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Quarter Ended[2] September 27, 2014	Amount of Net Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Quarter Ended[2] September 28, 2013
			(millions)		
C - Inventory purchases	**$ 4.6**	$ (1.4)	Cost of Sales	**$ 0.8**	$ 3.3
CCS - Intercompany loans	**—**	(0.4)	—	**—**	—
Total Hedges	**$ 4.6**	$ (1.8)		**$ 0.8**	$ 3.3

(1) For the first quarter of fiscal 2015 and fiscal 2014, the amounts above are net of tax of ($2.5) million and $0.9 million, respectively.

(2) For the first quarter of fiscal 2015 and fiscal 2014, the amounts above are net of tax of ($0.4) million and ($2.0) million, respectively.

During the three months ended September 27, 2014 and September 28, 2013, there were no material gains or losses recognized in income due to hedge ineffectiveness.

For forward foreign currency exchange contracts that are designated as fair value hedges, the gain (loss) on the derivative as well as the offsetting gain (loss) on the hedged item attributable to the hedged risk, both of which are recorded within SG&A expenses, resulted in an immaterial net impact to the Company's statement of operations.

The Company expects $4.3 million of net derivative gains included in accumulated other comprehensive income at September 27, 2014 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates.

13. Investments

The following table summarizes the Company's investments, all of which are denominated in U.S. dollars, recorded within the condensed consolidated balance sheets as of September 27, 2014 and June 28, 2014:

	September 27, 2014			June 28, 2014		
	Short-term	Long-term	Total	Short-term	Long-term	Total
	(millions)					
Available-for-sale investments:						
Government securities - U.S.[1]	$ 50.6	$ 46.7	$ 97.3	$ 42.0	$ 55.3	$ 97.3
Corporate debt securities - U.S.[1]	56.5	120.6	177.1	25.4	144.9	170.3
Corporate debt securities - non-U.S.[1]	47.8	86.2	134.0	34.6	98.8	133.4
Asset backed securities[2]	—	0.9	0.9	—	1.1	1.1
Available-for-sale investments, total	$ 154.9	$ 254.4	$ 409.3	$ 102.0	$ 300.1	$ 402.1
Held to maturity:						
Government securities - U.S.[3]	$ 18.2	$ —	$ 18.2	$ 18.2	$ —	$ 18.2
Corporate debt securities - U.S.[3]	37.0	—	37.0	33.5	—	33.5
Corporate debt securities - non-U.S.[3]	28.3	—	28.3	24.4	—	24.4
Commercial paper[3]	8.2	—	8.2	23.5	—	23.5
Other:						
Time deposits[4]	—	—	—	75.1	—	75.1
Other[5]	—	213.3	213.3	—	184.4	184.4
Total Investments	$ 246.6	$ 467.7	$ 714.3	$ 276.7	$ 484.5	$ 761.2

(1) These securities have maturity dates between calendar years 2014 and 2017 and are recorded at fair value.

(2) The security matures during calendar year 2016.

(3) These securities have maturity dates of less than one year and are recorded at amortized cost which approximates fair value.

(4) These time deposits have original maturities greater than 3 months and are recorded at fair value.

(5) Primarily relates to the equity method investment related to an equity interest in an entity formed during fiscal 2013 for the purpose of developing a new office tower in Manhattan (the "Hudson Yards joint venture"), with the Company owning less than 43% of the joint venture, and the Reed Krakoff cost method investment. As of September 27, 2014, the Company has recorded $210.0 million and $3.3 million in the Hudson Yards joint venture and the Reed Krakoff cost method investment, respectively. As of June 28, 2014, the Company has recorded $181.1 million and $3.3 million in the Hudson Yards joint venture and the Reed Krakoff cost method investment, respectively. The Hudson Yards joint venture is determined to be a VIE primarily due to the fact that it has insufficient equity to finance its activities without additional subordinated financial support from its two joint venture partners. Coach is not considered the primary beneficiary of the entity primarily because the Company does not have the power to direct the activities that most significantly impact the entity's economic performance. The Company's maximum loss exposure is limited to the committed capital. Refer to Note 14, "Commitments and Contingencies" for further information.

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale securities are presented below as of September 27, 2014 and June 28, 2014:

	September 27, 2014			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
	(millions)			
Government securities - U.S.	$ 97.2	$ 0.1	$ —	$ 97.3
Corporate debt securities - U.S.	176.5	0.7	(0.1)	177.1
Corporate debt securities - non-U.S.	133.5	0.5	—	134.0
Asset backed securities	0.8	0.1	—	0.9
Total	$ 408.0	$ 1.4	$ (0.1)	$ 409.3

	June 28, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(millions)			
Government securities - U.S.	$ 97.2	$ 0.1	$ —	$ 97.3
Corporate debt securities - U.S.	169.3	1.0	—	170.3
Corporate debt securities - non-U.S.	132.7	0.7	—	133.4
Asset backed securities	1.1	—	—	1.1
Total	$ 400.3	$ 1.8	$ —	$ 402.1

14. Commitments and Contingencies

In April 2013, the Company entered into a joint venture agreement with Related Companies, L.P. to develop a new office tower in Manhattan in the Hudson Yards district. The formation of the Hudson Yards joint venture serves as a financing vehicle for the construction project. Construction of the new building has commenced, and upon expected completion of the office tower, the Company will retain a condominium interest serving as its new corporate headquarters.

During the quarter ended September 27, 2014, the Company invested $28.9 million in the joint venture. Since the formation of the Hudson Yards joint venture, the Company has invested $210.0 million in the joint venture.

The Company expects to further invest approximately $320.0 million, substantially all of which will be by the end of fiscal 2016, with $140.0 million estimated to be invested during the remainder of fiscal 2015, depending on construction progress. Outside of investments in the joint venture, Coach is directly investing in a portion of the design and build-out of the new corporate headquarters and expects to incur approximately $187.0 million of capital expenditures over the remaining period of construction.

In the ordinary course of business, 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 will not have a material effect on Coach's financial position, results of operations or cash flows.

15. Segment Information

The Company operates its business in five operating segments aggregated into two reportable segments:

- North America, which includes sales to North American consumers through Company-operated stores, including the Internet, and sales to wholesale customers.
- International, which includes sales to consumers through Coach-operated stores (including the Internet) and concession shop-in-shops in Japan and mainland China, Coach-operated stores and concession shop-in-shops in Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 35 countries.

Transformation-related charges incurred by the Company as described in Note 4, herein, are included as corporate unallocated expenses. The following table summarizes segment performance for the three months ended September 27, 2014 and September 28, 2013 (in millions):

	North America	International	Other[1]	Corporate Unallocated	Total
Three Months Ended September 27, 2014					
Net sales	**$ 633.7**	**$ 381.0**	**$ 24.1**	**$ —**	**$ 1,038.8**
Gross profit	**408.0**	**295.4**	**11.4**	**0.6**	**715.4**
Operating income (loss)	**221.5**	**118.0**	**9.3**	**(169.0)**	**179.8**
Income (loss) before provision for income taxes	**221.5**	**118.0**	**9.3**	**(168.3)**	**180.5**
Depreciation and amortization expense[2]	**13.0**	**15.7**	**—**	**27.8**	**56.5**
Additions to long-lived assets	**20.0**	**13.9**	**—**	**6.5**	**40.4**
Three Months Ended September 28, 2013					
Net sales	$ 778.3	$ 365.0	$ 7.5	$ —	$ 1,150.8
Gross profit	510.4	292.6	6.5	17.1	826.6
Operating income (loss)	299.6	130.1	5.6	(113.7)	321.6
Income (loss) before provision for income taxes	299.6	130.1	5.6	(112.0)	323.3
Depreciation and amortization expense	18.0	13.1	—	13.9	45.0
Additions to long-lived assets	26.3	14.0	—	5.6	45.9

(1) Other, which is not a reportable segment, consists of sales generated in ancillary channels including licensing and disposition.

(2) Depreciation and amortization expense includes $13.2 million of transformation-related charges, recorded as corporate unallocated expenses.

The following is a summary of all costs not allocated in the determination of segment operating income performance:

	Three Months Ended	
	September 27, 2014	September 28, 2013
	(millions)	
Inventory-related costs[1]	**$ 0.6**	$ 17.1
Advertising, marketing and design[2]	**(53.9)**	(53.4)
Administration and information systems[2][3]	**(98.8)**	(56.8)
Distribution and customer service[2]	**(16.9)**	(20.6)
Total corporate unallocated costs	**$ (169.0)**	$ (113.7)

(1) Inventory-related costs consist of production variances and transformation-related costs, and are recorded within cost of sales. During the quarter ended September 27, 2014 and September 28, 2013 production variances were $4.6 million and $17.1 million, respectively. During the quarter ended September 27, 2014 transformation-related costs were ($4.0) million. There was no transformation and/or other-related charges during the quarter ended September 28, 2013.

(2) Costs recorded within SG&A expenses.

(3) During the quarter ended September 27, 2014 transformation-related costs recorded within SG&A expenses were ($33.1) million. There was no transformation and/or other-related charges during the quarter ended September 28, 2013.

16. Stock Repurchase Program

Purchases of Coach's common stock are made from time to time, subject to market conditions and at prevailing market prices, through open market purchases. Under Maryland law, Coach's state of incorporation, treasury shares are not allowed. As a result, all repurchased shares are retired when acquired. The Company may terminate or limit the stock repurchase program at any time.

During the first quarter of fiscal 2015, the Company did not repurchase any shares. During the first quarter of fiscal 2014, the Company repurchased and retired 3.3 million shares, or $175.0 million at an average cost of $53.17 per share.

As of September 27, 2014, Coach had $836.7 million remaining in the stock repurchase program.

ITEM 2. 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 condensed consolidated financial statements and notes to those statements, included elsewhere in this document. When used herein, the terms “Coach,” “Company,” “we,” “us” and “our” refer to Coach, Inc., including consolidated subsidiaries.

EXECUTIVE OVERVIEW

Coach is a leading New York design house of modern luxury accessories and lifestyle collections. Our product offerings include fine accessories, gifts and certain seasonal lifestyle apparel collections for women and men.

Coach operates in two segments: North America and International. The North America segment includes sales to North American customers through Coach-operated stores (including the Internet) and sales to North American wholesale customers. The International segment includes sales to customers through Coach-operated stores (including the Internet) and concession shop-in-shops in Japan and mainland China, Coach-operated stores and concession shop-in-shops in Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 35 countries. As Coach’s business model is based on multi-channel global distribution, our success does not depend solely on the performance of a single channel or geographic area.

In order to drive growth within our global business, we are focused on four key initiatives, which directly align with the Company's Transformation Plan, described below:

- Grow our business in North America and worldwide, by transforming from a leading international accessories Company into a global lifestyle brand, anchored in luxury accessories.
- Leverage the global opportunity for Coach by raising brand awareness and building market share in markets where Coach is under-penetrated, most notably in Asia and Europe. We are also developing the brand opportunity as we expand into South America and Central America.
- Focus on the Men’s opportunity for the brand, by drawing on our long heritage in the category. We are capitalizing on this opportunity by opening new standalone and dual gender stores and broadening the men’s assortment in existing stores.
- Harness the growing power of the digital world, accelerating the development of our digital programs and capabilities in North America and worldwide, reflecting the change in consumer shopping behavior globally. Our intent is to rapidly drive further innovation to engage with customers in this channel. Key elements include www.coach.com, our invitation-only outlet Internet site, our global e-commerce sites, marketing sites and social media.

During the fourth quarter of fiscal 2014, Coach announced a multi-year strategic plan with the objective of transforming the brand and reinvigorating growth, which will enable the Company to return to ‘best-in-class’ profitability. This multi-faceted, multi-year transformation plan (the "Transformation Plan") builds on the core brand equities of quality and craftsmanship with the aim of evolving our competitive value proposition. We believe our strategy offers significant growth opportunities in handbags and accessories, as well as in the broader set of lifestyle categories that we have operated in for some time but are less developed, including footwear and outerwear. This strategy has required an integrated holistic approach, across product, stores and marketing and promotional activities, and entails the roll-outs of carefully crafted aspirational marketing campaigns to define our brand to deliver a fuller and more consistent brand expression.

Key operational and cost measures needed in order to fund and execute this plan include: (i) the investment of approximately $570 million in capital improvements in our stores and wholesale locations during fiscal 2015 and through fiscal 2017; (ii) the optimization and streamlining of our organizational model as well as the closure of approximately 70 underperforming stores in North America in fiscal 2015; (iii) the realignment of inventory levels to reflect our elevated product strategy in fiscal 2014; (iv) the investment of approximately $50 million in incremental advertising costs to further promote our new strategy, starting in fiscal 2015; and (v) the significant scale-back of promotional events, particularly within our outlet Internet sales site which started in fiscal 2014. The Company believes that long-term growth can be realized through its transformational efforts over time. The Company's execution of these key operational and cost measures continues to be on plan through the first quarter of fiscal 2015. For further discussion of charges incurred in connection with the Transformation Plan, see "Items Affecting Comparability," herein.

Current Trends and Outlook

In addition to the risks surrounding the successful execution of our Transformation Plan initiatives, our outlook reflects a certain level of uncertainty surrounding the global economy. The global economic environment continues to have an impact on consumer confidence, which in turn influences the level of spending on discretionary items. Consumer retail traffic remained relatively weak and inconsistent, which has led to a more promotional environment due to increased competition and a desire to offset traffic declines with increased levels of conversion. Furthermore, recent macro and geopolitical events in China and southeast Asia have contributed to volatility in consumer spending within the region. If the global macroeconomic environment remains volatile or worsens, the constrained level of worldwide consumer spending and modified consumption behavior may continue to have a negative effect on our trends in fiscal 2015.

We will continue to monitor these risks and evaluate and adjust our operating strategies and cost management opportunities to mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting the value of our brand.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A - "Risk Factors" disclosed in our Annual Report on Form 10-K for the fiscal year ended June 28, 2014.

SUMMARY – FIRST QUARTER OF FISCAL 2015

In the first quarter of fiscal 2015, we reported net sales of $1.04 billion, net income of $119.1 million and net income per diluted share of $0.43. This compares to net sales of $1.15 billion, net income of $217.9 million, and net income per diluted share of $0.77 in the first quarter of fiscal 2014. In the first quarter of fiscal 2015, the comparability of our operating results has been affected by $37.1 million of pretax charges ($26.7 million after tax or $0.10 per diluted share) related to our Transformation Plan. There were no items affecting comparability in the first quarter of fiscal 2014.

Our operating performance in the first quarter of fiscal 2015 reflected a decline in net sales of 9.7%, primarily due to decreased revenues from our North America business partially offset by gains in our International businesses. Excluding the effects of foreign currency, net sales decreased 9.1%. Our gross profit decreased by 13.4% to $715.4 million during the first quarter of fiscal 2015 which included the negative impact of charges under our Transformation Plan of $4.0 million. Selling, general and administrative ("SG&A") expenses increased by $30.6 million to $535.6 million in the first quarter of fiscal 2015 and SG&A expenses as a percentage of net sales increased by 770 basis points, primarily due to the impact of our Transformation Plan on our fiscal 2015 first quarter results. Excluding charges under our Transformation Plan of $33.1 million in the first quarter of fiscal 2015, SG&A expenses declined slightly.

Net income decreased in the first quarter of fiscal 2015 as compared to the first quarter of fiscal 2014, primarily due to a decrease in operating income of $141.8 million, partially offset by a $44.0 million decrease in our provision for income taxes. Net income per diluted share decreased due to lower net income. Excluding charges under our Transformation Plan in the first quarter of fiscal 2015, net income decreased 33.1% and net income per diluted share decreased 31.1%.

FIRST QUARTER FISCAL 2015 COMPARED TO FIRST QUARTER OF FISCAL 2014

The following table summarizes results of operations for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Quarter Ended					
	September 27, 2014		September 28, 2013		Variance	
	(dollars in millions, except per share data) (unaudited)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 1,038.8**	**100.0%**	$ 1,150.8	100.0%	$ (112.0)	(9.7)%
Gross profit	**715.4**	**68.9**	826.6	71.8	(111.2)	(13.4)
Selling, general and administrative expenses	**535.6**	**51.6**	505.0	43.9	30.6	6.1
Operating income	**179.8**	**17.3**	321.6	27.9	(141.8)	(44.1)
Interest income, net	**0.7**	**0.1**	1.7	0.1	(1.0)	(56.7)
Provision for income taxes	**61.4**	**5.9**	105.4	9.2	(44.0)	(41.7)
Net income	**119.1**	**11.5**	217.9	18.9	(98.8)	(45.3)
Net income per share:						
Basic	**$ 0.43**		$ 0.77		$ (0.34)	(44.0)%
Diluted	**0.43**		0.77		(0.34)	(43.7)

Items Affecting Comparability

The Company's reported results are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The reported gross profit, SG&A expenses, operating income, income before provision for income taxes, provision for income taxes, net income and earnings per diluted share during the first quarter of fiscal 2015 reflect certain items which affect the comparability of our results, as noted in the following table. Refer to page 29 for a discussion on the Non-GAAP Measures.

	September 27, 2014		
	(dollars in millions, except per share data)		
	(unaudited)		
	GAAP Basis (As Reported)	Transformation Actions	Non-GAAP Basis (Excluding Items)
Gross profit	**$ 715.4**	**$ (4.0)**	**$ 719.4**
Selling, general and administrative expenses	**535.6**	**33.1**	**502.5**
Operating income	**179.8**	**(37.1)**	**216.9**
Income before provision for income taxes	**180.5**	**(37.1)**	**217.6**
Provision for income taxes	**61.4**	**(10.4)**	**71.8**
Net income	**119.1**	**(26.7)**	**145.8**
Diluted net income per share	**0.43**	**(0.10)**	**0.53**

Items Affecting Comparability

First Quarter Fiscal 2015 Items

Transformation Actions

In the first quarter of fiscal 2015, the Company incurred restructuring and transformation-related charges of $37.1 million under its multi-year Transformation Plan as announced in the fourth quarter of fiscal 2014. The charges recorded in cost of sales and SG&A expenses were $4.0 million and $33.1 million, respectively. These charges, which are primarily associated with our North America business, relate to corporate severance costs and fleet-related costs. Refer to the "Executive Overview" herein and Note 4, "Transformation and Other Actions," for further information regarding the Transformation Plan.

Additional actions will continue into the remainder of fiscal 2015.

First Quarter Fiscal 2014 Items

There were no items affecting comparability in the first quarter of fiscal 2014.

Currency Fluctuation Effects

The change in net sales for the first quarter of fiscal 2015 has been presented both including and excluding currency fluctuation effects (primarily attributable to Coach Japan).

Net Sales

Net sales decreased 9.7% or $112.0 million to $1.04 billion. Excluding the effects of foreign currency, net sales decreased 9.1% or $105.1 million. The decrease was driven by lower net sales in the North America business partially offset by gains in the International business and increased sales in other ancillary channels. The following table presents net sales by reportable segment for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014:

	Quarter Ended				
	Total Net Sales			Percentage of Total Net Sales	
	September 27, 2014	September 28, 2013	**Rate of Change**	**September 27, 2014**	September 28, 2013
	(dollars in millions) (unaudited)				
North America	**$ 633.7**	$ 778.3	(18.6)%	**61.0%**	67.6%
International	**381.0**	365.0	4.4	**36.7**	31.7
Other[1]	**24.1**	7.5	NM	**2.3**	0.7
Total net sales	**$ 1,038.8**	$ 1,150.8	(9.7)%	**100.0%**	100.0%

[1] Net sales in the Other category, which is not a reportable segment, consists of sales generated in ancillary channels, including licensing and disposition.

NM - Percentage change is not meaningful

North America Net Sales decreased 18.6% or $144.6 million to $633.7 million. This decrease was primarily driven by lower comparable store sales of $170.4 million or 24% largely due to lower traffic. The Internet business had a negative impact, of approximately 5%, on comparable store sales which is attributable to the Company's decision to limit access to our outlet Internet sales site. This decrease was partially offset by an increase of $24.4 million related to net sales generated by new store openings which were partially offset by the absence of net sales for those stores that have closed since the first quarter of fiscal 2014. Since the end of the first quarter of fiscal 2014, Coach opened a net 13 outlet stores, including the closure of two Men's outlet stores, and closed a net 21 retail stores.

International Net Sales increased 4.4% or $16.0 million to $381.0 million. Excluding the unfavorable impact of foreign currency, primarily due to the Japanese yen, net sales increased $21.7 million or 5.9%. The $21.7 million increase in net sales was primarily due to low double digit growth in China reflecting an increase of $12.1 million primarily due to net new stores, an increase of $10.2 million related to the expansion of our business in Europe and an increase of $6.9 million in our international wholesale business due to higher shipments. These increases were partially offset by a decrease in net sales in Japan of $10.0 million due to lower traffic. Since the end of the first quarter of fiscal 2014, we opened 29 net new stores, with 26 net new stores in mainland China, Hong Kong and Macau and Japan, and three net new stores in the other regions.

Gross Profit

Gross profit decreased 13.4% or $111.2 million to $715.4 million in the first quarter of fiscal 2015 from $826.6 million in the first quarter of fiscal 2014. Gross margin for the first quarter of fiscal 2015 was 68.9% as compared to 71.8% in the first quarter of fiscal 2014. Excluding items affecting comparability of $4.0 million, related to charges under our Transformation plan in the first quarter of fiscal 2015, gross profit decreased 13.0% or $107.2 million to $719.4 million; and gross margin was 69.3% in the first quarter of fiscal 2015. There were no items affecting comparability in the first quarter of fiscal 2014. Furthermore, our gross profit was negatively impacted by unfavorable effects of foreign currency of $3.2 million.

North America Gross Profit decreased 20.1% or $102.4 million to $408.0 million in the first quarter of fiscal 2015. Gross margin decreased 120 basis points from 65.6% in the first quarter of fiscal 2014 to 64.4% in the first quarter of fiscal 2015. The decrease in gross margin is due to a 140 basis point decline as a result of increased discount rates in our outlet channel, partially offset by favorable product mix.

International Gross Profit increased 1.0% or $2.8 million to $295.4 million in the first quarter of fiscal 2015. Gross margin decreased 270 basis points from 80.2% in the first quarter of fiscal 2014 to 77.5% in the first quarter of fiscal 2015. The decrease in gross margin is due to the negative translation effect of changes in foreign currency, primarily associated with fluctuations in the Japanese Yen, selling products with a higher average unit cost and increased penetration of our broadened lifestyle categories, a less favorable geographic mix of our net sales as well as increased promotional activity, all of which were partially offset by the lower step-up of inventory as part of the purchase accounting related to the acquisition of our Europe business in the prior year.

Corporate Unallocated Gross Profit decreased $16.5 million from $17.1 million in the first quarter of fiscal 2014 to $0.6 million in the first quarter of fiscal 2015. Excluding items affecting comparability of $4.0 million in the first quarter of fiscal 2015, gross profit decreased by $12.5 million to $4.6 million in first quarter of fiscal 2015, due to less favorable production variances.

Selling, General and Administrative Expenses

SG&A expenses are comprised of four categories: (i) selling; (ii) advertising, marketing and design; (iii) distribution and customer service; and (iv) administrative. Selling expenses include store employee compensation, occupancy costs and supply costs, wholesale and retail account administration compensation globally and Coach international operating expenses. These expenses are affected by the number of Coach-operated stores open during any fiscal period and store performance, as compensation and rent expenses vary with sales. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations and market research expenses. Distribution and customer service expenses include warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administrative expenses include compensation costs for "corporate" functions including: executive, finance, human resources, legal and information systems departments, as well as corporate headquarters occupancy costs, consulting and software expenses. Administrative expenses also include global equity compensation expense.

Coach includes inbound product-related transportation costs from our service providers within cost of sales. Coach, similar to some companies, includes certain transportation-related costs related to our distribution network in selling, general and administrative expenses rather than in cost of sales; for this reason, our gross margins may not be comparable to that of entities that include all costs related to their distribution network in cost of sales.

SG&A expenses increased 6.1% or $30.6 million to $535.6 million in the first quarter of fiscal 2015 as compared to $505.0 million in the first quarter of fiscal 2014, primarily driven by an increase in administrative expenses. As a percentage of net sales, SG&A expenses increased to 51.6% during the first quarter of fiscal 2015 as compared to 43.9% during the first quarter of fiscal 2014. Excluding items affecting comparability of $33.1 million in the first quarter of fiscal 2015, SG&A expenses decreased $2.5 million from the first quarter of fiscal 2014; and SG&A expenses as a percentage of net sales increased, primarily due to the de-leverage of selling expenses as net sales have declined. There were no items affecting comparability in the first quarter of fiscal 2014.

Selling expenses were $361.2 million, or 34.8% of net sales, in the first quarter of fiscal 2015 compared to $365.1 million, or 31.7% of net sales, in the first quarter of fiscal 2014. The $3.9 million decrease represents lower selling expenses related to our North America stores and Internet business, which were mostly offset by increases to support growth in our International business.

Advertising, marketing, and design costs were $53.9 million, or 5.2% of net sales, in the first quarter of fiscal 2015, compared to $57.6 million, or 5.0% of net sales, during the first quarter of fiscal 2014. The decrease was primarily due to the divestiture of the Reed Krakoff business and lower costs incurred as a result of fewer promotional events made by the Company, primarily as a result of the Company's decision to limit access to our outlet Internet sales site. These costs were partially offset by higher costs for marketing-related events.

Distribution and consumer service expenses were $17.7 million, or 1.7% of net sales, in the first quarter of fiscal 2015, compared to $21.5 million, or 1.9% of net sales in the first quarter of fiscal 2014. The decrease was primarily due to lower variable costs as a result of lower sales associated with the Company's decision to limit access to our outlet Internet sales site.

Administrative expenses were $102.8 million, or 9.9% of net sales, in the first quarter of fiscal 2015 compared to $60.8 million, or 5.3% of net sales, in the first quarter of fiscal 2014. Excluding items affecting comparability of $33.1 million in the first quarter of fiscal 2015, administrative expenses were $69.7 million, or 6.7% of net sales, in the first quarter of fiscal 2015. The increase is primarily due to additional costs incurred particularly related to information technology and higher equity compensation, which is due to the absence of forfeitures of certain share-based awards, recognized in the first quarter of fiscal 2014, as a result of the departure of certain key executives.

Operating Income

Operating income decreased 44.1% or $141.8 million to $179.8 million in the first quarter of fiscal 2015 as compared to $321.6 million in the first quarter of fiscal 2014. Operating margin decreased to 17.3% in the first quarter of fiscal 2015 as compared to 27.9% in the first quarter of fiscal 2014. Excluding items affecting comparability of $37.1 million in the first quarter of fiscal 2015, operating income decreased 32.6% or $104.7 million to $216.9 million; and operating margin was 20.9% in the first quarter of fiscal 2015.

The following table presents operating income by reportable segment for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014:

	Quarter Ended			
	Operating Income		Variance	
	September 27, 2014	September 28, 2013	Amount	%
	(dollars in millions) (unaudited)			
North America	**$ 221.5**	$ 299.6	$ (78.1)	(26.1)%
International	**118.0**	130.1	(12.1)	(9.3)
Other[1]	**9.3**	5.6	3.7	68.5
Corporate unallocated	**(169.0)**	(113.7)	(55.3)	(48.7)
Total operating income	**$ 179.8**	$ 321.6	$ (141.8)	(44.1)%

(1) Operating income in the Other category, which is not a reportable segment, consists of sales and expenses generated in ancillary channels, including licensing and disposition.

North America Operating Income decreased 26.1% or $78.1 million to $221.5 million in the first quarter of fiscal 2015 reflecting the decrease in gross profit of $102.4 million which was partially offset by lower SG&A expenses of $24.3 million. The decrease in SG&A expenses was due to lower variable selling costs as a result of lower sales in our North America stores and Internet business. Operating margin decreased 360 basis points to 34.9% in the first quarter of fiscal 2015 from 38.5% during the same period in the prior year due to higher SG&A expense as a percentage of net sales of 240 basis points and lower gross margin of 120 basis points.

International Operating Income decreased 9.3% or $12.1 million to $118.0 million in the first quarter of fiscal 2015 primarily reflecting higher SG&A expenses of $14.9 million partially offset by higher gross profit of $2.8 million. The increase in SG&A expenses is related to a $10.4 million increase in China and Asia, excluding Japan, related to new store openings and a $7.6 million increase in Europe to support growth in the business. The increase in SG&A costs were partially offset by foreign currency effects in Japan of $3.2 million. Operating margin decreased 460 basis points to 31.0% in fiscal 2014 from 35.6% during the same period in the prior year primarily due to lower gross margin of 270 basis points and higher overall selling expenses as a percentage of net sales which increased by 190 basis points.

Corporate Unallocated Operating Expense increased $55.3 million to $169.0 million in the first quarter of fiscal 2015, an increase of 48.7% from $113.7 million in the first quarter of fiscal 2014. This increase was primarily attributable to charges incurred by the Company in the first quarter of fiscal 2015 as part its Transformation Plan. Excluding items affecting comparability, unallocated operating expenses increased by 16.1% or $18.2 million to $131.9 million in the first quarter of fiscal 2015. This increase is primarily related to higher information technology costs and higher equity compensation, which is due to the absence of forfeitures of certain share-based awards, recognized in the first quarter of fiscal 2014, as a result of the departure of certain key executives.

Provision for Income Taxes

The effective tax rate was 34.0% in the first quarter of fiscal 2015, as compared to 32.6% in the first quarter of fiscal 2014. Excluding the items affecting comparability, the effective tax rate was 33.0% in the first quarter of 2015. The slight increase in our effective tax rate was primarily attributable to the geographic mix of our earnings in first quarter fiscal 2015 as compared to the first quarter fiscal 2014. The loss of certain foreign tax benefits that expired at the end of fiscal 2014 also contributed to the increase in our effective tax rate. The Company anticipates a full year fiscal 2015 effective tax rate of approximately 32% including and excluding items affecting comparability.

Net Income

Net income decreased 45.3% or $98.8 million to $119.1 million in the first quarter of fiscal 2015 as compared to $217.9 million in the first quarter of fiscal 2014. Excluding items affecting comparability, net income decreased 33.1% or $72.1 million to $145.8 million in the first quarter of fiscal 2015. This decrease was primarily due to lower operating income partially offset by lower provision for income taxes.

Earnings per Share

Net income per diluted share decreased 43.7% to $0.43 in the first quarter of fiscal 2015 as compared to $0.77 in the first quarter of fiscal 2014. Excluding items affecting comparability, net income per diluted share decreased 31.1% or $0.24 to $0.53 in the first quarter of fiscal 2015, due to lower net income.

FIRST QUARTER 2015 ITEMS AFFECTING COMPARABILITY OF OUR FINANCIAL RESULTS

Non-GAAP Measures

The Company's reported results are presented in accordance with GAAP. The reported gross profit, SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in the first quarter of fiscal 2015 reflect certain items which affect the comparability of our results, including the impact of the Transformation Plan. These metrics are also reported on a non-GAAP basis to exclude the impact of these items.

These non-GAAP performance measures were used by management to conduct and evaluate its business during its regular review of operating results for the period affected. Management and the Company's Board utilized these non-GAAP measures to make decisions about the uses of Company resources, analyze performance between periods, develop internal projections and measure management performance. The Company's primary internal financial reporting excluded these items affecting comparability. In addition, the compensation committee of the Company's Board will use these non-GAAP measures when setting and assessing achievement of incentive compensation goals.

Additionally, certain increases and decreases in operating results for the Company and its International segment (primarily attributable to Coach Japan) have been presented both including and excluding currency fluctuation effects from translating foreign-denominated amounts into U.S. dollars and compared to the same period in the prior fiscal year.

We believe these non-GAAP measures are useful to investors in evaluating the Company's ongoing operating and financial results and understanding how such results compare with the Company's historical performance. Additionally, we believe presenting certain increases and decreases that include and exclude the effect of foreign currency fluctuations helps investors and analysts understand the effect of significant year-over-year currency fluctuations. We believe excluding the items affecting comparability assists investors in developing expectations of future performance. By providing the non-GAAP measures, as a supplement to GAAP information, we believe we are enhancing investors' understanding of our business and our results of operations. The non-GAAP financial measures are limited in their usefulness and should be considered in addition to, and not in lieu of, U.S. GAAP financial measures. Further, these non-GAAP measures may be unique to the Company, as they may be different from non-GAAP measures used by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Quarter Ended		
	September 27, 2014	September 28, 2013	Change
		(dollars in million) (unaudited)	
Net cash provided by operating activities	**$ 138.9**	$ 164.1	$ (25.2)
Net cash provided by (used in) investing activities	**6.0**	(231.4)	237.4
Net cash used in financing activities	**(71.5)**	(281.5)	210.0
Effect of exchange rate changes on cash and cash equivalents	**(4.4)**	0.6	(5.0)
Net increase (decrease) in cash and cash equivalents	**$ 69.0**	$ (348.2)	$ 417.2

The Company's cash and cash equivalents increased by $69.0 million in the first quarter fiscal of 2015 as compared to a decrease of $348.2 million in the first quarter of fiscal 2014. This change is driven by increases in net cash provided by investing activities, primarily associated with proceeds from maturities and sales of investments, and the absence of share repurchase activity during the first quarter of fiscal 2015, partially offset by a decline in net cash provided by operations.

Net cash provided by operating activities

Net cash provided by operating activities decreased $25.2 million primarily due to lower net income of $98.8 million mostly offset by changes in our operating asset and liability balances of $46.0 million and higher non-cash expenses of $27.6 million.

Changes in our operating asset and liability balances were primarily driven by changes in other balance sheet changes, accounts payable and accrued liabilities. Other balances sheet changes, which primarily relate to other assets, were a source of cash of $34.7 million in the first quarter of fiscal 2015 mostly related to changes in deferred tax accounts and a decrease in tax receivables. This compares to a use of cash of $23.1 million in the first quarter of fiscal 2014. Accounts payable were a source of cash in the first quarter of fiscal 2015 of $21.6 million as compared to a use of cash in the first quarter of fiscal 2014 of $19.9 million, driven by the timing of payments related to inventory purchases. Accrued liabilities were a use of cash in the first quarter of fiscal 2015 of $27.8 million compared to a source of cash in the first quarter of fiscal 2014 of $19.2 million. This was primarily driven by changes in accrued taxes partially offset by changes in employee-related accruals, such as payroll and bonus. The increase in non-cash expenses primarily reflected higher transformation and restructuring charges, the year-over-year change in the deferred income tax provision, and higher share-based compensation expense.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was $6.0 million in the first quarter of fiscal 2015 and a use of cash during the first quarter of fiscal 2014 of $231.4 million. In the first quarter of fiscal 2015, the Company had net proceeds from its investment portfolio of $75.3 million compared to cash used for purchases of investments of $165.8 million in the first quarter of fiscal 2014.

Net cash used in financing activities

Net cash used in financing activities was $71.5 million in the first quarter of fiscal 2015, as well as a use of $281.5 million during the first quarter of fiscal 2014. This net decrease of cash used was primarily due the absence of cash used for share repurchases during the first quarter of fiscal 2015. The Company used $175.0 million for share repurchases in the first quarter of fiscal 2014. Additionally, the Company had net borrowings of $30.0 million under its revolving credit facility in the first quarter of fiscal 2015. There were no borrowings during the first quarter in the prior year.

Revolving Credit Facilities

The Company has a $700.0 million revolving credit facility with certain lenders and JP Morgan Chase Bank, N.A. as the administrative agent (the "JP Morgan facility"). During the first quarter of fiscal 2015, the Company amended the JP Morgan facility, extending the maturity date to September 9, 2019. The JP Morgan facility is available to be used for general corporate purposes of the Company and its subsidiaries. At Coach's request and lenders' consent, revolving commitments of the JP Morgan facility may be increased to $1.0 billion. As of September 27, 2014 and June 28, 2014 there was $170.0 million and $140.0 million outstanding under the JP Morgan facility, respectively. Our average borrowings outstanding for the first quarter of fiscal 2015 were $181.8 million. We had no revolving credit borrowings outstanding during the first quarter of fiscal 2014.

Borrowings under the JP Morgan Facility bear interest at a rate per annum equal to, at Coach's option, either (a) a rate based on the rates applicable for deposits in the interbank market for U.S. dollars or the applicable currency in which the loans are made plus an applicable margin or (b) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%). Additionally, Coach pays a commitment fee on the average daily unused amount of the JP Morgan Facility. At September 27, 2014, the commitment fee was 9 basis points.

The JP Morgan facility contains various covenants and customary events of default. As of September 27, 2014, no known events of default have occurred under the JP Morgan facility.

Coach Japan maintains credit facilities with several Japanese financial institutions to provide funding for working capital and general corporate purposes, with maximum borrowing capacity of 5.3 billion yen, or approximately $49 million at September 27, 2014. Interest is based on the Tokyo Interbank rate plus a margin of 25 to 30 basis points. During fiscal 2014 and through the first quarter of fiscal 2015, there were no outstanding borrowings under these facilities.

Coach Shanghai Limited maintains a credit facility to provide funding for working capital and general corporate purposes, with a maximum borrowing capacity of 63.0 million Chinese renminbi, or approximately $10 million at September 27, 2014. Interest is based on the People's Bank of China rate. During fiscal 2014 and through the first quarter of fiscal 2015, there were no outstanding borrowings under this facility.

Both the Coach Japan and Coach Shanghai Limited credit facilities can be terminated at any time by the respective financial institutions, and there is no guarantee that they will be available to the Company in future periods.

Common Stock Repurchase Program

In October 2012, the Company's Board of Directors approved a common stock repurchase program to acquire up to $1.5 billion of Coach's outstanding common stock through June 2015.

Purchases of Coach common stock are made subject to market conditions and at prevailing market prices, through open market purchases. Under Maryland law, Coach's state of incorporation, treasury shares are not allowed. As a result, all repurchased shares are retired when acquired. The Company may terminate or limit the stock repurchase program at any time.

During the first quarter of fiscal 2015, the Company did not repurchase any shares. During the first quarter of fiscal 2014, the Company repurchased and retired 3.3 million shares, or $175.0 million at an average cost of $53.17 per share.

As of September 27, 2014, Coach had $836.7 million remaining in the stock repurchase program.

Working Capital and Capital Expenditures

The Company expects total fiscal 2015 capital expenditures, excluding expected capital expenditures related to the Hudson Yards joint venture (which are in addition to our joint venture contributions), to be approximately $300 to $350 million. Capital expenditures will be primarily for capital investments in stores in North America and new stores in Asia and Europe to support our growth and transformation-related initiatives. We will also continue to invest in department store and distributor locations as well as corporate infrastructure, primarily technology.

In April 2013, the Company entered into a joint venture agreement with the Related Companies, L.P. to develop a new office tower in Manhattan in the Hudson Yards district. The formation of the joint venture serves as a financing vehicle for the project, with the Company owning less than 43% of the joint venture. Upon completion of the office tower, the Company will retain a condominium interest serving as its new corporate headquarters. During the quarter ended September 27, 2014, the Company invested $28.9 million in the joint venture. Since the formation of the Hudson Yards joint venture, the Company has invested $210.0 million in the joint venture. The Company expects to further invest approximately $320 million, substantially all of which will be by the end of fiscal 2016, with approximately $140 million estimated to be invested during the remainder of fiscal 2015, depending on construction progress. Outside of investments in the joint venture, Coach is directly investing in a portion of the design and build-out of the new corporate headquarters and expects to incur approximately $187 million of capital expenditures over the remaining period of construction, of which approximately $90 million to $110 million is expected over the remainder of fiscal 2015.

Because Coach products are frequently given as gifts, Coach experiences seasonal variations in its net sales, operating cash flows and working capital requirements, primarily related to seasonal holiday shopping. During the first fiscal quarter, Coach builds inventory for the holiday selling season. In the second fiscal quarter, its working capital requirements are reduced substantially as Coach generates higher net sales and operating income, especially during the holiday months of November and December. Accordingly, the Company's net sales, operating income and operating cash flows for the three months ended September 27, 2014 are not necessarily indicative of that expected for the full fiscal 2015. However, fluctuations in net sales, operating income and operating cash flows in any fiscal quarter may be affected by other events affecting retail sales, such as changes in weather patterns.

Our sources of liquidity are the cash flows generated from our operations, our available cash and cash equivalents and short-term investments, our non-current investments, the $700 million available under our JP Morgan facility, the availability under our Japan and Shanghai credit facilities, and other potential financing options available to us in the credit and capital markets. Substantially all of our cash and short-term investments are held outside the U.S. in jurisdictions where we intend to permanently reinvest our undistributed earnings to support our continued growth. We are not dependent on foreign cash to fund our domestic operations. If our plans change and we choose to repatriate any funds to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

We had $170.0 million in revolving credit borrowings outstanding under our credit facilities as of September 27, 2014. We will continue to draw on our credit facilities or access other sources of financing options available to us in the credit and capital markets for, among other things, funding our investment in the Hudson Yards joint venture, our transformation-related initiatives, a material acquisition, settlement of a material contingency, or a material adverse business or macroeconomic development, as well as for other general corporate business purposes. This is expected to continue to lead to increased outstanding debt during fiscal 2015.

Management believes that cash flow from operations, access to the credit and capital markets and our credit lines, on-hand cash and cash equivalents and our investments will provide adequate funds to support our operating, capital, and debt service requirements for the foreseeable future, our plans for further business expansion and transformation-related initiatives. Any future acquisitions or joint ventures, and other similar transactions may require additional capital. There can be no assurance that any such capital will be available to Coach on acceptable terms or at all. Coach’s ability to fund its working capital needs, planned capital expenditures, dividend payments and scheduled debt payments, as well as to comply with all of the financial covenants under its debt agreements, depends on its future operating performance and cash flow, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond Coach’s control.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 to the audited consolidated financial statements in our fiscal 2014 10-K. Our discussion of results of operations and financial condition relies on our condensed consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates which are subject to varying degrees of uncertainty. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts.

For a complete discussion of our critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of the MD&A in our fiscal 2014 10-K. As of September 27, 2014, there have been no material changes to any of the critical accounting policies contained therein.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows, arising from adverse changes in foreign currency exchange rates or interest rates. Coach manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments. The use of derivative financial instruments is in accordance with Coach's risk management policies. Coach does not enter into derivative transactions for speculative or trading purposes.

The quantitative disclosures in the following discussion are based on quoted market prices obtained through independent pricing sources for the same or similar types of financial instruments, taking into consideration the underlying terms and maturities and theoretical pricing models. These quantitative disclosures do not represent the maximum possible loss or any expected loss that may occur, since actual results may differ from those estimates.

Foreign Currency Exchange Rate Risk

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than the entity's functional currency, and from foreign-denominated revenues and expenses translated into U.S. dollars. Substantially all of Coach's purchases and sales involving international parties, excluding international consumer sales, are denominated in U.S. dollars and, therefore, are not subject to foreign currency exchange risk. The Company is exposed to risk from foreign currency exchange rate fluctuations resulting from its foreign operating subsidiaries' U.S. dollar denominated inventory purchases. To mitigate such risk, Coach Japan and Coach Canada enter into foreign currency derivative contracts, primarily zero-cost collar options. As of September 27, 2014 and June 28, 2014, zero-cost collar options designated as cash flow hedges with a notional amount of $125.1 million and $90.2 million, respectively, were outstanding. As a result of the use of derivative instruments, we are exposed to the risk that counterparties to the derivative instruments will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into derivative contracts with carefully selected financial institutions. The Company also reviews the creditworthiness of our counterparties on a regular basis. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty credit risk associated with our derivative contracts as of September 27, 2014.

Coach is also exposed to market risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany and related party loans which are not long term in investment nature. This primarily includes exposure to exchange rate fluctuations in the South Korean Won, the New Taiwan Dollar, and the British Pound Sterling. To manage the exchange rate risk related to these loans, the Company enters into forward exchange and cross-currency swap contracts, the terms of which include the exchange of foreign currency fixed interest for U.S. dollar fixed interest and an exchange of the foreign currency and U.S. dollar based notional values at the maturity dates of the contracts, the latest of which is November 2014. As of September 27, 2014 and June 28, 2014 the total notional values of outstanding forward exchange and cross-currency swap contracts related to these loans were $14.4 million and $13.2 million, respectively.

The fair value of outstanding foreign currency derivatives included in current assets at September 27, 2014 and June 28, 2014 was $6.6 million and $0.5 million, respectively. There were no outstanding foreign currency derivatives included in current liabilities as of September 27, 2014. The fair value of outstanding foreign currency derivatives included in current liabilities at June 28, 2014 was $0.9 million.

Interest Rate

Coach is exposed to interest rate risk in relation to its investments and revolving credit facilities.

The Company's investment portfolio is maintained in accordance with the Company's investment policy, which defines our investment principles including credit quality standards and limits the credit exposure of any single issuer. The primary objective of our investment activities is the preservation of principal while maximizing interest income and minimizing risk. We do not hold any investments for trading purposes.

ITEM 4. Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, each of Victor Luis, Chief Executive Officer of the Company, and Jane Nielsen, Chief Financial Officer of the Company, have concluded that the Company's disclosure controls and procedures are effective as of September 27, 2014.

There were no changes in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding discussion of the effectiveness of the Company’s controls and procedures.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

Coach is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business, including proceedings to protect Coach's intellectual property rights, litigation instituted by persons alleged to have been injured upon premises within Coach's control and litigation with present or former employees.

As part of Coach's policing program for its intellectual property rights, 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 a number 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, either as affirmative defenses or as counterclaims, the invalidity or unenforceability of certain of Coach's intellectual properties.

Although Coach's litigation with present or former employees is routine and incidental to the conduct of Coach's business, as well as for any business employing significant numbers of employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages for actions claiming discrimination on the basis of age, gender, race, religion, disability or other legally protected characteristic or for termination of employment that is wrongful or in violation of implied contracts.

Coach believes that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on Coach's business or consolidated financial statements.

Coach has not entered into any transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. Accordingly, we have not been required to pay a penalty to the IRS for failing to make disclosures required with respect to certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose.

ITEM 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended June 28, 2014.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not repurchase any shares during the first quarter of fiscal 2015. As of September 27, 2014, Coach had $836.7 million remaining in the stock repurchase program. The Company repurchases its common shares under the repurchase program that was approved by the Board as follows:

Date Share Repurchase Programs were Publicly Announced	Total Dollar Amount Approved	Expiration Date of Plan
October 23, 2012	$1.5 billion	June 2015

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 6. Exhibits

10.1	Amendment to Employment Agreement, dated June 30, 2014, between Coach and Lew Frankfort, which is incorporated by reference to Exhibit 10.1 to Coach's Current Report on Form 8-K filed on July 2, 2014
10.2*	Employment Offer Letter, dated September 2, 2014, between Coach and Gebhard Rainer
10.3*	Amendment No. 3 to the Revolving Credit Agreement, dated as of September 9, 2014, by and between Coach, certain lenders and JPMorgan Chase Bank N.A., as administrative agent
10.4	Amendment to the Coach, Inc. 2010 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to Coach's Current Report on Form 8-K filed on September 22, 2014
10.5	Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference to Appendix B to Coach's Definitive Proxy Statement for the 2014 Annual Meeting of Stockholders filed on September 26, 2014
31.1*	Rule 13(a) – 14(a)/15(d) – 14(a) Certifications
32.1*	Section 1350 Certifications
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

* Filed Herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COACH, INC.
(Registrant)

By:	/s/ Jane Nielsen
Name:	Jane Nielsen
Title:	Chief Financial Officer
	(Principal Financial and Accounting Officer)

Dated: November 6, 2014

September 2, 2014

Mr. Gebhard F. Rainer
2017 West Shakespeare Ave
Chicago, IL 60647

Dear Gebhard:

It is with great pleasure that I confirm our offer of the position of President and Chief Operating Officer of Coach, Inc. ("Coach" or the "Company"), reporting to Victor Luis, Chief Executive Officer of Coach. You will be a member of Coach's Operating Group. If you accept our offer, we would like you to start work by September 29, 2014 (the "Effective Date"). If you would prefer another starting date, please let us know. You will be considered an "officer" under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well an "Executive Officer" of Coach pursuant to Rule 3b-7 of the Exchange Act.

1. **Base Salary**

$750,000 per annum.

Your salary will be paid monthly on the last Thursday of each calendar month.

Performance reviews are typically conducted at the end of our fiscal year, which presently runs from approximately July 1 through June 30. Any merit increases for which you may be eligible also would be determined at that time, and would take effect in September. You will first be eligible for a merit increase in September 2015.

2. **Incentive Compensation**

You will be eligible to participate in the *Coach, Inc. 2013 Performance-Based Annual Incentive Plan* ("SOPS"), a cash incentive program under which your payout is based on Coach's financial performance (as well as your individual performance). The target bonus will be 100% of your salary actually earned during the fiscal year. The actual bonus payout will range from 0% of target for performance below established thresholds to 200% of target for maximum performance, with performance components, measures and target values to be established by the Company's Board of Directors. You will be eligible for SOPS beginning in fiscal year 2015, and any such SOPS bonus earned will be pro-rated in accordance with the Effective Date.

Any SOPS bonus is paid within three months of the end of the fiscal year and you must be an employee in good standing with Coach on the SOPS bonus payment date in order to be eligible to receive any such SOPS bonus payment. After you are hired, please refer to the My Pay section of the Coach's intranet, *Coachweb*, for governing terms of the SOPS bonus plan. In addition, Coach’s Board of Directors has adopted an incentive repayment policy (attached) for members of the Operating Group, which you must sign and return to me coincident with your acceptance of this offer of employment.

3. Annual Equity Compensation

Your compensation package includes a guideline annual equity grant value of $1,500,000 to be granted in a fixed proportion of different equity vehicles as determined annually by the Committee. Your first grant, with a grant date fair value at target of $1,500,000 will be made on the first business day of the fiscal month coincident with or following the Effective Date. One-third of that value will be in the form of restricted stock units (“RSUs”), one-third of the value will be in performance restricted stock units (“PRSUs”) (at target) and one-third of the value will be in the form of stock options. All equity awards are subject to approval by the Human Resources Committee (“the Committee”) of the Coach Board of Directors. The target number of PRSUs and the RSUs that you will receive will be based on the closing price of Coach stock on the grant date (the “Grant Price”). PRSUs and RSUs cliff vest on the third anniversary of the grant date, with the number of PRSUs vesting varying from 0 – 170% of target subject to the performance conditions set forth in the grant agreement, which are expected to be based on Coach’s FY15-17 long-range plan. The number of stock options that you will receive will be based on the Grant Price and on an industry standard valuation model, Black-Scholes, which determines the value of a stock option. Stock options are exercisable one-third after one year of the grant date, one-third after two years, and one-third after three years, and such options will expire 10 years after the date of grant.

Coach may make additional, annual equity grants, and as an Operating Group member your annual grants will be in a fixed proportion of different equity vehicles and performance requirements as determined annually by the Committee. Any future grants will be determined based on your position, performance, time in job and other criteria Coach determines it its discretion, which are subject to change. After you are hired, you will receive an email alert to view and accept your grant agreements and have access to the Coach, Inc. 2010 Incentive Award Plan (as it may be amended from time to time, the “Stock Plan”) prospectus through *Coachweb*. You are subject to the terms and conditions of the grant agreements, including, but not limited to, the provisions relating to clawback of equity gains in certain post-employment scenarios. Notwithstanding anything to the contrary in this letter, the Stock Plan’s terms and related grant agreements, as they may be changed from time to time, are controlling.

4. Special New Hire Compensation

To replace the long term compensation you are forfeiting with your current employer, and to incent you to join Coach, within six weeks of the Effective Date, you will be paid a sign-on cash bonus in the amount of $500,000, subject to normal tax withholding. In addition, you will receive a one-time PRSU award with a target grant date value of $1,000,000, subject to approval by the Committee. The target number of PRSUs that you receive will be based on the Grant Price, and the grant date will be the first business day of the fiscal month coincident with or following the Effective Date. These PRSUs also cliff vest on the third anniversary of the grant date, with the number of PRSUs vesting varying from 0-170% of target subject to the performance conditions set forth in the grant agreement. The PRSU award will be subject to the same performance criteria and conditions as your annual PRSU award described above. After the grant is made, you will receive an email alert to view and accept your grant agreement and have access to the Stock Plan prospectus through *Coachweb*. Notwithstanding anything to the contrary in this letter, the Stock Plan's terms and related grant agreements, as they may be changed from time to time, are controlling.

5. Relocation

You are eligible for relocation under the *Coach U.S. Domestic Relocation Policy for Vice Presidents and Above*. Please see the enclosed packet of information. Upon your acceptance, a member of the Benefits Department will be in touch with you to get started. Should you resign your employment within two years of your start date, or if your employment is terminated for “cause,” as defined below, Coach may require you to repay relocation expenses.

6. Severance in Certain Circumstances

If your employment at Coach should cease involuntarily for any reason other than for “cause,” as defined below (e.g. position elimination), you will receive the number of months of base salary you would be entitled to under the *Coach, Inc. Severance Pay Plan*. For more information, please view the Severance Plan document on *Coachweb* or contact Human Resources. To receive separation pay, you will be required to sign a waiver and release agreement in the form provided by Coach. This agreement will include restrictions on your ability to compete with Coach and solicit Coach employees.

7. Section 409A of the Internal Revenue Code

It is expressly intended and contemplated that this letter comply with the provisions of Section 409A of the Code and the applicable guidance thereunder (“Section 409A”) and that the payments hereunder will either be exempt from Section 409A or will comply with the provisions of Section 409A. This letter will be administered and interpreted in a manner consistent with this intent, and, notwithstanding any provision of this letter to the contrary, in the event that Coach determines that any amounts payable hereunder would be immediately taxable to you under Section 409A, Coach reserves the right (without any obligation to do so or to indemnify you for failure to do so) to amend this letter to satisfy Section 409A or be exempt therefrom (which amendment may be retroactive to the extent permitted by Section 409A). Notwithstanding any other provision of this letter, if you are a “specified employee” within the meaning of Treas. Reg. §1.409A-1(i)(1), then the payment of any amount or the provision of any benefit under this letter which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after your “separation from service” or, if earlier, your death to the extent required by Section 409A(a)(2)(B)(i) of the Code (the “409A Deferral Period”). In the event payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum on the Company’s first standard payroll date that arises on or after the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. For purposes of any provision of this letter providing for reimbursements to you, such reimbursements shall be made no later than the end of the calendar year following the calendar year in which you incurred such expenses, and in no event shall the unused reimbursement amount during one calendar year be carried over into a subsequent calendar year. For purposes of this letter, you shall not be deemed to have terminated employment unless you have a “separation from service” within the meaning of U.S. Treasury Regulations Section 1.409A-1(h) All rights to payments and benefits under this letter shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code. In no event shall any liability for failure to comply with the requirements of Section 409A be transferred from you or any other individual to Coach or any of its affiliates, employees or agents.

8. Benefits

Your other major benefits will include medical, dental, vision, life insurance, short and long term disability, *Coach, Inc. Savings & Profit Sharing Plan, Employee Stock Purchase Plan*, employee discount program and 25 business days of vacation per calendar year, as generally provided by the Company at a comparable level in accordance with the plans, practices and programs of the Company. We are enclosing a summary of executive benefits highlighting these programs in *Your Coach Benefits Summary Kit*.

As an employee of Coach, and as a part of this offer of employment, you will be subject to various Company policies set forth in the attached **Addendum** as well as those set forth in the *Your Coach Benefits Summary Kit* that accompanies this offer. Such policies include, but are not limited to the following:

- *Incentive Repayment Policy*;
- *Executive Stock Ownership Policy*;
- Notice of Intent to Terminate Employment;
- Non-Competition and Non-Solicitation Policies; and
- Other Terms and Conditions of Employment.

<u>By accepting this offer of employment, you are also expressly accepting to be bound by the Company policies set forth in the attached **Addendum** and in the packet of materials that accompany this offer letter</u>.

Gebhard, I am excited at the prospect of your joining us at Coach to build a great future. This is Coach's entire offer of employment. As you review this offer, please feel free to contact me at 212-629-2252 or 914-217-9684 with any questions. To accept the offer, and acknowledge you are not relying on any promise or representation that is not contained in this letter, please sign in the space below and return one of the attached copies to me by September 5, 2014.

Sincerely,

___/s/ Sarah J. Dunn________________
Sarah J. Dunn
Global Human Resources Officer
Coach, Inc.

Agreed and accepted by:

__/Gebhard F. Rainer_______ _____09/05/2014_____________
Gebhard F. Rainer Date

ADDENDUM

COMPANY POLICIES & CONDITIONS OF EMPLOYMENT

As an employee of Coach, you will be subject to the following policies. Please sign the acknowledgement at the end noting your understanding and agreement.

1. **Incentive Repayment Policy**

Coach's Board of Directors has adopted an incentive repayment policy affecting all performance-based compensation Coach pays to members of its Operating Group. Information on this policy can be found in the *Your Coach Benefits Summary Kit* included with this letter. You agree that you will be subject to this repayment policy and that it may change from time-to-time as the Committee deems appropriate and/or as is required by law.

2. **Executive Stock Ownership Policy**

Coach's Board of Directors has implemented a stock ownership policy for all Vice Presidents and above. Information on this policy and the recommended amounts of stock ownership for your position can be found in the *Your Coach Benefits Summary Kit* included with this letter. As a Section 16(b) officer of Coach, Inc., you will be required to obtain pre-approval of all Coach stock transactions from the Coach Law Department.

3. **Notice of Intent to Terminate Employment**

If at any time you elect to terminate your employment with Coach, including a valid retirement from Coach, you agree to provide twelve (12) weeks advance written notice of your intent to terminate your employment and such notice shall be provided via eMail to the Chief Executive Officer and Global Human Resources Officer. After you have provided your required notice, you will continue to be an employee of Coach. Your duties and other obligations as an employee of Coach will continue and you'll be expected to cooperate in the transition of your responsibilities. Coach shall, however, have the right in its sole discretion to direct that you no longer come to work or to shorten the notice period. Nothing herein alters your status as an employee at-will. Coach reserves all legal and equitable rights to enforce the advance notice provisions of this paragraph. You acknowledge and agree that your failure to comply with the notice requirements set forth in this paragraph shall result in: (i) Coach being entitled to an immediate injunction, prohibiting you from commencing employment elsewhere for the length of the required notice, (ii) Coach being entitled to claw back any bonus paid to you within 180 days of your last day of employment with Coach, (iii) the forfeiture of any unpaid bonus as of your last day of employment with Coach, (iv) any unvested or vested equity award held by you shall be automatically forfeited on your last day of employment with Coach, and (v) Coach being entitled to claw back any Financial Gain (as defined below) you realize from the vesting of any Coach equity award within the twelve (12) month period immediately preceding your last day of employment with Coach. “Financial Gain” shall have the meaning set forth in the various equity award grant agreements that you receive during your employment with Coach.

4. Non-Competition and Non-Solicitation Policies

You are prohibited from counseling, advising, consulting for, becoming employed by, or providing services to a "competitor" of Coach (as defined below) during employment and the twelve (12) month period beginning on your last day of employment with Coach. You acknowledge that compliance with this paragraph is necessary to protect the business and good will of Coach and that a breach of any of these provisions will irreparably and continually damage Coach, for which money damages may not be adequate. Accordingly, in the event that you breach this paragraph, you will forfeit any unpaid bonus and Coach shall be entitled to claw back any bonus paid to you within 180 days of your last day of employment with Coach. In addition, Coach will be entitled to preliminarily or permanently enjoin you from violating this paragraph in order to prevent the continuation of such harm. For the purposes of this provision, "competitor" includes the companies, together with their respective subsidiaries, parent entities, and all other affiliates as set forth on **Exhibit A**, attached hereto (such companies subject to change from time-to-time, as posted on Coach's intranet, *Coachweb*).

You agree that if you are offered and desire to accept employment with another business, person or enterprise, including, but not limited to, a "competitor" of Coach (as defined above), during the twelve (12) month period beginning on your last day of employment with Coach, you will promptly inform Coach's Global Human Resources Officer, in writing, of the identity of the prospective employer, your proposed title and duties with that business, person or enterprise, and the proposed starting date of that employment. You also agree that you will inform that prospective employer of the terms of these provisions. Failure to abide by the requirements of this paragraph will also be deemed a failure to provide the required advance written notice set forth above under *Notice of Intent to Terminate Employment*.

You acknowledge: (a) that the scope and duration of the restrictions on your activities under these provisions are reasonable and necessary to protect the legitimate business interests of Coach; (b) that Coach does business worldwide and, therefore, you specifically agree that, in order to adequately protect Coach, the scope of the restrictions in this provision is reasonable; and (c) that you will be reasonably able to earn a living without violating the terms of these provisions.

You agree that during employment and the twelve (12) month period beginning on your last day of employment with Coach, you will not, without the prior written consent of Coach, alone, or in association with others, solicit on behalf of you, or any other person, firm, corporation or entity, any employee of Coach, or any of its operating divisions, subsidiaries or affiliates, for employment, consulting or other independent contractor arrangements. For purposes of this paragraph and to avoid any ambiguity, you and Coach agree that it will be presumed that you solicited an employee of Coach if such employee commences employment for or on behalf of you or any entity to which you provide services prior to the end of the twelve (12) month period beginning on your last day of employment with Coach. You acknowledge that compliance with this paragraph is necessary to protect the business and good will of Coach and that a breach of any of these provisions will irreparably and continually damage Coach, for which money damages may not be adequate. Accordingly, in the event that you breach this paragraph, you will forfeit any remaining earned but unpaid bonus and Coach shall be entitled to claw back any bonus paid to you within 180 days of your last day of employment with Coach. In addition, Coach will be entitled to preliminarily or permanently enjoin you from violating this paragraph in order to prevent the continuation of such harm.

5. Other Terms and Conditions of Employment

If you accept Coach's offer of employment, our relationship is "employment-at-will." That means you are free, at any time, for any reason, to end your employment with Coach and that Coach may do the same, subject to the advance notice requirements set forth above under *Notice of Intent to Terminate Employment*. The Company has “cause” to terminate your employment upon (i) your willful failure to substantially perform the duties as President (other than any such failure resulting from your permanent Disability), which is not remedied within 30 days after receipt of written notice from the Company specifying such failure; (ii) your failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Chief Executive Officer, which is not remedied within 30 days after receipt of written notice from the Company specifying such failure; (iii) your commission at any time of any act or omission that results in a conviction, plea of no contest, or imposition of un-adjudicated probation for any felony or crime involving fraud, embezzlement, material misconduct, misappropriation or moral turpitude; (iv) your willful taking of or failure to take any action, which action or omission is materially injurious to the Company, whether monetarily or otherwise (including, without limitation, any act or omission that is materially detrimental to the business or reputation of the Company); (v) your unlawful use (including being under the influence) or possession of illegal drugs on the Company’s premises or while performing your duties and responsibilities; or (vi) your willful commission at any time of any act of fraud, embezzlement, misappropriation, material misconduct, or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof).

Our agreement regarding employment-at-will may not be changed, except specifically in writing signed by both the Committee and you. Coach may in its discretion add to, discontinue, or change compensation, duties, benefits and policies. Notwithstanding the foregoing two sentences, nothing in the preceding two sentences shall be construed as diminishing the financial obligations of either of the parties hereunder, including, without limitation, Coach’s obligations to pay Salary, Bonus, Severance, Equity Compensation, etc., pursuant to the pertinent provisions set forth above. All payments made hereunder are subject to the usual withholdings required by law. In the event of a breach by you of any provision of this offer letter and/or any of the Company policies which are included herewith, you agree to reimburse Coach for any and all reasonable attorney’s fees and expenses related to the enforcement of this agreement, including, but not limited to, the clawback of gains specified hereunder.

Our offer of employment is contingent on the following:

- Formal ratification of this agreement by the Committee;
- Your passing a credit/background check and verification of your identity and authorization to be employed in the United States;
- Your returning a signed copy of this offer letter before your first day of work;
- Your agreement to be bound by, and adhere to, all of Coach's policies in effect during your employment with Coach, including the Executive Stock Ownership Policy and Incentive Repayment Policy, and our Confidentiality, Information Security and Privacy Agreement; and
- The terms and conditions of individual equity award agreements.

EXHIBIT A

Competitor List
(as of August 2014)

Burberry Group PLC

Cole Haan LLC

Diane von Furstenberg Studio, L.P.

Fast Retailing Co., Ltd.

Fung Group

The Gap, Inc.

Kering

J. Crew Group, Inc.

Kate Spade and Company

L Brands, Inc.

LVMH Moet Hennessy Louis Vuitton SA

Michael Kors Holdings Limited

PVH Corp.

Prada, S.p.A.

Proenza Schouler

Rag & Bone

Ralph Lauren Corporation

Tory Burch LLC

Tumi Holdings, Inc.

V.F. Corporation

EXHIBIT 10.3

EXECUTION COPY

AMENDMENT NO. 3

Dated as of September 9, 2014

to

CREDIT AGREEMENT

Dated as of June 18, 2012

THIS AMENDMENT NO. 3 (this "Amendment") is made as of September 9, 2014 by and among Coach, Inc., a Maryland corporation (the "Company"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), under that certain Credit Agreement dated as of June 18, 2012 by and among the Company, the Foreign Subsidiary Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the Lenders and the Administrative Agent (as amended by Amendment No. 1 dated March 26, 2013, Amendment No. 2 dated November 27, 2013 and as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrowers have requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement;

WHEREAS, the Borrowers, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Effective as of the Amendment No. 3 Effective Date (as defined below), the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) Each of HSBC Bank USA, National Association and Bank of America, N.A. is hereby designated as a Co-Syndication Agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated is hereby designated as a Joint Bookrunner and a Joint Lead Arranger, in each case, in respect of the credit facility evidenced by the Credit Agreement as amended hereby. Accordingly, (i) the cover page of the Credit Agreement is hereby amended to (x) refer to HSBC Bank USA, National Association and Bank of America, N.A. as Co-Syndication Agents and (y) add a reference to Merrill Lynch, Pierce, Fenner & Smith Incorporated as a Joint Bookrunner and as a Joint Lead Arranger and (ii) the introductory paragraph to the Credit Agreement is hereby amended to refer to HSBC Bank USA, National Association and Bank of America, N.A. as Co-Syndication Agents.

(b) The definition of "Change in Law" appearing in Section 1.01 of the Credit Agreement is amended to delete the phrase "interpretation or application thereof by any Governmental

Authority" appearing therein and replace such phrase with "interpretation, implementation or application thereof by any Governmental Authority".

(c) The definition of "Consolidated Net Worth" appearing in Section 1.01 of the Credit Agreement is amended to delete the phrase "the Statement of Financial Accounting Standards No. 142 (or the corresponding Accounting Standards Codification Topic, as applicable)" appearing therein and replace such phrase with "Accounting Standards Codification Topic 350".

(d) The definition of "LIBO Rate" appearing in Section 1.01 of the Credit Agreement is amended to delete the phrase "administered by the British Bankers Association" appearing therein and replace such phrase with "ICE Benchmark Association".

(e) The definition of "Maturity Date" appearing in Section 1.01 of the Credit Agreement is amended to delete the reference to "March 26, 2018" appearing therein and replace such reference with "September 9, 2019".

(f) The definition of "Reference Bank Rate" appearing in Section 1.01 of the Credit Agreement is amended to delete the phrase "London interbank market" appearing therein and replace such phrase with "London (or other applicable) interbank market".

(g) The definition of "Reference Banks" appearing in Section 1.01 of the Credit Agreement is amended to (i) delete the phrase "London offices" appearing therein and replace such phrase with "London (or other applicable) offices" and (ii) insert a new sentence at the end thereof as follows:

No Lender shall be obligated to be a Reference Bank without its consent.

(h) The definition of "Statutory Reserve Rate" appearing in Section 1.01 of the Credit Agreement is amended to delete the phrase ", in the case of Dollar denominated Loans," appearing therein.

(i) Section 1.01 of the Credit Agreement is amended to (i) delete the definition of "Syndication Agent" appearing therein and (ii) add the following definitions thereto in the appropriate alphabetical order and, where applicable, replace the corresponding previously existing definitions:

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Company or its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Co-Syndication Agent" means each of HSBC Bank USA, National Association and Bank of America, N.A. in its capacity as co-syndication agent for the credit facility evidenced by this Agreement.

"Embargoed Country" means, at any time, a country or territory which is itself the subject or target of any comprehensive embargo under any Sanctions (at the time of this Agreement, Cuba, Iran, North Korea, Sudan and Syria).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, or any Person owned or controlled by a Person listed on any such Sanctions-related list, or (b) any Person that is a national of, organized in or resident in an Embargoed Country.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"Total Assets" means, at any time, the total assets of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

(j) Section 2.15(a) of the Credit Agreement is amended to restate clause (i) thereof in its entirety as follows:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank;

(k) Section 3.13 of the Credit Agreement is amended and restated in its entirety as follows:

SECTION 3.13. Anti-Corruption Laws and Sanctions. The Company has implemented and maintains in effect policies and procedures reasonably designed to ensure compliance in all material respects by the Company, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Company, its Subsidiaries and their respective officers and employees and to the knowledge of the Company its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Company, any Subsidiary or to the knowledge of the Company or such Subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of the Company, any agent of the Company or any Subsidiary that will act in any capacity in connection with or benefit from the credit facilities established hereby, is a Sanctioned Person.

(l) Section 5.07 of the Credit Agreement is amended to insert a new sentence at the end thereof as follows:

The Company will maintain in effect and enforce policies and procedures designed to ensure compliance in all material respects by the Company, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(m) Section 5.08 of the Credit Agreement is amended to insert a new sentence at the end thereof as follows:

No Borrower will request any Borrowing or Letter of Credit, and no Borrower shall use, and the Company shall use reasonable best efforts to ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Embargoed Country or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(n) Section 6.01(s) of the Credit Agreement is amended and restated in its entirety as follows:

(s) Indebtedness incurred in connection with the acquisition of joint ventures in an aggregate amount not to exceed the greater of (i) $100,000,000 and (ii) 2.75% of Total Assets (determined at the time of each such incurrence by reference to the Company's financial statements most recently delivered pursuant to Section 5.01(a) or (b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 5.01(a) or (b), the most recent financial statements referred to in Section 3.04(a)).

(o) Section 6.04(k) of the Credit Agreement is amended and restated in its entirety as follows:

(k) Investments in joint ventures in an aggregate amount not to exceed the greater of (i) $100,000,000 and (ii) 2.75% of Total Assets (determined at the time of each such investment by reference to the Company's financial statements most recently delivered pursuant to Section 5.01(a) or (b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 5.01(a) or (b), the most recent financial statements referred to in Section 3.04(a)); and

(p) The penultimate paragraph of Article VIII of the Credit Agreement is amended to (i) to delete the phrase "Agreement as a Syndication Agent" appearing therein and replace such phrase with "Agreement as a Co-Syndication Agent" and (ii) to delete the phrase "capacities as Syndication Agent" appearing therein and replace such phrase with "capacities as Co-Syndication Agents".

(q) Section 9.09(b) of the Credit Agreement is amended to (i) to delete the phrase "to the nonexclusive jurisdiction" appearing therein and replace such phrase with "to the exclusive jurisdiction" and (ii) to delete the phrase "sitting in New York County and" appearing therein and replace such phrase with "sitting in New York County, Borough of Manhattan, and".

(r) Section 9.12 of the Credit Agreement is amended to add two new paragraphs at the end thereof as follows:

EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN THE IMMEDIATELY PRECEDING PARAGRAPH FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE COMPANY AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE COMPANY OR THE ADMINISTRATIVE AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY

CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE COMPANY, THE OTHER LOAN PARTIES AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE COMPANY AND THE ADMINISTRATIVE AGENT THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.

(s) Schedule 2.01 to the Credit Agreement is amended and restated in its entirety in the form of Schedule 2.01 attached hereto.

2. New Lenders.

(a) Each of the undersigned financial institutions that is not a party to the Credit Agreement prior to the effective date of this Amendment (each, an "New Lender") agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the effective date of this Amendment, become a Lender for all purposes of the Credit Agreement, with a Commitment as set forth on Schedule 2.01 attached hereto.

(b) Each undersigned New Lender (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby and by the Credit Agreement and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to become a Lender, (iii) from and after the effective date of this Amendment, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and the other Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the other Loan Documents are required to be performed by it as a Lender.

3. Conditions of Effectiveness. The effectiveness of this Amendment (the "Amendment No. 3 Effective Date") is subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of (i) this Amendment duly executed by the Borrowers, the Lenders, each New Lender, each Issuing Bank, the Swingline Lender and the Administrative Agent and (ii) the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors.

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Amendment No. 3 Effective Date) of (i) Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Loan Parties, and (ii) Venable LLP, special Maryland counsel for the Loan Parties, each in form and substance reasonably satisfactory to the Administrative Agent and its counsel and covering such matters relating to the Loan Parties, the Loan Documents or the Transactions as the Administrative Agent shall reasonably request. The Company hereby requests such counsels to deliver such opinions.

(c) The Administrative Agent shall have received, for the account of each Lender party hereto that delivers its executed signature page to this Amendment by no later than the date and time specified by the Administrative Agent, an upfront fee in an amount equal to the amount previously disclosed to the Lenders.

(d) The Administrative Agent shall have received payment of the Administrative Agent's and its affiliates' fees and reasonable out-of-pocket expenses (including reasonable out-of-pocket fees and expenses of counsel for the Administrative Agent as set forth in the Amendment No. 3 Fee Letter dated as of August 11, 2014 among the Company, JPMorgan Chase Bank, N.A. and J.P. Morgan Securities LLC) in connection with this Amendment.

(e) The Administrative Agent shall have made such reallocations of each Lender's Applicable Percentage of the Revolving Credit Exposure under the Credit Agreement (including the New Lenders) as are necessary in order that the Revolving Credit Exposure with respect to such Lender reflects such Lender's Applicable Percentage of the Revolving Credit Exposure under the Credit Agreement as amended hereby. The Borrower hereby agrees to compensate each Lender for any and all losses, costs and expenses incurred by such Lender in connection with the sale and assignment of any Eurocurrency Loans and the reallocation described in this clause (e), in each case on the terms and in the manner set forth in Section 2.16 of the Credit Agreement.

4. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, liquidation, reconstruction, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of the Borrowers set forth in the Credit Agreement (other than, with respect to any Loan the proceeds of which are being used to refinance maturing commercial paper issued by the Company, Sections 3.04(b) and 3.06 of the Credit Agreement) are true and correct.

5. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment shall be deemed to be a Loan Document.

6. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

COACH, INC.,
as a Borrower

By:____________________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By:_______________________________________
Name:
Title:

Name of Lender:

____

By ________________________________

Name:

Title:

For any Lender requiring a second signature line:

By ________________________________

Name:

Title:

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 3 (the "Amendment") to the Credit Agreement dated as of June 28, 2012 (as amended by Amendment No. 1 dated March 26, 2013, Amendment No. 2 dated November 27, 2013 and as further amended, restated, supplemented or otherwise modified, the "Credit Agreement") by and among Coach, Inc., the Foreign Subsidiary Borrowers from time to time party thereto, the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 3 is dated as of September 9, 2014 (the "Consent and Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Credit Agreement and any other Loan Document executed by it and acknowledges and agrees that such Credit Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment.

Dated: September 9, 2014

[Signature Page Follows]

COACH SERVICES, INC.

By: __________________________
Name:
Title:

SCHEDULE 2.01

COMMITMENTS

LENDER	COMMITMENT
JPMORGAN CHASE BANK, N.A.	$100,000,000
HSBC BANK USA, NATIONAL ASSOCIATION	$100,000,000
BANK OF AMERICA, N.A.	$100,000,000
TD BANK, N.A.	$70,000,000
U.S. BANK NATIONAL ASSOCIATION	$70,000,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	$70,000,000
THE NORTHERN TRUST COMPANY	$47,500,000
PNC BANK, NATIONAL ASSOCIATION	$47,500,000
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.	$47,500,000
BNP PARIBAS	$47,500,000
AGGREGATE COMMITMENT	**$700,000,000**

EXHIBIT 31.1

I, Victor Luis, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Coach, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

By: /s/ Victor Luis

Name: Victor Luis

Title: Chief Executive Officer

I, Jane Nielsen, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Coach, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

By: /s/ Jane Nielsen

Name: Jane Nielsen

Title: Chief Financial Officer

EXHIBIT 32.1

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Coach, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 27, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2014

By: /s/ Victor Luis

Name: Victor Luis

Title: Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Coach, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 27, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2014

By: /s/ Jane Nielsen

Name: Jane Nielsen

Title: Chief Financial Officer