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**NEW YORK**

**Coach, Inc.**

*(incorporated in the State of Maryland, United States)*

(Stock code: 6388)

**OVERSEAS REGULATORY ANNOUNCEMENT –  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached for the document which has been published by Coach, Inc. on the website of the U.S. Securities and Exchange Commission on August 22, 2012 (U.S. Eastern Time).

*Executive Vice President,  
General Counsel and Secretary of*  
**Coach, Inc.**  
**Todd Kahn**

Hong Kong, August 23, 2012

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

FORM 10-K

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

For the Fiscal Year Ended June 30, 2012  
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**

(State or other jurisdiction of incorporation or organization)

**52-2242751**

(I.R.S. Employer Identification No.)

**516 West 34<sup>th</sup> Street, New York, NY 10001**

(Address of principal executive offices); (Zip Code)

**(212) 594-1850**

(Registrant's telephone number, including area code)

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

**Title of Each Class:**

**Name of Each Exchange on which Registered**

Common Stock, par value \$.01 per share

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions 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

Smaller Reporting Company

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

The aggregate market value of Coach, Inc. common stock held by non-affiliates as of December 31, 2011 (the last business day of the most recently completed second fiscal quarter) was approximately \$17.3 billion. For purposes of determining this amount only, the registrant has excluded shares of common stock held by directors and officers. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

On August 3, 2012, the Registrant had 285,186,057 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

**Documents**

**Form 10-K Reference**

Proxy Statement for the 2012 Annual Meeting of Stockholders

Part III, Items 10 – 14

# COACH, INC.

## TABLE OF CONTENTS

|   | <u>Page<br/>Number</u> |
|---|------------------------|
| <b>PART I</b>   |                        |
| Item 1. Business .....  | 2                      |
| Item 1A. Risk Factors .....   | 12                     |
| Item 1B. Unresolved Staff Comments .....  | 18                     |
| Item 2. Properties .....  | 19                     |
| Item 3. Legal Proceedings .....   | 19                     |
| Item 4. Mine Safety Disclosures .....   | 20                     |
| <b>PART II</b>  |                        |
| Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer<br>Purchases of Equity Securities ..... | 21                     |
| Item 6. Selected Financial Data .....   | 24                     |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations..                               | 27                     |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....   | 41                     |
| Item 8. Financial Statements and Supplementary Data .....   | 43                     |
| Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure..                                | 43                     |
| Item 9A. Controls and Procedures .....  | 43                     |
| Item 9B. Other Information .....  | 43                     |
| <b>PART III</b>   |                        |
| Item 10. Directors, Executive Officers and Corporate Governance .....   | 44                     |
| Item 11. Executive Compensation .....   | 44                     |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related<br>Stockholder Matters .....              | 44                     |
| Item 13. Certain Relationships and Related Transactions, and Director Independence .....                                      | 44                     |
| Item 14. Principal Accountant Fees and Services .....   | 44                     |
| <b>PART IV</b>  |                        |
| Item 15. Exhibits, Financial Statement Schedules .....  | 45                     |
| Signatures .....  | 46                     |

## **SPECIAL NOTE ON FORWARD-LOOKING INFORMATION**

This document and the documents incorporated by reference in this document contain certain forward-looking statements based on management's current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as "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. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Coach, Inc.'s actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this Form 10-K filing entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the forward-looking statements contained in this Form 10-K.

## **INFORMATION REGARDING HONG KONG DEPOSITARY 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.

*In this Form 10-K, references to “Coach,” “we,” “our,” “us” and the “Company” refer to Coach, Inc., including consolidated subsidiaries. The fiscal years ended June 30, 2012 (“fiscal 2012”), and July 2, 2011 (“fiscal 2011”) were each 52-week periods. The fiscal year ended July 3, 2010 (“fiscal 2010”) was a 53-week period. The fiscal year ending June 29, 2013 (“fiscal 2013”) will be a 52-week period.*

## **PART I**

### **ITEM 1. BUSINESS**

#### **GENERAL DEVELOPMENT OF BUSINESS**

Founded in 1941, Coach was acquired by Sara Lee Corporation (“Sara Lee”) in 1985. In June 2000, Coach was incorporated in the state of Maryland. In October 2000, Coach was listed on the New York Stock Exchange and sold approximately 68 million shares of common stock, split adjusted, representing 19.5% of the outstanding shares. In April 2001, Sara Lee completed a distribution of its remaining ownership in Coach via an exchange offer, which allowed Sara Lee stockholders to tender Sara Lee common stock for Coach common stock.

In June 2001, Coach Japan was formed to expand our presence in the Japanese market and to exercise greater control over our brand in that country. Coach Japan was initially formed as a joint venture with Sumitomo Corporation. On July 1, 2005, we purchased Sumitomo’s 50% interest in Coach Japan, resulting in Coach Japan becoming a 100% owned subsidiary of Coach, Inc.

In fiscal 2009, the Company acquired the Coach domestic retail businesses in Hong Kong, Macau and mainland China (“Coach China”) from its former distributor, the ImagineX group. These acquisitions provide the Company with greater control over the brand in China, enabling Coach to raise brand awareness and aggressively grow market share with the Chinese consumer.

In fiscal 2011, the Company acquired a non-controlling interest in a joint venture with Hackett Limited to expand the Coach International business in Europe. Through the joint venture, the Company opened retail locations in Spain, Portugal and Great Britain in fiscal 2011 and in France and Ireland in fiscal 2012. The Company currently anticipates further European expansion in fiscal 2013.

In fiscal 2012, the Company acquired the Coach domestic retail businesses in Singapore and Taiwan, which were operated by Valiram Group and Tasa Meng, respectively. In connection with the fiscal 2011 agreement with the Valiram Group, the Company assumed direct control of its domestic retail business in Malaysia in July 2012. Additionally, in connection with the fiscal 2012 agreement with Shinsegae International, the Company assumed direct control of its retail business in Korea in early August 2012.

#### **FINANCIAL INFORMATION ABOUT SEGMENTS**

See the Segment Information note presented in the Notes to the Consolidated Financial Statements.

#### **NARRATIVE DESCRIPTION OF BUSINESS**

Coach has grown from a family-run workshop in a Manhattan loft to a leading American marketer of fine accessories and gifts for women and men. Coach is one of the most recognized fine accessories brands in the U.S. and in targeted international markets. We offer premium lifestyle accessories to a loyal and growing customer base and provide consumers with fresh, relevant and innovative products that are extremely well made, at an attractive price. Coach’s modern, fashionable handbags and accessories use a broad range of high quality leathers, fabrics and materials. In response to our customer’s demands for both fashion and function, Coach offers updated styles and multiple product categories which address an increasing share of our customer’s accessory wardrobe. Coach has created a sophisticated, modern and inviting environment to showcase our product assortment and reinforce a consistent brand position wherever the consumer may shop. We utilize a flexible, cost-effective global sourcing model, in which independent manufacturers supply our products, allowing us to bring our broad range of products to market rapidly and efficiently.

Coach offers a number of key differentiating elements that set it apart from the competition, including:

***A Distinctive Brand*** — Coach offers distinctive, easily recognizable, accessible luxury products that are relevant, extremely well made and provide excellent value.

***A Market Leadership Position With Growing Global Share*** — Coach is a global leader in premium handbag and accessories. Each year, as our market share increases, our leadership position strengthens. In North America, Coach is the leading brand. In Japan, Coach is the leading imported luxury handbag and accessories brand by units sold.

***A Loyal And Involved Consumer*** — Coach consumers have a specific emotional connection with the brand. Part of the Company’s everyday mission is to cultivate consumer relationships by strengthening this emotional connection.

***A Multi-Channel International Distribution Model*** — This allows Coach to maintain a critical balance as results do not depend solely on the performance of a single channel or geographic area. The Direct-to-Consumer channel provides us with immediate, controlled access to consumers through Coach-operated stores in North America; Japan; Hong Kong, Macau, and mainland China; Taiwan; Singapore and the Internet. Beginning with the first quarter of fiscal 2013, this channel also includes Coach-operated stores in Malaysia and Korea. The Indirect channel provides us with access to consumers via wholesale department store and specialty store locations in over 20 countries.

***Innovation And A Consumer-Centric Focus*** — Coach listens to its consumer through rigorous consumer research and strong consumer orientation. Coach works to anticipate the consumer’s changing needs by keeping the product assortment fresh and relevant.

We believe that these differentiating elements have enabled the Company to offer a unique proposition to the marketplace. We hold the number one position within the U.S. premium handbag and accessories market and the number two position within the Japanese imported luxury handbag and accessories market.

## PRODUCTS

Coach’s product offerings include women’s and men’s bags, accessories, wearables, footwear, jewelry, sunwear, travel bags, watches and fragrance. The following table shows the percent of net sales that each product category represented:

|                                    | Fiscal Year Ended |              |              |
|------------------------------------|-------------------|--------------|--------------|
|                                    | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Men’s & Women’s Handbags . . . . . | 65%               | 66%          | 65%          |
| Accessories . . . . .              | 28                | 27           | 26           |
| All other products . . . . .       | 7                 | 7            | 9            |
| Total . . . . .                    | <u>100%</u>       | <u>100%</u>  | <u>100%</u>  |

***Handbags*** — Women’s handbag collections feature classically inspired designs as well as fashion designs. Typically, there are three to four collections per quarter and four to seven styles per collection. These collections are designed to meet the fashion and functional requirements of our broad and diverse consumer base. Men’s handbag collections include business cases, computer bags, messenger-style bags and totes. In fiscal 2012, we introduced the new Hamptons Weekend and Willis collections, and made updates to our Poppy, Madison and Kristin collections. In early fiscal 2013, we launched a new dual-gender Legacy lifestyle collection, inspired by our heritage, grounded in leather and featuring distinctive Coach elements. Legacy, our largest product launch in many years, is an iconic lifestyle collection which provides a foundation for the brand, targeting multi-generational consumers whom are both classic and stylish in their preferences.

***Accessories*** — Accessories include women’s and men’s small leather goods, novelty accessories and women’s and men’s belts. Women’s small leather goods, which coordinate with our handbags, include money pieces, wristlets, and cosmetic cases. Men’s small leather goods consist primarily of wallets and card cases. Novelty accessories include time management and electronic accessories. Key rings and charms are also included in this category.

***Wearables*** — This category is comprised of scarves, jackets, gloves and hats, including both cold weather and fashion. The assortment is primarily women’s and contains a fashion assortment in all components of this category.

**Footwear** — Jimlar Corporation (“Jimlar”) has been Coach’s footwear licensee since 1999. Footwear is distributed through select Coach retail stores, coach.com and about 1,000 U.S. department stores. Footwear sales are comprised primarily of women’s styles, which coordinate with Coach’s handbag collections.

**Jewelry** — This category is comprised of bangle bracelets, necklaces, rings and earrings offered in both sterling silver and non-precious metals.

**Sunwear** — Marchon Eyewear, Inc. (“Marchon”) has been Coach’s eyewear licensee since 2003 under a licensing agreement that expired in 2011. During October 2010, the Company signed a licensing agreement with Luxottica Trading and Finance Ltd. (“Luxottica”) and began transitioning the eyewear business during the second half of fiscal 2012. This collection is a collaborative effort that combines the Coach aesthetic for fashion accessories with the latest fashion directions in sunglasses. Coach sunglasses are sold in Coach retail stores and coach.com, department stores, select sunglass retailers and optical retailers in major markets.

**Travel Bags** — The travel collections are comprised of luggage and related accessories, such as travel kits and valet trays.

**Watches** — Movado Group, Inc. (“Movado”) has been Coach’s watch licensee since 1998 and has developed a distinctive collection of watches inspired primarily by the women’s collections with select men’s styles.

**Fragrance** — Starting in the spring of 2010, Estée Lauder Companies Inc. (“Estée Lauder”), through its subsidiary, Aramis Inc., became Coach’s fragrance licensee. Fragrance is distributed through Coach retail stores, coach.com, about 4,000 U.S. department and specialty stores and 500 international locations. Coach offers four women’s fragrance collections and one men’s fragrance. The women’s fragrance collections include eau de perfume spray, eau de toilette spray, purse spray, body lotion and body splashes.

## **DESIGN AND MERCHANDISING**

Coach’s New York-based design team, led by its Executive Creative Director, is responsible for conceptualizing and directing the design of all Coach products. Designers have access to Coach’s extensive archives of product designs created over the past 70 years, which are a valuable resource for new product concepts. Coach designers are also supported by a strong merchandising team that analyzes sales, market trends and consumer preferences to identify business opportunities that help guide each season’s design process. Merchandisers also analyze products and edit, add and delete to achieve profitable sales across all channels. The product category teams, each comprised of design, merchandising/product development and sourcing specialists help Coach execute design concepts that are consistent with the brand’s strategic direction.

Coach’s design and merchandising teams work in close collaboration with all of our licensing partners to ensure that the licensed products (watches, footwear, eyewear and fragrance) are conceptualized and designed to address the intended market opportunity and convey the distinctive perspective and lifestyle associated with the Coach brand.

During fiscal 2008, the Company announced a new business initiative to drive brand creativity. This initiative has evolved into the Reed Krakoff brand, representing New American luxury, which is supported by a team of experienced designers and merchandisers and encompasses all women’s categories, with a focus on ready-to-wear, handbags, accessories, footwear and jewelry. We introduced the Reed Krakoff brand with store openings in North America and internationally through specialty retailers in early fiscal 2011.

## **SEGMENTS**

Coach operates in two reportable segments: Direct-to-Consumer and Indirect. The reportable segments represent channels of distribution that offer similar products, service and marketing strategies.

### **Direct-to-Consumer Segment**

The Direct-to-Consumer segment consists of channels that provide us with immediate, controlled access to consumers: Coach-operated stores in North America; Japan; Hong Kong, Macau, and mainland China; Taiwan; Singapore and the Internet. This segment represented approximately 89% of Coach’s total net sales in fiscal 2012, with North American stores and the Internet, Coach Japan and Coach China contributing

approximately 63%, 18% and 6% of total net sales, respectively. Beginning with the first quarter of fiscal 2013, this segment also includes Coach-operated stores in Malaysia and Korea.

**North American Retail Stores** — Coach stores are located in regional shopping centers and metropolitan areas throughout the U.S. and Canada. The retail stores carry an assortment of products depending on their size and location. Our flagship stores, which offer the broadest assortment of Coach products, are located in high-visibility locations such as New York, Chicago, San Francisco and Toronto.

Our stores are sophisticated, sleek, modern and inviting. They showcase the world of Coach and enhance the shopping experience while reinforcing the image of the Coach brand. The modern store design creates a distinctive environment to display our products. Store associates are trained to maintain high standards of visual presentation, merchandising and customer service. The result is a complete statement of the Coach modern American style at the retail level.

The following table shows the number of Coach retail stores and their total and average square footage:

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Retail stores . . . . .                      | 354               | 345          | 342          |
| Net increase vs. prior year . . . . .        | 9                 | 3            | 12           |
| Percentage increase vs. prior year . . . . . | 2.6%              | 0.9%         | 3.6%         |
| Retail square footage . . . . .              | 959,099           | 936,277      | 929,580      |
| Net increase vs. prior year . . . . .        | 22,822            | 6,697        | 36,543       |
| Percentage increase vs. prior year . . . . . | 2.4%              | 0.7%         | 4.1%         |
| Average square footage . . . . .             | 2,709             | 2,714        | 2,718        |

**North American Factory Stores** — Coach’s factory stores serve as an efficient means to sell manufactured-for-factory-store product, including factory exclusives, as well as discontinued and irregular inventory outside the retail channel. These stores operate under the Coach Factory name and are geographically positioned primarily in established outlet centers that are generally more than 30 miles from major markets.

Coach’s factory store design, visual presentations and customer service levels support and reinforce the brand’s image. Through these factory stores, Coach targets value-oriented customers who would not otherwise buy the Coach brand. Prices are generally discounted from 20% to 70% below full retail prices.

The following table shows the number of North America Coach factory stores and their total and average square footage:

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Factory stores . . . . .                     | 169               | 143          | 121          |
| Net increase vs. prior year . . . . .        | 26                | 22           | 10           |
| Percentage increase vs. prior year . . . . . | 18.2%             | 18.2%        | 9.0%         |
| Factory square footage . . . . .             | 789,699           | 649,094      | 548,797      |
| Net increase vs. prior year . . . . .        | 140,605           | 100,297      | 71,073       |
| Percentage increase vs. prior year . . . . . | 21.7%             | 18.3%        | 14.9%        |
| Average square footage . . . . .             | 4,673             | 4,539        | 4,536        |

**Internet** — Coach views its website as a key communications vehicle for the brand to promote traffic in Coach retail stores and department store locations and build brand awareness. With approximately 76 million unique visits to the coach.com e-commerce website in fiscal 2012, our online store provides a showcase environment where consumers can browse through a selected offering of the latest styles and colors. Our e-commerce programs also include third-party flash sites and our invitation-only factory flash site.

**Coach Japan** — Coach Japan operates department store shop-in-shop locations and freestanding flagship, retail and factory stores as well as an e-commerce website. Flagship stores, which offer the broadest assortment of Coach products, are located in select shopping districts throughout Japan.



The following table shows the number of Coach Japan locations and their total and average square footage:

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Coach Japan locations . . . . .              | 180               | 169          | 161          |
| Net increase vs. prior year . . . . .        | 11                | 8            | 6            |
| Percentage increase vs. prior year . . . . . | 6.5%              | 5.0%         | 3.9%         |
| Coach Japan square footage . . . . .         | 320,781           | 303,925      | 293,441      |
| Net increase vs. prior year . . . . .        | 16,856            | 10,484       | 13,013       |
| Percentage increase vs. prior year . . . . . | 5.5%              | 3.6%         | 4.6%         |
| Average square footage . . . . .             | 1,782             | 1,798        | 1,823        |

**Coach China** — Coach China operates department store shop-in-shop locations as well as freestanding flagship, retail and factory stores. Flagship stores, which offer the broadest assortment of Coach products, are located in select shopping districts in Hong Kong and mainland China.

The following table shows the number of Coach China locations and their total and average square footage:

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Coach China locations . . . . .              | 96                | 66           | 41           |
| Net increase vs. prior year . . . . .        | 30                | 25           | 13           |
| Percentage increase vs. prior year . . . . . | 45.5%             | 61.0%        | 46.4%        |
| Coach China square footage . . . . .         | 201,736           | 127,550      | 78,887       |
| Net increase vs. prior year . . . . .        | 74,186            | 48,663       | 26,216       |
| Percentage increase vs. prior year . . . . . | 58.2%             | 61.7%        | 49.8%        |
| Average square footage . . . . .             | 2,101             | 1,933        | 1,924        |

**Coach Singapore and Taiwan** — Coach Singapore and Taiwan operate department store shop-in-shop locations as well as freestanding flagship, retail and factory stores. Flagship stores, which offer the broadest assortment of Coach products, are located in select shopping districts in Singapore and Taiwan.

The following table shows the number of Coach Singapore and Taiwan locations and their total and average square footage:

|   | Fiscal Year Ended |              |              |
|---|-------------------|--------------|--------------|
|   | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Coach Singapore and Taiwan locations . . . . .      | 34                | 27           | 22           |
| Net increase vs. prior year . . . . .               | 7                 | 5            | 2            |
| Percentage increase vs. prior year . . . . .        | 25.9%             | 22.7%        | 10.0%        |
| Coach Singapore and Taiwan square footage . . . . . | 55,840            | 43,158       | 36,078       |
| Net increase vs. prior year . . . . .               | 12,682            | 7,080        | 5,542        |
| Percentage increase vs. prior year . . . . .        | 29.4%             | 19.6%        | 18.1%        |
| Average square footage . . . . .                    | 1,642             | 1,598        | 1,640        |

**Reed Krakoff** — The Reed Krakoff brand represents new American luxury primarily for handbags, accessories and ready-to-wear. We introduced the Reed Krakoff brand with store openings in North America and internationally through specialty retailers in early fiscal 2011. Reed Krakoff operates department store shop-in-shop locations, freestanding flagship stores as well as an e-commerce website at reedkrakoff.com. Flagship stores, which offer the broadest assortment of Reed Krakoff products, are located in select shopping districts in the U.S.

## Indirect Segment

Coach began as a U.S. wholesaler to department stores and this segment remains a part of our overall consumer reach. Today, we work closely with our partners, both domestic and international, to ensure a clear and consistent product presentation. The Indirect segment represented approximately 11% of total net sales in fiscal 2012, with U.S. Wholesale and Coach International representing approximately 6% and 4% of total net sales, respectively. The Indirect segment also includes royalties earned on licensed product.

**U.S. Wholesale** — This channel offers access to Coach products to consumers who prefer shopping at department stores. Coach enhances presentation, within the department store environment, primarily through the creation of more shop-in-shops with proprietary Coach fixtures. Coach custom tailors its assortments through wholesale product planning and allocation processes to better match the attributes of our department store consumers in each local market. Coach products are also available on macys.com, dillards.com, bloomingdales.com, lordandtaylor.com, belk.com, vonmaur.com and nordstrom.com. While overall U.S. department store sales have slowed over the last few years, the handbag and accessories category has remained strong. The Company continues to closely manage inventories in this channel given the highly promotional environment at point-of-sale.

Coach's products are sold in approximately 990 wholesale locations in the U.S. and Canada. Our most significant U.S. wholesale customers are Macy's (including Bloomingdale's), Dillard's, Nordstrom, Lord & Taylor, Carson's, the Bay and Saks Fifth Avenue.

**Coach International** — This channel represents sales to international wholesale distributors and authorized retailers. Travel retail represents the largest portion of our customers' sales in this channel. However, we continue to drive growth by expanding our distribution to reach local consumers in emerging markets. Coach has developed relationships with a select group of distributors who sell Coach products through department stores and freestanding retail locations in over 20 countries. Coach's current network of international distributors serves the following domestic and/or travel retail markets: South Korea, US & Territories, Taiwan, Malaysia, Hong Kong, Mexico, Saudi Arabia, Thailand, Japan, Australia, Singapore, UAE, France, China, Macau, Indonesia, Kuwait, Bahamas, Aruba, Vietnam, New Zealand, Bahrain, India and Brazil.

For locations not in freestanding stores, Coach has created shop-in-shops and other image enhancing environments to increase brand appeal and stimulate growth. Coach continues to improve productivity in this channel by opening larger image-enhancing locations, expanding existing stores and closing smaller, less productive stores. Coach's most significant international wholesale customers are the DFS Group, Shinsegae International, Tasa Meng Corp, Lotte Group and Shilla Group.

In connection with the fiscal 2011 agreement with the Valiram Group, the Company assumed direct control of its domestic retail business in Malaysia in July 2012. Additionally, in connection with the fiscal 2012 agreement with Shinsegae International, the Company assumed direct control of its retail business in Korea in early August 2012.

In fiscal 2013, the Company will be expanding further into Latin America through distributor partners to customers in Venezuela, Colombia, Panama and Peru.

The following table shows the number of international wholesale locations at which Coach products are sold:

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| International freestanding stores . . . . .        | 77                | 61           | 53           |
| International department store locations . . . . . | 87                | 109          | 93           |
| Other international locations . . . . .            | 41                | 41           | 36           |
| Total international wholesale locations . . . . .  | <u>205</u>        | <u>211</u>   | <u>182</u>   |

**Licensing** — In our licensing relationships, Coach takes an active role in the design process and controls the marketing and distribution of products under the Coach brand. The current licensing relationships as of June 30, 2012 are as follows:

| Category  | Licensing Partner | Introduction Date | Territory | License Expiration Date |
|-----------|-------------------|-------------------|-----------|-------------------------|
| Footwear  | Jimlar            | Spring '99        | U.S.      | 2014                    |
| Eyewear   | Luxottica         | Spring '12        | Worldwide | 2016                    |
| Watches   | Movado            | Spring '98        | Worldwide | 2015                    |
| Fragrance | Estee Lauder      | Spring '10        | Worldwide | 2015                    |

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

## MARKETING

Coach's marketing strategy is to deliver a consistent and relevant message each time the consumer comes in contact with the Coach brand through our communications and visual merchandising. The Coach image is created internally and executed by the creative marketing, visual merchandising and public relations teams. Coach also has a sophisticated consumer and market research capability, which helps us assess consumer attitudes and trends and gauge the likelihood of a product's success in the marketplace prior to its introduction.

In conjunction with promoting a consistent global image, Coach uses its extensive customer database and consumer knowledge to target specific products and communications to specific consumers to efficiently stimulate sales across all distribution channels.

Coach engages in several consumer communication initiatives, including direct marketing activities and national, regional and local advertising. In fiscal 2012, consumer contacts increased 131% to over 1.4 billion primarily driven by increased email communications. The Company continues to leverage marketing expenses by refining our marketing programs to increase productivity and optimize distribution. Total expenses related to consumer communications in fiscal 2012 were \$89.2 million, representing less than 2% of net sales.

Coach's wide range of direct marketing activities includes email contacts and brochures targeted to promote sales to consumers in their preferred shopping venue. In addition to building brand awareness, the coach.com and reedkrakoff.com websites serve as effective brand communications vehicles by providing a showcase environment where consumers can browse through a strategic offering of the latest styles and colors, which drives store traffic and enables the collection of customer data.

As part of Coach's direct marketing strategy, the Company uses its database consisting of approximately 22 million active households in North America and 6.6 million active households in Japan. Email contacts and catalogs are Coach's principal means of communication and are sent to selected households to stimulate consumer purchases and build brand awareness. The growing number of visitors to the coach.com e-commerce sites in the U.S., Canada and Japan provides an opportunity to increase the size of these databases.

During fiscal 2012, the Company sent approximately 1.2 billion emails to strategically selected customers as we continue to evolve our internet outreach to maximize productivity while streamlining distribution. In fiscal 2012, the Company distributed over one million catalogs in Coach stores in Japan; Hong Kong, Macau and mainland China; and Taiwan and Singapore. The Company also mailed over one million additional catalogs to households throughout Asia, including over 700,000 in China.

In fiscal 2012, Coach had marketing websites in Australia, Bahrain, Brazil, China, Colombia, France, Ireland, Malaysia, Mexico, Panama, Portugal, Singapore, South Korea, Spain, Taiwan, Thailand, UAE, United Kingdom, Venezuela and Vietnam. In addition, the Company utilizes and continues to explore new technologies such as blogs and social networking websites, including Twitter and Facebook, as a cost effective consumer communication opportunity to increase on-line and store sales, acquire new customers and build brand awareness.

The Company also runs national, regional and local advertising campaigns in support of its major selling seasons.

## **MANUFACTURING**

While all of our products are manufactured by independent manufacturers, we nevertheless maintain control of the supply chain process from design through manufacture. We are able to do this by qualifying raw material suppliers and by maintaining sourcing and product development offices in China, Hong Kong, Vietnam, South Korea and India that work closely with our independent manufacturers. This broad-based, global manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities. Over the last several years, we have increased the presence of our senior management at our manufacturers' facilities to enhance control over decision making and ensure the speed with which we bring new product to market is maximized.

These independent manufacturers support a broad mix of product types, materials and a seasonal influx of new, fashion oriented styles, which allows us to meet shifts in marketplace demand and changes in consumer preferences. During fiscal 2012, approximately 71% of Coach's total net sales were generated from newly introduced products with no sales in the same quarter the previous year. As the collections are seasonal and planned to be sold in stores for short durations, our production quantities are limited which lowers our exposure to excess and obsolete inventory.

All product sources, including independent manufacturers and licensing partners, must achieve and maintain Coach's high quality standards, which are an integral part of the Coach identity. One of Coach's keys to success lies in the rigorous selection of raw materials. Coach has longstanding relationships with purveyors of fine leathers and hardware. Although Coach products are manufactured by independent manufacturers, we maintain control of the raw materials that are used in all of our products. Compliance with quality control standards is monitored through on-site quality inspections at all independent manufacturing facilities.

Coach carefully balances its commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. Our manufacturers are located in many countries, including China, Italy, United States, Vietnam, Hong Kong, India, Thailand, Philippines, Taiwan and Peru. Coach continues to evaluate new manufacturing sources and geographies to deliver the finest quality products at the lowest cost and help limit the impact of manufacturing in inflationary markets. During fiscal 2012, one vendor provided approximately 16% of Coach's total units. No other individual vendor currently provides more than approximately 11% of Coach's total units. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously approved facilities are conducted on a random basis. We believe that all of our manufacturing partners are in material compliance with Coach's integrity standards.

## **DISTRIBUTION**

Coach operates an 850,000 square foot distribution and consumer service facility in Jacksonville, Florida. This automated facility uses a bar code scanning warehouse management system. Coach's distribution center employees use handheld radio frequency scanners to read product bar codes, which allow them to more accurately process and pack orders, track shipments, manage inventory and generally provide excellent service to our customers. Coach's products are primarily shipped to Coach retail stores and wholesale customers via express delivery providers and common carriers, and direct to consumers via express delivery providers.

To support our growth in China and the region, in fiscal 2010 we established an Asia distribution center in Shanghai, owned and operated by a third-party, allowing us to better manage the logistics in this region while reducing costs. The Company also operates a distribution center, through a third-party, in Japan.

## **MANAGEMENT INFORMATION SYSTEMS**

The foundation of Coach's information systems is its Enterprise Resource Planning ("ERP") system. This fully integrated system supports all aspects of finance and accounting, procurement, inventory control, sales and store replenishment. The system functions as a central repository for all of Coach's transactional information, resulting in increased efficiencies, improved inventory control and a better understanding of consumer demand. This system was upgraded in fiscal 2008, continues to be the most current version available, and is fully scalable to accommodate growth.

Complementing its ERP system are several other system solutions, each of which Coach believes is well suited for its needs. The data warehouse system summarizes the transaction information and provides a single platform for all management reporting. The supply chain management system supports sales and inventory planning and reporting functions. Product fulfillment is facilitated by Coach's highly automated warehouse management system and electronic data interchange system, while the unique requirements of Coach's internet business are supported by Coach's order management system. Finally, the point-of-sale system supports all in-store transactions, distributes management reporting to each store, and collects sales and payroll information on a daily basis. This daily collection of store sales and inventory information results in early identification of business trends and provides a detailed baseline for store inventory replenishment. Updates and upgrades of these systems are made on a periodic basis in order to ensure that we constantly improve our functionality. All complementary systems are integrated with the central ERP system.

## **TRADEMARKS AND PATENTS**

Coach owns all of the material trademark rights used in connection with the production, marketing and distribution of all of its products, both in the U.S. and in other countries in which the products are principally sold. Coach also owns and maintains worldwide registrations for trademarks in all relevant classes of products in each of the countries in which Coach products are sold. Major trademarks include *Coach*, *Coach and lozenge design*, *Coach and tag design*, *Signature C design*, *Coach Op Art design* and *The Heritage Logo (Coach Leatherware Est. 1941)*. Coach is not dependent on any one particular trademark or design patent although Coach believes that the Coach name is important for its business. In addition, several of Coach's products are covered by design patents or patent applications. Coach aggressively polices its trademarks and trade dress, and pursues infringers both domestically and internationally. It also pursues counterfeiters domestically and internationally through leads generated internally, as well as through its network of investigators, the Coach hotline and business partners around the world.

Coach expects that its material trademarks will remain in existence for as long as Coach continues to use and renew them. Coach has no material patents.

## **SEASONALITY**

Because Coach products are frequently given as gifts, Coach has historically realized, and expects to continue to realize, higher sales and operating income in the second quarter of its fiscal year, which includes the holiday months of November and December. In addition, fluctuations in sales and operating income in any fiscal quarter are affected by the timing of seasonal wholesale shipments and other events affecting retail sales. Over the last several years, we have achieved higher levels of growth in the non-holiday quarters, which has reduced these seasonal fluctuations.

## **GOVERNMENT REGULATION**

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

## **COMPETITION**

The premium handbag and accessories industry is highly competitive. The Company mainly competes with European and American luxury brands as well as private label retailers, including some of Coach's

wholesale customers. Over the last several years the category has grown, encouraging the entry of new competitors as well as increasing the competition from existing competitors. The Company believes, however, that as a market leader we benefit from this increased competition as it drives consumer interest in this brand loyal category.

The Company further believes that there are several factors that differentiate us from our competitors, including but not limited to: distinctive newness, innovation and quality of our products, ability to meet consumer's changing preferences and our superior customer service.

## **EMPLOYEES**

As of June 30, 2012, Coach employed approximately 18,000 people, including both full and part time employees. Of these employees, approximately 6,200 and 8,000 were full time and part time employees, respectively, in the retail field in North America; Japan; Hong Kong, Macau, and mainland China; Taiwan; Singapore and Korea. Approximately 70 of Coach's employees are covered by collective bargaining agreements. Coach believes that its relations with its employees are good, and it has never encountered a strike or work stoppage.

## **FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS**

See the Segment Information note presented in the Notes to the Consolidated Financial Statements for geographic information.

## **AVAILABLE INFORMATION**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our website, located at [www.coach.com](http://www.coach.com), as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission. These reports are also available on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). No information contained on any of our websites is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

The Company has included the Chief Executive Officer ("CEO") and Chief Financial Officer certifications regarding its public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibit 31.1 to this report on Form 10-K. Additionally, the Company filed with the New York Stock Exchange ("NYSE") the CEO's certification regarding the Company's compliance with the NYSE's Corporate Governance Listing Standards ("Listing Standards") pursuant to Section 303A.12(a) of the Listing Standards, which indicated that the CEO was not aware of any violations of the Listing Standards by the Company.

## ITEM 1A. RISK FACTORS

*You should consider carefully all of the information set forth or incorporated by reference in this document and, in particular, the following risk factors associated with the Business of Coach and forward-looking information in this document. Please also see “Special Note on Forward-Looking Information” at the beginning of this report. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also have an adverse effect on us. If any of the risks below actually occur, our business, results of operations, cash flows or financial condition could suffer.*

***The current economic conditions could materially adversely affect our financial condition, results of operations and consumer purchases of luxury items.***

The current uncertain global economic conditions are having a significant negative impact on businesses around the world. Our results can be impacted by a number of macroeconomic factors, including but not limited to consumer confidence and spending levels, unemployment, consumer credit availability, raw materials costs, fuel and energy costs, global factory production, commercial real estate market conditions, credit market conditions and the level of customer traffic in malls and shopping centers.

Demand for our products, and consumer spending in the premium handbag and accessories market generally, is significantly impacted by trends in consumer confidence, general business conditions, interest rates, the availability of consumer credit, and taxation. Consumer purchases of discretionary luxury items, such as Coach products, tend to decline during recessionary periods, when disposable income is lower. The general economic conditions in the economy may continue to affect consumer purchases of our products for the foreseeable future and adversely impact our results of operations.

***The growth of our business depends on the successful execution of our growth strategies, including our efforts to expand internationally.***

Our growth depends on the continued success of existing products, as well as the successful design and introduction of new products. Our ability to create new products and to sustain existing products is affected by whether we can successfully anticipate and respond to consumer preferences and fashion trends. The failure to develop and launch successful new products could hinder the growth of our business. Also, any delay in the development or launch of a new product could result in our company not being the first to bring product to market, which could compromise our competitive position.

Additionally, our current growth strategy includes plans to expand in a number of international regions, including Asia and Europe. We currently plan to open additional Coach stores in China and other international markets, and we have entered into strategic agreements with various partners to expand our operations in Europe. In addition, we have recently taken control of certain of our retail operations in the Asia-Pacific region, including Taiwan, Malaysia and South Korea during calendar year 2012. We do not yet have significant experience directly operating in these countries, and in many of them we face established competitors. Many of these countries have different operational characteristics, including but not limited to employment and labor, transportation, logistics, real estate, and local reporting or legal requirements.

Furthermore, consumer demand and behavior, as well as tastes and purchasing trends may differ in these countries, and as a result, sales of our product may not be successful, or the margins on those sales may not be in line with those we currently anticipate. Further, such markets will have upfront short-term investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and therefore may be dilutive to Coach in the short-term. In many of these countries, there is significant competition to attract and retain experienced and talented employees. If our international expansion plans are unsuccessful, our financial results could be materially adversely affected.

***Significant competition in our industry could adversely affect our business.***

We face intense competition in the product lines and markets in which we operate. Our competitors are European and American luxury brands as well as private label retailers, including some of Coach’s wholesale customers. There is a risk that our competitors may develop new products that are more popular with our customers. We may be unable to anticipate the timing and scale of such product introductions by competitors,

which could harm our business. Our ability to compete also depends on the strength of our brand, whether we can attract and retain key talent, and our ability to protect our trademarks and design patents. A failure to compete effectively could adversely affect our growth and profitability.

***We face risks associated with operating in international markets.***

We operate on a global basis, with approximately 32% of our net sales coming from operations outside the U.S. However, sales to our international wholesale customers are denominated in U.S. dollars. While geographic diversity helps to reduce the Company's exposure to risks in any one country, we are subject to risks associated with international operations, including, but not limited to:

- changes in exchange rates for foreign currencies, which may adversely affect the retail prices of our products, result in decreased international consumer demand, or increase our supply costs in those markets, with a corresponding negative impact on our gross margin rates,
- political or economic instability or changing macroeconomic conditions in our major markets,
- natural and other disasters in international and other markets, and
- changes in foreign or domestic legal and regulatory requirements resulting in the imposition of new or more onerous trade restrictions, tariffs, embargoes, exchange or other government controls.

We monitor our global foreign currency exposure and in order to minimize the impact on earnings of foreign currency rate movements, we hedge our subsidiaries' U.S. dollar-denominated inventory purchases in Japan and Canada, as well as Coach's cross currency denominated intercompany loan portfolio. We cannot ensure, however, that these hedges will fully offset the impact of foreign currency rate movements. Additionally, our international subsidiaries primarily use local currencies as the functional currency and translate their financial results from the local currency to U.S. dollars. If the U.S. dollar strengthens against these subsidiaries' foreign currencies, the translation of their foreign currency denominated transactions may decrease consolidated net sales and profitability.

***Failure to adequately protect our intellectual property and curb the sale of counterfeit merchandise could injure the brand and negatively affect sales.***

We believe our trademarks, copyrights, patents, and other intellectual property rights are extremely important to our success and our competitive position. We devote significant resources to the registration and protection of our trademarks and to anti-counterfeiting efforts worldwide. In spite of our efforts, counterfeiting still occurs and if we are unsuccessful in challenging a third-party's rights related to trademark, copyright, or patent this could adversely affect our future sales, financial condition, and results of operation. We are aggressive in pursuing entities involved in the trafficking and sale of counterfeit merchandise through legal action or other appropriate measures. We cannot guarantee that the actions we have taken to curb counterfeiting and protect our intellectual property will be adequate to prevent to protect the brand and prevent counterfeiting in the future. Furthermore, our efforts to enforce our intellectual property rights are often met with defenses and counterclaims attacking the validity and enforceability of our intellectual property rights. Unplanned increases in legal fees and other costs associated with defending our intellectual property rights could result in higher operating expenses. Finally, many countries' laws do not protect intellectual property rights to the same degree as US laws.

***Cyber security threats, including a privacy or data security breach, could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business.***

We depend on digital technologies for the successful operation of our business, including corporate email communications to and from employees and stores, the design, manufacture and distribution of our finished goods, digital marketing efforts, collection and retention of customer data, employee information, the processing of credit card transactions, online e-commerce activities and our interaction with the public in the social media space. The possibility of a cyber-attack on any one or all of these systems is a serious threat. As part of our business model, we collect, retain, and transmit confidential information over public networks. In addition to our own databases, we use third party service providers to store, process and transmit this information on our behalf. Although we contractually require these service providers to implement and use



reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in the future either at their location or within their systems. We also store all designs, goods specifications, projected sales and distribution plans for our finished products digitally. We have confidential security measures in place to protect both our physical facilities and digital systems from attacks. Despite these efforts, however, we may be vulnerable to targeted or random security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events.

Consumer awareness and sensitivity to privacy breaches and cyber security threats is at an all-time high. Any misappropriation of confidential or personally identifiable information gathered, stored or used by us, be it intentional or accidental, could have a material impact on the operation of our business, including severely damaging our reputation and our relationships with our customers, employees and investors. We may also incur significant costs implementing additional security measures to comply with state, federal and international laws governing the unauthorized disclosure of confidential information as well as increased cyber security protection costs such as organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants and lost revenues resulting from unauthorized use of proprietary information including our intellectual property. Lastly, we could face increased litigation as a result of cyber security breaches.

***Our business is subject to the risks inherent in global sourcing activities.***

As a company engaged in sourcing on a global scale, we are subject to the risks inherent in such activities, including, but not limited to:

- unavailability of or significant fluctuations in the cost of raw materials,
- compliance with labor laws and other foreign governmental regulations,
- imposition of additional duties, taxes and other charges on imports or exports,
- increases in the cost of labor, fuel, travel and transportation,
- compliance with our Global Business Integrity Program,
- disruptions or delays in shipments,
- loss or impairment of key manufacturing or distribution sites,
- inability to engage new independent manufacturers that meet the Company's cost-effective sourcing model,
- product quality issues,
- political unrest, and
- natural disasters, acts of war or terrorism and other external factors over which we have no control.

While we require our independent manufacturers and suppliers to operate in compliance with applicable laws and regulations, as well as our Global Operating Principles and/or Supplier Selection Guidelines, we do not control these manufacturers or suppliers or their labor, environmental or other business practices. Copies of our Global Business Integrity Program, Global Operating Principles and Supplier Selection Guidelines are posted on our website, coach.com. The violation of labor, environmental or other laws by an independent manufacturer or supplier, or divergence of an independent manufacturer's or supplier's labor practices from those generally accepted as ethical or appropriate in the U.S., could interrupt or otherwise disrupt the shipment of our products, harm our trademarks or damage our reputation. The occurrence of any of these events could adversely affect our financial condition and results of operations.

While we have business continuity and contingency plans for our sourcing and distribution center sites, significant disruption of manufacturing or distribution for any of the above reasons could interrupt product supply and, if not remedied in a timely manner, could have an adverse impact on our business. We maintain three primary distribution centers: a distribution center in Jacksonville, Florida, owned and operated by Coach, an Asia distribution center in Shanghai, owned and operated by a third-party, and a distribution center, through a third-party, in Japan. See Distribution section of Item 1. Business for further discussion. The warehousing of

Coach merchandise, store replenishment and processing direct-to-customer orders is handled by these centers and a prolonged disruption in any center's operation could adversely affect our business and operations.

Increases in our costs, such as raw materials, labor or freight could negatively impact our overall profitability. Labor costs at many of our manufacturers have been increasing significantly and, as the middle class in developing countries continues to grow, it is unlikely that such cost pressure will abate. The cost of transportation has been increasing as well and it is unlikely such cost pressure will abate if oil prices continue to increase. We may not be able to offset such increases in raw materials or labor or transportation costs through pricing measures or other means. These increasing costs of productions could also adversely affect our ability to achieve the gross margin objectives we have established.

***Our business is subject to increased costs due to excess inventories if we misjudge the demand for our products.***

If Coach misjudges the market for its products it may be faced with significant excess inventories for some products and missed opportunities for other products. In addition, because Coach places orders for products with its manufacturers before it receives wholesale customers' orders, it could experience higher excess inventories if wholesale customers order fewer products than anticipated. If that occurs, we may be forced to rely on markdowns or promotional sales to dispose of excess, slow-moving inventory, which may negatively impact our business.

***Our Indirect segment could suffer as a result of consolidations, liquidations, restructurings and other ownership changes in the retail industry.***

Our Indirect segment, consisting of the U.S. Wholesale and Coach International businesses comprised approximately 11% of total net sales for fiscal 2012. Continued consolidation in the retail industry could further decrease the number of, or concentrate the ownership of, stores that carry our and our licensees' products. Furthermore, a decision by the controlling owner of a group of stores or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease or eliminate the amount of merchandise purchased from us or our licensing partners could result in an adverse effect on the sales and profitability within our Indirect segment.

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

Because Coach products are frequently given as gifts, Coach has historically realized, and expects to continue to realize, higher sales and operating income in the second quarter of its fiscal year, which includes the holiday months of November and December. Poor sales in Coach's second fiscal quarter would have a material adverse effect on its full year operating results and result in higher inventories. In addition, fluctuations in sales and operating income in any fiscal quarter are affected by the timing of seasonal wholesale shipments and other events affecting retail sales.

***If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed.***

Our quarterly cash dividend is currently \$0.30 per common share. The dividend program requires the use of a modest portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors ("Board") may, at its discretion, decrease the intended level of dividends or entirely discontinue the payment of dividends at any time. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and negatively impact our stock price.

***Fluctuations in our tax obligations and effective tax rate may result in volatility of our operating results and stock price.***

We are subject to income taxes in many U.S. and certain foreign jurisdictions. We record tax expense based on our estimates of future payments, which includes reserves for uncertain tax positions in multiple tax jurisdictions. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results

of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. In addition, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings or by changes to existing accounting rules or regulations. Further, proposed tax changes that may be enacted in the future could negatively impact our current or future tax structure and effective tax rates.

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

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

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

**Risks relating to our Hong Kong Depositary Receipts ("HDRs")**

***An active trading market for the Hong Kong Depositary Receipts on the Hong Kong Stock Exchange might not develop or be sustained and their trading prices might fluctuate significantly.***

We cannot assure you that an active trading market for the HDRs on the Hong Kong Stock Exchange can develop or be sustained. If an active trading market of the HDRs on the Hong Kong Stock Exchange does not develop or is not sustained, the market price and liquidity of the HDRs could be materially and adversely affected. As a result, the market price for HDRs in Hong Kong might not be indicative of the trading prices of Coach's Common Stock on the NYSE, even allowing for currency differences.

***The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.***

The NYSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of Common Stock and the HDRs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of our Common Stock due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of the HDRs. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of our Common Stock may not be indicative of the performance of the HDRs.

***We are a corporation incorporated in the State of Maryland in the United States and our corporate governance practices are principally governed by U.S. federal and Maryland state laws and regulations.***

We are a corporation incorporated in the State of Maryland in the United States and our HDRs are listed on the Hong Kong Stock Exchange. Our corporate governance practices are primarily governed by and subject to U.S. federal and Maryland laws and regulations. U.S. federal and Maryland laws and regulations differ in a

number of respects from comparable laws and regulations in Hong Kong. There are certain differences between the stockholder protection regimes in Maryland and the United States and in Hong Kong.

We have obtained a ruling from the Securities and Futures Commission of Hong Kong (the “SFC”) that we will not be regarded as a public company in Hong Kong for the purposes of the Code on Takeovers and Mergers and the Share Repurchases Code of Hong Kong and hence, these codes will not apply to us. We have also obtained a partial exemption from the SFC in respect of the disclosure of interest provisions set out in the Securities and Futures Ordinance of Hong Kong. In addition, we have been granted waivers or exemptions by the Hong Kong Stock Exchange from certain requirements under its listing rules. Neither our stockholders nor the HDR holders will have the benefit of those Hong Kong rules, regulations and the listing rules of the Hong Kong Stock Exchange for which we have applied, and been granted, waivers or exemptions by the Hong Kong Stock Exchange and SFC.

Additionally, if any of these waivers or exemptions were to be revoked in circumstances including our non-compliance with applicable undertakings for any reason, additional legal and compliance obligations might be costly and time consuming, and might result in issues of interjurisdictional compliance, which could adversely affect us and HDR holders.

As the SFC does not have extra-territorial jurisdiction on any of its powers of investigation and enforcement, it will also have to rely on the regulatory regimes of Maryland state authorities and the SEC to enforce any corporate governance breaches committed by us in the United States. Investors in the HDRs should be aware that it could be difficult to enforce any judgment obtained outside the United States against us or any of our associates.

Furthermore, prospective investors in the HDRs should be aware, among other things, that there are U.S. federal withholding and estate tax implications for HDR holders.

***HDR holders are not stockholders of the Company and must rely on the depositary for the HDRs (the “HDR Depositary”) to exercise on their behalf the rights that are otherwise available to the stockholders of the Company.***

HDR holders do not have the rights of stockholders. They only have the contractual rights set forth for their benefit under the deposit agreement for the HDRs (the “Deposit Agreement”). Holders of HDRs are not permitted to vote at stockholders’ meetings, and they may only vote by providing instructions to the HDR Depositary. There is no guarantee that holders of HDRs will receive voting materials in time to instruct the HDR Depositary to vote and it is possible that holders of HDRs, or persons who hold their Hong Kong depositary shares through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote, although both we and the HDR Depositary will endeavor to make arrangements to ensure as far as practicable that all holders of HDRs will be able to vote. As the HDR Depositary or its nominee will be the registered owner of the Common Stock underlying their HDRs, holders of HDRs must rely on the HDR Depositary (or its nominee) to exercise rights on their behalf. In addition, holders of HDRs will also incur charges on any cash distribution made pursuant to the Deposit Agreement and on transfers of certificated HDRs.

***Holders of HDRs will experience dilution in their indirect interest in the Company in the event of an equity offering which is not extended to them.***

If we decide to undertake an equity offering (that is not a rights or other offering that is extended to HDR holders), HDR holders may suffer a dilution in their indirect ownership and voting interest in the Common Stock, as compared to their holdings in the HDRs immediately prior to such an offering.

***Holders of HDRs will be reliant upon the performance of several service providers. Any breach of those service providers of their contractual obligations could have adverse consequences for an investment in HDRs.***

An investment in HDRs will depend for its continuing viability on the performance of several service providers, including but not limited to the HDR Depositary, the registrar for the HDRs, the custodian and any sub-custodian appointed in respect of the underlying Common Stock. A failure by any of those service

providers to meet their contractual obligations, whether or not by culpable default, could detract from the continuing viability of the HDRs as an investment. Coach will not have direct contractual recourse against the custodian, any sub-custodian or the registrar; hence the potential for redress in circumstances of default will be limited. However, Coach and the HDR Depositary have executed a deed poll in favor of HDR holders in relation to the exercise by them of their rights as HDR holders under the Deposit Agreement against the Company or the HDR Depositary.

***Withdrawals and exchanges of HDRs into Common Stock traded on the NYSE might adversely affect the liquidity of the HDRs.***

Our Common Stock is presently traded on the NYSE. Any HDR holder may at any time request that their HDRs be withdrawn and exchanged into Common Stock for trading on the NYSE. Upon the exchange of HDRs into Common Stock, the relevant HDRs will be cancelled. In the event that a substantial number of HDRs are withdrawn and exchanged into Common Stock and subsequently cancelled, the liquidity of the HDRs on the Hong Kong Stock Exchange might be adversely affected.

***The time required for HDRs to be exchanged into Common Stock (and vice versa) might be longer than expected and investors might not be able to settle or effect any sales of their securities during this period.***

There is no direct trading or settlement between the NYSE and the Hong Kong Stock Exchange on which the Common Stock and the HDRs are respectively traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the exchange of HDRs into Common Stock (and vice versa). Investors will be prevented from settling or effecting the sale of their securities across the various stock exchanges during such periods of delay. In addition, there is no assurance that any exchange of HDRs into Common Stock (and vice versa) will be completed in accordance with the timelines investors might anticipate.

***Investors are subject to exchange rate risk between Hong Kong dollars and U.S. dollars.***

The value of an investment in the HDRs quoted in Hong Kong dollars and the value of dividend payments in respect of the HDRs could be affected by fluctuations in the U.S. dollar/Hong Kong dollar exchange rate. While the Hong Kong dollar is currently linked to the U.S. dollar using a specified trading band, no assurance can be given that the Hong Kong government will maintain the trading band at its current limits or at all.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

The following table sets forth the location, use and size of Coach's distribution, corporate and product development facilities as of June 30, 2012. The majority of the properties are leased, with the leases expiring at various times through 2028, subject to renewal options.

| Location                  | Use   | Approximate Square Footage |
|---------------------------|---|----------------------------|
| Jacksonville, Florida     | Distribution and consumer service                 | 850,000                    |
| New York, New York        | Corporate, sourcing and product development       | 433,000 <sup>(1)</sup>     |
| Carlstadt, New Jersey     | Corporate and product development                 | 65,000                     |
| Tokyo, Japan              | Coach Japan regional management                   | 32,000                     |
| Dongguan, China           | Sourcing, quality control and product development | 27,000                     |
| Shanghai, China           | Coach China regional management                   | 22,000                     |
| Hong Kong                 | Sourcing and quality control                      | 17,000                     |
| Hong Kong                 | Coach Hong Kong regional management               | 14,000                     |
| Ho Chi Minh City, Vietnam | Sourcing and quality control                      | 11,000                     |
| Taipei City, Taiwan       | Coach Taiwan regional management                  | 6,000                      |
| Hong Kong                 | Sourcing and quality control                      | 6,000                      |
| Singapore                 | Coach Singapore regional management               | 3,000                      |
| Seoul, South Korea        | Sourcing  | 3,000                      |
| Beijing, China            | Coach China regional management                   | 3,000                      |
| Long An, Vietnam          | Sourcing and quality control                      | 1,000                      |
| Chennai, India            | Sourcing and quality control                      | 600                        |
| Luxembourg                | Coach regional management                         | 300                        |

(1) Includes 250,000 square feet in Coach owned buildings. During fiscal 2009, Coach purchased its corporate headquarters building at 516 West 34<sup>th</sup> Street in New York City for \$126.3 million.

As of June 30, 2012, Coach also occupied 354 retail and 169 factory leased stores located in North America, 180 Coach-operated department store shop-in-shops, retail stores and factory stores in Japan, 96 Coach-operated department store shop-in-shops, retail stores and factory stores in Hong Kong, Macau and mainland China, and 34 Coach-operated department store shop-in-shops, retail stores and factory stores in Taiwan and Singapore. These leases expire at various times through 2024. Coach considers these properties to be in generally good condition and believes that its facilities are adequate for its operations and provide sufficient capacity to meet its anticipated requirements.

## ITEM 3. LEGAL PROCEEDINGS

Coach is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business, 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 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market and Dividend Information

Coach's common stock is listed on the New York Stock Exchange and is traded under the symbol "COH." Coach's Hong Kong Depositary Receipts have also been listed on the Hong Kong Stock Exchange since December 2011 and the issuance from time-to-time of these Hong Kong Depositary Receipts has not been registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and is being made pursuant to Regulation S of the Securities Act. Accordingly, they may not be re-offered, resold, pledged or otherwise transferred in the United States or to, or for the account of, a "U.S. person" (within the meaning of Regulation S promulgated under the Securities Act), unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and hedging transactions involving the Hong Kong Depositary Receipts may not be conducted unless in compliance with the Securities Act. No additional common stock was issued, nor capital raised through this listing.

The following table sets forth, for the fiscal periods indicated, the high and low prices per share of Coach's common stock as reported on the New York Stock Exchange Composite Index.

|  | <u>High</u> | <u>Low</u> | <u>Dividends<br/>Declared per<br/>Common<br/>Share</u> |
|--|-------------|------------|--|
| <b>Fiscal 2012 Quarter ended:</b>        |             |            |  |
| October 1, 2011 . . . . .                | \$69.20     | \$45.70    | 0.225  |
| December 31, 2011 . . . . .              | 66.54       | 48.37      | 0.225  |
| March 31, 2012 . . . . .                 | 79.70       | 59.74      | 0.225  |
| June 30, 2012 . . . . .                  | 79.00       | 55.18      | 0.300  |
| Closing price at June 30, 2012 . . . . . | \$58.48     |            |  |
| <b>Fiscal 2011 Quarter ended:</b>        |             |            |  |
| October 2, 2010 . . . . .                | \$43.86     | \$33.75    | 0.150  |
| January 1, 2011 . . . . .                | 58.55       | 42.27      | 0.150  |
| April 2, 2011 . . . . .                  | 58.28       | 49.24      | 0.150  |
| July 2, 2011 . . . . .                   | 66.14       | 50.34      | 0.225  |
| Closing price at July 1, 2011 . . . . .  | \$65.99     |            |  |

As of August 3, 2012, there were 3,400 holders of record of Coach's common stock.

Any future determination to pay cash dividends will be at the discretion of Coach's Board and will be dependent upon Coach's financial condition, operating results, capital requirements and such other factors as the Board deems relevant.



The information under the principal heading “Securities Authorized For Issuance Under Equity Compensation Plans” in the Company’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on November 7, 2012, to be filed with the Securities and Exchange Commission (The “Proxy Statement”), is incorporated herein by reference.

### **Performance Graph**

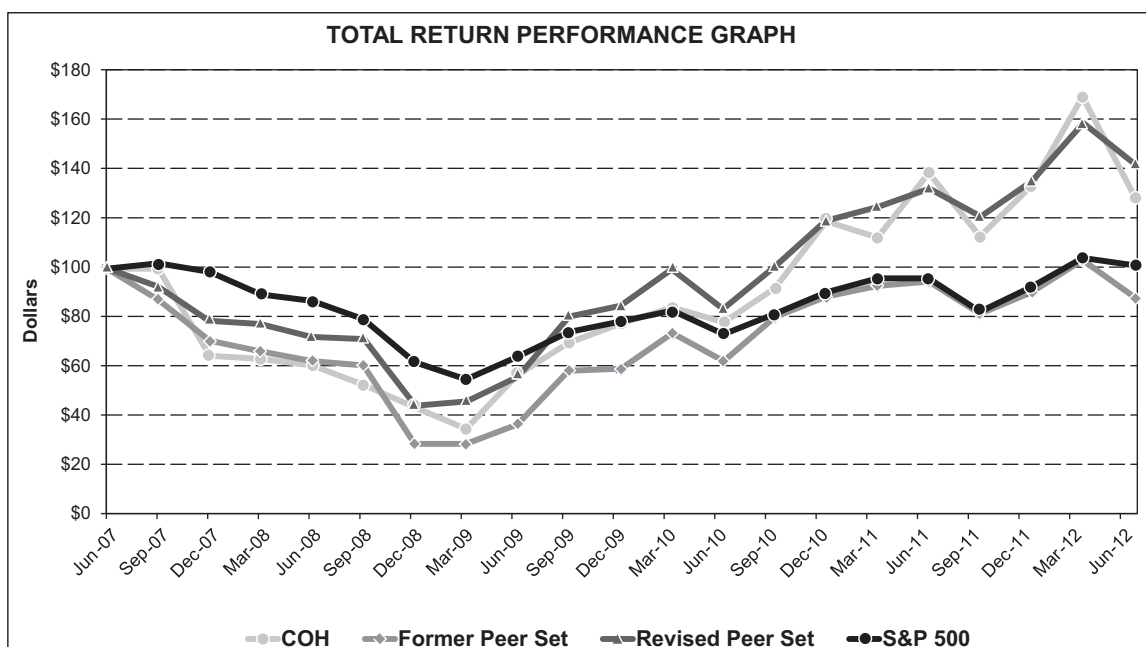
The following graph compares the cumulative total stockholder return (assuming reinvestment of dividends) of Coach’s common stock with the cumulative total return of the S&P 500 Stock Index and the “former peer set” and “revised peer set” companies listed below over the five-fiscal-year period ending June 29, 2012, the last trading day of Coach’s most recent fiscal year. Coach’s “former peer set,” as determined by management, through fiscal 2011, consisted of:

- Ann Taylor Stores Corporation,
- Kenneth Cole Productions, Inc.,
- Ralph Lauren Corporation,
- Tiffany & Co.,
- Talbots, Inc., and
- Williams-Sonoma, Inc.

During fiscal 2012, the Company established a “revised peer set” consisting of:

- The Gap, Inc.,
- Guess?, Inc.,
- Limited Brands, Inc.,
- PVH Corporation,
- Ralph Lauren Corporation,
- Tiffany & Co.,
- V.F. Corporation, and
- Williams-Sonoma, Inc.

Coach management selected the “revised peer set” on an industry/line-of-business basis and believes these companies represent good faith comparables based on their history, size, and business models in relation to Coach, Inc.



|                         | Jun-07   | Jun-08  | Jun-09  | Jun-10  | Jun-11   | Jun-12   |
|-------------------------|----------|---------|---------|---------|----------|----------|
| COH . . . . .           | \$100.00 | \$60.94 | \$56.88 | \$78.16 | \$138.48 | \$128.60 |
| Former Peer Set . . . . | \$100.00 | \$62.51 | \$36.82 | \$62.47 | \$ 94.44 | \$ 88.03 |
| Revised Peer Set. . . . | \$100.00 | \$72.17 | \$56.14 | \$83.70 | \$132.21 | \$142.00 |
| S&P 500 . . . . .       | \$100.00 | \$86.88 | \$64.11 | \$73.36 | \$ 95.87 | \$101.09 |

The graph assumes that \$100 was invested on June 29, 2007 at the per share closing price in each of Coach’s common stock, the S&P 500 Stock Index and a “former peer set” and “revised peer set” index compiled by us tracking the peer group companies listed above, and that all dividends were reinvested. The stock performance shown in the graph is not intended to forecast or be indicative of future performance.

**Stock Repurchase Program**

The Company’s share repurchases during the fourth quarter of fiscal 2012 were as follows:

| Period                                 | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup> | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup> |
|--|----------------------------------|------------------------------|---|---|
| (in thousands, except per share data)  |                                  |                              |   |   |
| Period 10 (4/1/12 – 5/5/12) . . . . .  | 335                              | \$73.52                      | 335   | \$405,998   |
| Period 11 (5/6/12 – 6/2/12) . . . . .  | 1,478                            | 69.07                        | 1,478   | 303,905   |
| Period 12 (6/3/12 – 6/30/12) . . . . . | 680                              | 62.17                        | 680   | 261,627   |
| Total . . . . .                        | <u>2,493</u>                     |                              | <u>2,493</u>  |   |

(1) The Company repurchases its common shares under repurchase programs that were approved by the Board as follows:

| Date Share Repurchase Programs were Publicly Announced | Total Dollar Amount Approved | Expiration Date of Plan |
|--|------------------------------|-------------------------|
| January 25, 2011                                       | \$1.5 billion                | June 2013               |

**ITEM 6. SELECTED FINANCIAL DATA (dollars and shares in thousands, except per share data)**

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended June 30, 2012 have been derived from Coach's audited Consolidated Financial Statements. The financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

|   | Fiscal Year Ended <sup>(1)</sup> |                             |              |                              |                              |
|---|----------------------------------|-----------------------------|--------------|------------------------------|------------------------------|
|   | June 30, 2012 <sup>(2)</sup>     | July 2, 2011 <sup>(2)</sup> | July 3, 2010 | June 27, 2009 <sup>(2)</sup> | June 28, 2008 <sup>(2)</sup> |
| <b>Consolidated Statements of</b>                               |                                  |                             |              |                              |                              |
| <b>Income:</b>  |                                  |                             |              |                              |                              |
| Net sales . . . . .   | \$4,763,180                      | \$4,158,507                 | \$3,607,636  | \$3,230,468                  | \$3,180,757                  |
| Gross profit . . . . .  | 3,466,078                        | 3,023,541                   | 2,633,691    | 2,322,610                    | 2,407,103                    |
| Selling, general and<br>administrative expenses . . . . .       | 1,954,089                        | 1,718,617                   | 1,483,520    | 1,350,697                    | 1,259,974                    |
| Operating income . . . . .                                      | 1,511,989                        | 1,304,924                   | 1,150,171    | 971,913                      | 1,147,129                    |
| Income from continuing<br>operations <sup>(3)</sup> . . . . .   | 1,038,910                        | 880,800                     | 734,940      | 623,369                      | 783,039                      |
| Income from continuing<br>operations:                           |                                  |                             |              |                              |                              |
| Per basic share . . . . .                                       | \$ 3.60                          | \$ 2.99                     | \$ 2.36      | \$ 1.93                      | \$ 2.20                      |
| Per diluted share . . . . .                                     | 3.53                             | 2.92                        | 2.33         | 1.91                         | 2.17                         |
| Weighted-average basic shares<br>outstanding . . . . .          | 288,284                          | 294,877                     | 311,413      | 323,714                      | 355,731                      |
| Weighted-average diluted shares<br>outstanding . . . . .        | 294,129                          | 301,558                     | 315,848      | 325,620                      | 360,332                      |
| Dividends declared per common<br>share <sup>(4)</sup> . . . . . | \$ 0.975                         | \$ 0.675                    | \$ 0.375     | \$ 0.075                     | \$ —                         |
| <b>Consolidated Percentage of Net</b>                           |                                  |                             |              |                              |                              |
| <b>Sales Data:</b>  |                                  |                             |              |                              |                              |
| Gross margin . . . . .  | 72.8%                            | 72.7%                       | 73.0%        | 71.9%                        | 75.7%                        |
| Selling, general and<br>administrative expenses . . . . .       | 41.0%                            | 41.3%                       | 41.1%        | 41.8%                        | 39.6%                        |
| Operating margin . . . . .                                      | 31.7%                            | 31.4%                       | 31.9%        | 30.1%                        | 36.1%                        |
| Income from continuing<br>operations . . . . .                  | 21.8%                            | 21.2%                       | 20.4%        | 19.3%                        | 24.6%                        |
| <b>Consolidated Balance Sheet</b>                               |                                  |                             |              |                              |                              |
| <b>Data:</b>  |                                  |                             |              |                              |                              |
| Working capital . . . . .                                       | \$1,086,368                      | \$ 859,371                  | \$ 773,605   | \$ 936,757                   | \$ 908,277                   |
| Total assets . . . . .  | 3,104,321                        | 2,635,116                   | 2,467,115    | 2,564,336                    | 2,247,353                    |
| Cash, cash equivalents and<br>investments . . . . .             | 923,215                          | 712,754                     | 702,398      | 806,362                      | 706,905                      |
| Inventory . . . . .   | 504,490                          | 421,831                     | 363,285      | 326,148                      | 318,490                      |
| Long-term debt . . . . .  | 985                              | 23,360                      | 24,159       | 25,072                       | 2,580                        |
| Stockholders' equity . . . . .                                  | 1,992,931                        | 1,612,569                   | 1,505,293    | 1,696,042                    | 1,490,375                    |

|   | Fiscal Year Ended <sup>(1)</sup> |                             |              |                              |                              |
|---|----------------------------------|-----------------------------|--------------|------------------------------|------------------------------|
|   | June 30, 2012 <sup>(2)</sup>     | July 2, 2011 <sup>(2)</sup> | July 3, 2010 | June 27, 2009 <sup>(2)</sup> | June 28, 2008 <sup>(2)</sup> |
| <b>Coach Operated Store Data:<sup>(5)</sup></b>         |                                  |                             |              |                              |                              |
| North American retail stores . . .                      | 354                              | 345                         | 342          | 330                          | 297                          |
| North American factory stores . . . . .                 | 169                              | 143                         | 121          | 111                          | 102                          |
| Coach Japan locations . . . . .                         | 180                              | 169                         | 161          | 155                          | 149                          |
| Coach China locations . . . . .                         | 96                               | 66                          | 41           | 28                           | 24                           |
| Coach Singapore and Taiwan locations . . . . .          | 34                               | 27                          | 22           | 20                           | 17                           |
| Total stores open at fiscal year-end . . . . .          | 833                              | 750                         | 687          | 644                          | 589                          |
| North American retail stores . . .                      | 959,099                          | 936,277                     | 929,580      | 893,037                      | 795,226                      |
| North American factory stores . . . . .                 | 789,699                          | 649,094                     | 548,797      | 477,724                      | 413,389                      |
| Coach Japan locations . . . . .                         | 320,781                          | 303,925                     | 293,441      | 280,428                      | 259,993                      |
| Coach China locations . . . . .                         | 201,736                          | 127,550                     | 78,887       | 52,671                       | 44,504                       |
| Coach Singapore and Taiwan locations . . . . .          | 55,840                           | 43,158                      | 36,078       | 30,536                       | 24,360                       |
| Total store square footage at fiscal year-end . . . . . | 2,327,155                        | 2,060,004                   | 1,886,783    | 1,734,396                    | 1,537,472                    |
| Average store square footage at fiscal year-end:        |                                  |                             |              |                              |                              |
| North American retail stores . . .                      | 2,709                            | 2,714                       | 2,718        | 2,706                        | 2,678                        |
| North American factory stores . . . . .                 | 4,673                            | 4,539                       | 4,536        | 4,304                        | 4,053                        |
| Coach Japan locations . . . . .                         | 1,782                            | 1,798                       | 1,823        | 1,809                        | 1,745                        |
| Coach China locations . . . . .                         | 2,101                            | 1,933                       | 1,924        | 1,881                        | 1,854                        |
| Coach Singapore and Taiwan locations . . . . .          | 1,642                            | 1,598                       | 1,640        | 1,527                        | 1,433                        |

- (1) Coach's fiscal year ends on the Saturday closest to June 30. Fiscal years 2012, 2011, 2009, and 2008 were each 52-week years. Fiscal year 2010 was a 53-week year.
- (2) During fiscal years 2012, 2011, 2009 and 2008, the Company recorded certain items which affect the comparability of our results. The following tables reconcile the as reported results to such results excluding these items. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further information about these items.

|   | Fiscal 2012        |                    |                                   |                   |
|---|--------------------|--------------------|-----------------------------------|-------------------|
|   | SG&A               | Operating Income   | Income from Continuing Operations |                   |
|   |                    |                    | Amount                            | Per Diluted Share |
| As Reported: (GAAP Basis) . . . . .               | \$1,954,089        | \$1,511,989        | \$1,038,910                       | \$3.53            |
| Excluding items affecting comparability . . . . . | (39,209)           | 39,209             | 0                                 | 0.00              |
| Adjusted: (Non-GAAP Basis) . . . . .              | <u>\$1,914,880</u> | <u>\$1,551,198</u> | <u>\$1,038,910</u>                | <u>\$3.53</u>     |

| Fiscal 2011                                       |                    |                    |                                   |                   |
|---|--------------------|--------------------|-----------------------------------|-------------------|
|   | SG&A               | Operating Income   | Income from Continuing Operations |                   |
|   |                    |                    | Amount                            | Per Diluted Share |
| As Reported: (GAAP Basis) . . . . .               | \$1,718,617        | \$1,304,924        | \$880,800                         | \$2.92            |
| Excluding items affecting comparability . . . . . | <u>(25,678)</u>    | <u>25,678</u>      | <u>0</u>                          | <u>0.00</u>       |
| Adjusted: (Non-GAAP Basis) . . . . .              | <u>\$1,692,939</u> | <u>\$1,330,602</u> | <u>\$880,800</u>                  | <u>\$2.92</u>     |
| Fiscal 2009                                       |                    |                    |                                   |                   |
|   | SG&A               | Operating Income   | Income from Continuing Operations |                   |
|   |                    |                    | Amount                            | Per Diluted Share |
| As Reported: (GAAP Basis) . . . . .               | \$1,350,697        | \$ 971,913         | \$623,369                         | \$1.91            |
| Excluding items affecting comparability . . . . . | <u>(28,365)</u>    | <u>28,365</u>      | <u>(1,241)</u>                    | <u>0.00</u>       |
| Adjusted: (Non-GAAP Basis) . . . . .              | <u>\$1,322,332</u> | <u>\$1,000,278</u> | <u>\$622,128</u>                  | <u>\$1.91</u>     |
| Fiscal 2008                                       |                    |                    |                                   |                   |
|   | SG&A               | Operating Income   | Income from Continuing Operations |                   |
|   |                    |                    | Amount                            | Per Diluted Share |
| As Reported: (GAAP Basis) . . . . .               | \$1,259,974        | \$1,147,129        | \$783,039                         | \$ 2.17           |
| Excluding items affecting comparability . . . . . | <u>(32,100)</u>    | <u>32,100</u>      | <u>(41,037)</u>                   | <u>(0.11)</u>     |
| Adjusted: (Non-GAAP Basis) . . . . .              | <u>\$1,227,874</u> | <u>\$1,179,229</u> | <u>\$742,002</u>                  | <u>\$ 2.06</u>    |

- (3) During fiscal 2008, the Company had income from discontinued operations in connection with exiting its corporate accounts business. There were no discontinued operations in fiscal years 2012, 2011, 2010 or 2009.
- (4) During the fourth quarter of fiscal 2009, the Company initiated a cash dividend at an annual rate of \$0.30 per share. During the fourth quarter of fiscal 2010, the Company increased the cash dividend to an annual rate of \$0.60 per share. During the fourth quarter of fiscal 2011, the Company increased the cash dividend to an annual rate of \$0.90 per share. During the fourth quarter of fiscal 2012, the Company increased the cash dividend to an expected annual rate \$1.20 per share.
- (5) During fiscal 2009, the Company acquired its domestic retail businesses in Hong Kong, Macau and mainland China from its former distributor, the ImagineX group. Prior to the acquisitions, these locations were operated by the ImagineX group. During fiscal 2012, the Company acquired its domestic retail businesses in Singapore and Taiwan from their former distributors, Valiram Group and Tasa Meng, respectively. Prior to the acquisitions, these locations were operated by these distributors. See the Acquisitions note presented in the Notes to the Consolidated Financial Statements.

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

*The following discussion of Coach's financial condition and results of operations should be read together with Coach's financial statements and notes to those statements, included elsewhere in this document. When used herein, the terms "Coach," "Company," "we," "us" and "our" refer to Coach, Inc., including consolidated subsidiaries.*

### EXECUTIVE OVERVIEW

Coach is a leading American marketer of fine accessories and gifts for women and men. Our product offerings include women's and men's bags, accessories, business cases, footwear, wearables, jewelry, sunwear, travel bags, watches and fragrance. Coach operates in two segments: Direct-to-Consumer and Indirect. The Direct-to-Consumer segment includes sales to consumers through Coach-operated stores in North America; Japan; Hong Kong, Macau and mainland China; Taiwan; Singapore and the Internet. Beginning with the first quarter of fiscal 2013, this segment also includes Coach-operated stores in Malaysia and Korea. The Indirect segment includes sales to wholesale customers and distributors in over 20 countries, including the United States, and royalties earned on licensed product. As Coach's business model is based on multi-channel international distribution, our success does not depend solely on the performance of a single channel or geographic area.

In order to sustain growth within our global framework, we continue to focus on two key growth strategies: increased global distribution, with an emphasis on North America and China, and improved store sales productivity. To that end we are focused on four key initiatives:

- Growing our Women's business in North America through the growing accessories market and by increasing our North American retail store base by opening stores in new markets and adding stores in under-penetrated existing markets. We believe that North America can support about 500 retail stores in total, including up to 30 in Canada. We expect to open about 10 net new retail stores and 18 factory outlets in fiscal 2013. The pace of our future retail store openings will depend upon the economic environment and will reflect opportunities in the marketplace. In addition, as part of our culture of innovation and continuous improvement, we have implemented a number of initiatives to accelerate the level of newness, elevate our product offering and enhance the in-store experience. These initiatives will enable us to maximize productivity and continue to leverage our leadership position in the market.
- Leverage the global opportunity for the Coach brand by raising brand awareness and building market share in markets in which Coach is under-penetrated, most notably in Asia, where China is our largest geographic growth opportunity, given the size of the market, its rate of growth, and our increasing brand awareness. We currently plan to open about 30 new locations in China during fiscal 2013, with the majority in mainland China. We will continue to expand market share with the Japanese consumer, driving growth in Japan primarily by opening new retail locations. We currently plan to open approximately 13 net new locations, most notably Men's locations, during fiscal 2013. In addition to the acquisitions of our Singapore and Taiwan businesses during fiscal 2012, and consistent with our strategy of directly operating key Asian markets, we have acquired our domestic businesses in Korea and Malaysia subsequent to the end of fiscal 2012. Outside of Asia, we are developing the brand opportunity as we expand into Europe and South America.
- Focus on the Men's opportunity for the brand, notably in North America and Asia, while drawing on our long heritage in the category. We have implemented a number of initiatives to elevate our Men's product offering through image-enhancing and accessible locations. We are leveraging the Men's opportunity by opening new locations in both full-price and factory, and as a productivity driver with a broadened assortment, dual-gender stores and shop-in-shop store executions.
- Raise brand awareness and maximize e-commerce sales through our digital strategy, coach.com, our global e-commerce sites and programs, third-party flash sites, marketing sites and social networking. Our e-commerce programs include an invitation-only factory flash site targeted towards our most loyal Factory exclusive customers. The Company utilizes and continues to explore implementing

new technologies such as our global web presence, with 22 marketing websites in 23 countries, e-commerce enabled in the United States, Canada and Japan, and social networking and blogs as cost-effective consumer communication opportunities to increase online and store sales.

We believe the growth strategies described above will allow us to deliver long-term superior returns on our investments and drive increased cash flows from operating activities. However, the current macroeconomic environment, while stabilizing, has created a challenging retail market in which consumers, notably in North America and Japan, are still cautious. The Company believes long-term growth can still be achieved through a combination of expanded distribution, a focus on innovation to support productivity and disciplined expense control. Our multi-channel distribution model is diversified and includes substantial international and factory businesses, which reduces our reliance upon our full-price U.S. business. With an essentially debt-free balance sheet and significant cash position, we have a business model that generates significant cash flow and we are in a position to invest in our brand while continuing to return capital to shareholders through common stock repurchases and dividends.

## **FISCAL 2012**

The key metrics of fiscal 2012 were:

- Earnings per diluted share rose 20.9% to \$3.53.
- Net sales increased 14.5% to \$4.76 billion.
- Direct-to-consumer sales rose 16.1% to \$4.23 billion.
- Comparable sales in Coach's North American stores increased 6.6%.
- In North America, Coach opened 9 net new retail stores and 26 new factory stores, including 16 Men's, bringing the total number of retail and factory stores to 354 and 169, respectively, at the end of fiscal 2012. We also expanded 10 factory stores in North America.
- Coach China results continued to be strong with double-digit growth in comparable stores. Coach China opened 30 net new locations, bringing the total number of locations at the end of fiscal 2012 to 96.
- Coach Japan opened 11 net new locations, bringing the total number of locations at the end of fiscal 2012 to 180. In addition, we expanded three locations.
- The company acquired its domestic retail Coach businesses in Taiwan and Singapore. As the result of these acquisitions and subsequent openings, the company operated 7 retail locations in Singapore and 27 in Taiwan as of the end of fiscal 2012. The Company has assumed direct control of its domestic business in Malaysia in July 2012 and its domestic retail business in Korea in August 2012.
- Coach's Board increased the Company's cash dividend by 33%, to an expected annual rate of \$1.20 per share starting with the dividend paid on July 2, 2012.

## FISCAL 2012 COMPARED TO FISCAL 2011

The following table summarizes results of operations for fiscal 2012 compared to fiscal 2011:

|  | Fiscal Year Ended                            |                |              |                |          |       |
|--|--|----------------|--------------|----------------|----------|-------|
|  | June 30, 2012                                |                | July 2, 2011 |                | Variance |       |
|  | Amount                                       | % of net sales | Amount       | % of net sales | Amount   | %     |
|  | (dollars in millions, except per share data) |                |              |                |          |       |
| Net sales . . . . .                                    | \$4,763.2                                    | 100.0%         | \$4,158.5    | 100.0%         | \$604.7  | 14.5% |
| Gross profit . . . . .                                 | 3,466.1                                      | 72.8           | 3,023.5      | 72.7           | 442.6    | 14.6  |
| Selling, general and administrative expenses . . . . . | 1,954.1                                      | 41.0           | 1,718.6      | 41.3           | 235.5    | 13.7  |
| Operating income . . . . .                             | 1,512.0                                      | 31.7           | 1,304.9      | 31.4           | 207.1    | 15.9  |
| Provision for income taxes . . . . .                   | 466.8  | 9.8            | 420.4        | 10.1           | 46.4     | 11.0  |
| Net income . . . . .                                   | 1,038.9                                      | 21.8           | 880.8        | 21.2           | 158.1    | 17.9  |
| Net Income per share:                                  |  |                |              |                |          |       |
| Basic . . . . .  | \$ 3.60                                      |                | \$ 2.99      |                | \$ 0.61  | 20.5% |
| Diluted . . . . .                                      | 3.53   |                | 2.92         |                | 0.61     | 20.9  |

### Net Sales

The following table presents net sales by operating segment for fiscal 2012 compared to fiscal 2011:

|                              | Fiscal Year Ended     |                  |                 |                               |               |
|------------------------------|-----------------------|------------------|-----------------|-------------------------------|---------------|
|                              | Net Sales             |                  | Rate of Change  | Percentage of Total Net Sales |               |
|                              | June 30, 2012         | July 2, 2011     |                 | June 30, 2012                 | July 2, 2011  |
|                              | (dollars in millions) |                  | (FY12 vs. FY11) |                               |               |
| Direct-to-Consumer . . . . . | \$4,231.7             | \$3,646.4        | 16.1%           | 88.8%                         | 87.7%         |
| Indirect . . . . .           | 531.5                 | 512.1            | 3.8             | 11.2                          | 12.3          |
| Total net sales . . . . .    | <u>\$4,763.2</u>      | <u>\$4,158.5</u> | 14.5            | <u>100.0%</u>                 | <u>100.0%</u> |

**Direct-to-Consumer** — Net sales increased 16.1% to \$4.23 billion during fiscal 2012 from \$3.65 billion during fiscal 2011, driven by sales increases in our Company-operated stores in North America and China.

Comparable store sales measure sales performance at stores that have been open for at least 12 months, and includes sales from coach.com. Coach excludes new locations from the comparable store base for the first year of operation. Similarly, stores that are expanded by 15% or more are also excluded from the comparable store base until the first anniversary of their reopening. Stores that are closed for renovations are removed from the comparable store base.

In North America, net sales increased 12.7% driven by sales from new and expanded stores and by a 6.6% increase in comparable store sales. During fiscal 2012, Coach opened 9 net new retail stores and 26 new factory stores, and expanded 10 factory stores in North America. In Japan, net sales increased 11.7% driven by an approximately \$40.1 million, or 5.3%, positive impact from foreign currency exchange. During fiscal 2012, Coach opened 11 net new locations and expanded three locations in Japan. Coach China results continued to be strong with double-digit percentage growth in comparable store sales. During fiscal 2012, Coach opened 30 net new stores in Hong Kong and mainland China.

**Indirect** — Net sales increased 3.8% to \$531.5 million from \$512.1 million in fiscal 2011. The increase was driven primarily by a 7.9% increase in Coach International Wholesale net revenue, partially offset by a 1.6% decrease in U.S. Wholesale net revenue. Licensing revenue of approximately \$28.5 million and \$24.7 million in fiscal 2012 and fiscal 2011, respectively, is included in Indirect sales.



## Operating Income

Operating income increased 15.9% to \$1.51 billion in fiscal 2012 as compared to \$1.30 billion in fiscal 2011. Excluding items affecting comparability of \$39.2 million in fiscal 2012 and \$25.7 million in fiscal 2011, operating income increased 16.6% to \$1.55 billion. Operating margin increased to 31.7% as compared to 31.4% in the prior year, as gross margin increased while selling, general, and administrative (“SG&A”) expenses decreased as a percentage of sales. Excluding items affecting comparability, operating margin was 32.6% in fiscal 2012 as compared to 32.0% in fiscal 2011.

Gross profit increased 14.6% to \$3.47 billion in fiscal 2012 from \$3.02 billion in fiscal 2011. Gross margin was 72.8% in fiscal 2012 as compared to 72.7% during fiscal 2011. Coach’s gross profit is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, foreign currency exchange rates and fluctuations in material costs. These factors, among others may cause gross profit to fluctuate from year to year.

SG&A expenses are comprised of four categories: (1) selling; (2) advertising, marketing and design; (3) distribution and consumer service; and (4) administrative. Selling expenses include store employee compensation, store occupancy costs, store supply costs, wholesale account administration compensation and all Coach Japan, Coach China, Coach Singapore and Coach Taiwan operating expenses. These expenses are affected by the number of Coach-operated stores in North America; Japan; Hong Kong, Macau, mainland China; Taiwan and Singapore open during any fiscal period. 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 consumer service expenses include warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administrative expenses include compensation costs for the executive, finance, human resources, legal and information systems departments, corporate headquarters occupancy costs, consulting and software expenses. SG&A expenses increase as the number of Coach-operated stores increase, although an increase in the number of stores generally results in the fixed portion of SG&A expenses being spread over a larger sales base.

Coach, similar to some companies, includes certain 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.

During fiscal 2012, SG&A expenses increased 13.7% to \$1.95 billion, compared to \$1.72 billion during fiscal 2011. Excluding items affecting comparability of \$39.2 million in fiscal 2012 and \$25.7 million in fiscal 2011, SG&A expenses were \$1.91 billion and \$1.69 billion, respectively. As a percentage of net sales, SG&A expenses were 41.0% and 41.3% during fiscal 2012 and fiscal 2011, respectively. Excluding items affecting comparability during fiscal 2012 and fiscal 2011, SG&A expenses as a percentage of net sales were 40.2% and 40.7%, respectively, as we leveraged our selling expense base on higher sales.

Selling expenses were \$1.36 billion, or 28.5% of net sales compared to \$1.18 billion, or 28.5% of net sales, during fiscal 2011. The dollar increase in selling expenses was due to higher operating expenses in Coach China and North American stores due to higher sales and new store openings. Coach Japan operating expenses decreased by \$0.4 million in constant currency, but was more than offset by the impact of foreign currency exchange rates which increased reported expenses by approximately \$15.2 million.

Advertising, marketing, and design costs were \$245.2 million, or 5.1% of net sales, compared to \$224.4 million, or 5.4% of net sales, during fiscal 2011. The dollar increase was primarily due to marketing expenses related to consumer communications, which includes our digital strategy through coach.com, our global e-commerce sites, third-party flash sites, marketing sites and social networking. The Company operates marketing websites in 23 countries, and utilizes social networking and blogs as cost-effective consumer communication opportunities to increase online and store sales and build brand awareness. Also contributing to the increase were new design expenditures and development costs for new merchandising initiatives.

Distribution and consumer service expenses were \$68.9 million, or 1.4% of net sales, compared to \$58.2 million, or 1.4% of net sales, during fiscal 2011.

Administrative expenses were \$282.2 million, or 5.9% of net sales, compared to \$252.4 million, or 6.1% of net sales, during fiscal 2011. Excluding items affecting comparability of \$39.2 in fiscal 2012 and

\$25.7 million in fiscal 2011, expenses were \$243.0 million and \$226.7 million, respectively, representing 5.1% and 5.5% of net sales, respectively. The dollar increase in administrative expenses was primarily due to increased headcount and systems investment, largely due to our international expansion.

### **Provision for Income Taxes**

The effective tax rate was 31.0% in fiscal 2012 compared to 32.3% in fiscal 2011. During the second quarter of fiscal 2012, the Company recorded the effect of a revaluation of certain deferred tax asset balances due to a change in Japan's corporate tax laws and the favorable completion of a multi-year transfer pricing agreement with Japan. Also, during the fourth quarter of fiscal 2012, the Company recognized a favorable tax settlement. As a result, it made charitable contributions which precisely offset the benefit of the tax settlement to net income and earnings per share. During the third quarter of fiscal 2011, the Company decreased the provision for income taxes primarily as a result of a favorable settlement of a multi-year tax return examination. Excluding the benefit from these items affecting comparability, the effective tax rate was 32.8% in fiscal 2012 and 33.6% in fiscal 2011. The decrease in the effective tax rate is also attributable to higher profitability in lower tax rate jurisdictions in which income is earned, due to the increased globalization of the Company, and a lower effective state tax rate.

### **Net Income**

Net income was \$1.04 billion in fiscal 2012 compared to \$880.8 million in fiscal 2011. The increase was due to the higher operating income and a reduction of the effective tax rate.

## FISCAL 2011 COMPARED TO FISCAL 2010

The following table summarizes results of operations for fiscal 2011 compared to fiscal 2010:

|  | Fiscal Year Ended                            |                |              |                |          |       |
|--|--|----------------|--------------|----------------|----------|-------|
|  | July 2, 2011                                 |                | July 3, 2010 |                | Variance |       |
|  | Amount                                       | % of net sales | Amount       | % of net sales | Amount   | %     |
|  | (dollars in millions, except per share data) |                |              |                |          |       |
| Net sales                                    | \$4,158.5                                    | 100.0%         | \$3,607.6    | 100.0%         | \$550.9  | 15.3% |
| Gross profit                                 | 3,023.5                                      | 72.7           | 2,633.7      | 73.0           | 389.9    | 14.8  |
| Selling, general and administrative expenses | 1,718.6                                      | 41.3           | 1,483.5      | 41.1           | 235.1    | 15.8  |
| Operating income                             | 1,304.9                                      | 31.4           | 1,150.2      | 31.9           | 154.8    | 13.5  |
| Provision for income taxes                   | 420.4  | 10.1           | 423.2        | 11.7           | (2.8)    | (0.7) |
| Net income                                   | 880.8  | 21.2           | 734.9        | 20.4           | 145.9    | 19.8  |
| Net Income per share:                        |  |                |              |                |          |       |
| Basic  | \$ 2.99                                      |                | \$ 2.36      |                | \$ 0.63  | 26.6% |
| Diluted                                      | 2.92   |                | 2.33         |                | 0.59     | 25.5  |

### Net Sales

The following table presents net sales by operating segment for fiscal 2011 compared to fiscal 2010:

|                    | Fiscal Year Ended     |                  |                 |                               |               |
|--------------------|-----------------------|------------------|-----------------|-------------------------------|---------------|
|                    | Net Sales             |                  | Rate of Change  | Percentage of Total Net Sales |               |
|                    | July 2, 2011          | July 3, 2010     |                 | July 2, 2011                  | July 3, 2010  |
|                    | (dollars in millions) |                  | (FY11 vs. FY10) |                               |               |
| Direct-to-Consumer | \$3,646.4             | \$3,178.7        | 14.7%           | 87.7%                         | 88.1%         |
| Indirect           | 512.1                 | 428.9            | 19.4            | 12.3                          | 11.9          |
| Total net sales    | <u>\$4,158.5</u>      | <u>\$3,607.6</u> | 15.3            | <u>100.0%</u>                 | <u>100.0%</u> |

**Direct-to-Consumer** — Net sales increased 14.7% to \$3.65 billion during fiscal 2011 from \$3.18 billion during fiscal 2010, driven by sales increases in our Company-operated stores in North America and China. Net sales of fiscal 2010 included an additional week of sales, which represented approximately \$62 million.

Comparable store sales measure sales performance at stores that have been open for at least 12 months, and includes sales from coach.com. Coach excludes new locations from the comparable store base for the first year of operation. Similarly, stores that are expanded by 15.0% or more are also excluded from the comparable store base until the first anniversary of their reopening. Stores that are closed for renovations are removed from the comparable store base.

In North America, net sales increased 14.4% driven by sales from new and expanded stores and by a 10.6% increase in comparable store sales. During fiscal 2011, Coach opened three net new retail stores and 22 new factory stores, and expanded six factory stores in North America. In Japan, net sales increased 5.1% driven by an approximately \$69.8 million, or 9.8%, positive impact from foreign currency exchange. During fiscal 2011, Coach opened eight net new locations and expanded three locations in Japan. Coach China results continued to be strong with double-digit percentage growth in comparable store sales. During fiscal 2011, Coach opened 25 net new stores in Hong Kong and mainland China.

**Indirect** — Net sales increased 19.4% to \$512.1 million from \$428.9 million in fiscal 2010. The increase was driven primarily by an 18.4% increase in Coach International Wholesale and U.S. Wholesale net revenue. The net sales increase was partially offset by an additional week of sales in fiscal 2010, which represented approximately \$8 million. Licensing revenue of approximately \$24.7 million and \$19.2 million in fiscal 2011 and fiscal 2010, respectively, is included in Indirect sales.

## Operating Income

Operating income increased 13.5% to \$1.30 billion in fiscal 2011 as compared to \$1.15 billion in fiscal 2010. Excluding items affecting comparability of \$25.7 million in fiscal 2011, operating income increased 15.7% to \$1.33 billion. Operating margin decreased to 31.4% as compared to 31.9% in the prior year, as gross margin decreased while selling, general, and administrative (“SG&A”) expenses slightly increased as a percentage of sales. Excluding items affecting comparability, operating margin was 32.0% in fiscal 2011.

Gross profit increased 14.8% to \$3.02 billion in fiscal 2011 from \$2.63 billion in fiscal 2010. Gross margin was 72.7% in fiscal 2011 as compared to 73.0% during fiscal 2010. Coach’s gross profit is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, foreign currency exchange rates and fluctuations in material costs. These factors, among, others may cause gross profit to fluctuate from year to year.

SG&A expenses are comprised of four categories: (1) selling; (2) advertising, marketing and design; (3) distribution and consumer service; and (4) administrative. Selling expenses include store employee compensation, store occupancy costs, store supply costs, wholesale account administration compensation and all Coach Japan and Coach China operating expenses. These expenses are affected by the number of Coach-operated stores in North America; Japan; Hong Kong, Macau and mainland China open during any fiscal period. 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 consumer service expenses include warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administrative expenses include compensation costs for the executive, finance, human resources, legal and information systems departments, corporate headquarters occupancy costs, consulting and software expenses. SG&A expenses increase as the number of Coach-operated stores increase, although an increase in the number of stores generally results in the fixed portion of SG&A expenses being spread over a larger sales base.

Coach, similar to some companies, includes certain 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.

During fiscal 2011, SG&A expenses increased 15.8% to \$1.72 billion, compared to \$1.48 billion during fiscal 2010. Excluding items affecting comparability of \$25.7 million in fiscal 2011, SG&A expenses were \$1.69 billion. As a percentage of net sales, SG&A expenses were 41.3% and 41.1% during fiscal 2011 and fiscal 2010, respectively. Excluding items affecting comparability during fiscal 2011, SG&A expenses as a percentage of net sales were 40.7% as we leveraged our selling expense base on higher sales.

Selling expenses were \$1.18 billion, or 28.5% of net sales compared to \$1.05 billion, or 29.1% of net sales, during fiscal 2010. The dollar increase in selling expenses was due to higher operating expenses in Coach China and North American stores due to higher sales and new store openings. Additionally, selling expenses of Reed Krakoff stores contributed to the dollar increase since the brand was not launched until the beginning of fiscal 2011. Coach China and North American store expenses as a percentage of sales decreased primarily due to operating efficiencies and sales leverage. The decrease in Coach Japan operating expenses in constant currency of \$10.2 million was offset by the impact of foreign currency exchange rates which increased reported expenses by approximately \$33.5 million.

Advertising, marketing, and design costs were \$224.4 million, or 5.4% of net sales, compared to \$179.4 million, or 5.0% of net sales, during fiscal 2010. The increase was primarily due to new design expenditures and development costs for new merchandising initiatives. Also contributing to the increase were marketing expenses related to consumer communications, which includes our digital strategy through coach.com, our global e-commerce sites, marketing sites and social networking. The Company utilizes and continues to explore implementing new technologies such as our global web presence, with marketing websites in 23 countries, social networking and blogs as cost-effective consumer communication opportunities to increase on-line and store sales and build brand awareness.

Distribution and consumer service expenses were \$58.2 million, or 1.4% of net sales, compared to \$48.0 million, or 1.3% of net sales, during fiscal 2010. To support our growth in China and the region, during

the second half of fiscal 2010 we established an Asia distribution center in Shanghai, owned and operated by a third-party, allowing us to better manage the logistics in this region. During fiscal 2011, the Asia distribution center contributed to the increase in distribution and consumer service expenses; however in the long run, the Company expects the Asia distribution center to reduce costs as a percentage of net sales.

Administrative expenses were \$252.4 million, or 6.1% of net sales, compared to \$204.0 million, or 5.7% of net sales, during fiscal 2010. Excluding items affecting comparability of \$25.7 million in fiscal 2011, expenses were \$226.7 million, representing 5.5% of net sales. The increase in administrative expenses was primarily due to higher share-based and performance-based compensation.

### **Provision for Income Taxes**

The effective tax rate was 32.3% in fiscal 2011 compared to 36.5% in fiscal 2010. Excluding the benefit from the items affecting comparability, the effective tax rate was 33.6% in fiscal 2011. The decrease in the effective tax rate is primarily attributable to a favorable settlement of a multi-year tax return examination and higher profitability in lower tax rate jurisdictions in which income is earned, due to the increased globalization of the Company, and a lower effective state tax rate.

### **Net Income**

Net income was \$880.8 million in fiscal 2011 compared to \$734.9 million in fiscal 2010. The increase was due to the higher operating income and a reduction of the effective tax rate.

## **FISCAL 2012, FISCAL 2011, FISCAL 2009 AND FISCAL 2008 ITEMS AFFECTING COMPARABILITY OF OUR FINANCIAL RESULTS**

### **Non-GAAP Measures**

The Company's reported results are presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The reported SG&A expenses, operating income, and provision for income taxes in fiscal 2012 and 2011 reflect certain items which affect the comparability of our results. Similarly, the reported SG&A expenses, operating income, provision for income taxes, income from continuing operations, net income and earnings per diluted share from continuing operations in both fiscal 2009 and fiscal 2008 reflect certain items which affect the comparability of our results. These metrics are also reported on a non-GAAP basis for these fiscal years 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 periods 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 used these non-GAAP measures when setting and assessing achievement of incentive compensation goals.

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. In addition, we believe excluding the items affecting comparability assists investors in developing expectations of future performance. These items affecting comparability do not represent the Company's direct, ongoing business operations. 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.

The year-over-year comparisons of our financial results are affected by the following items included in our reported results:

|   | <b>Fiscal Year Ended</b>                     |                     |                      |                      |
|---|--|---------------------|----------------------|----------------------|
|   | (dollars in millions, except per share data) |                     |                      |                      |
|   | <u>June 30, 2012</u>                         | <u>July 2, 2011</u> | <u>June 27, 2009</u> | <u>June 28, 2008</u> |
| <b>Operating income</b>                           |  |                     |                      |                      |
| Cost savings measures . . . . .                   | \$ —   | \$ —                | \$(13.4)             | \$ —                 |
| Charitable foundation contribution . . . . .      | (39.2)                                       | (25.7)              | (15.0)               | (20.0)               |
| Variable expense . . . . .                        | —  | —                   | —                    | (12.1)               |
| Total Operating income impact . . . . .           | <u>\$(39.2)</u>                              | <u>\$(25.7)</u>     | <u>\$(28.4)</u>      | <u>\$(32.1)</u>      |
| <b>Provision for income taxes</b>                 |  |                     |                      |                      |
| Cost savings measures . . . . .                   | \$ —   | \$ —                | \$ (5.1)             | \$ —                 |
| Charitable foundation contribution . . . . .      | (15.3)                                       | (10.2)              | (5.7)                | (7.8)                |
| Tax adjustments . . . . .                         | (23.9)                                       | (15.5)              | (18.8)               | (60.6)               |
| Variable expense . . . . .                        | —  | —                   | —                    | (4.7)                |
| Total Provision for income taxes impact . . . . . | <u>\$(39.2)</u>                              | <u>\$(25.7)</u>     | <u>\$(29.6)</u>      | <u>\$(73.1)</u>      |
| <b>Net income</b>                                 |  |                     |                      |                      |
| Cost savings measures . . . . .                   | \$ —   | \$ —                | \$ (8.3)             | \$ —                 |
| Charitable foundation contribution . . . . .      | 23.9   | (15.5)              | (9.3)                | (12.2)               |
| Tax adjustments . . . . .                         | (23.9)                                       | 15.5                | 18.8                 | 60.6                 |
| Variable expense . . . . .                        | —  | —                   | —                    | (7.4)                |
| Total Net income impact . . . . .                 | <u>\$ 0.0</u>                                | <u>\$ 0.0</u>       | <u>\$ 1.2</u>        | <u>\$ 41.0</u>       |
| <b>Diluted earnings per share</b>                 |  |                     |                      |                      |
| Cost savings measures . . . . .                   | \$ —   | \$ —                | \$(0.03)             | \$ —                 |
| Charitable foundation contribution . . . . .      | 0.08   | (0.05)              | (0.03)               | (0.03)               |
| Tax adjustments . . . . .                         | (0.08)                                       | 0.05                | 0.06                 | 0.17                 |
| Variable expense . . . . .                        | —  | —                   | —                    | (0.02)               |
| Total Diluted earnings per share impact . . . . . | <u>\$ 0.00</u>                               | <u>\$ 0.00</u>      | <u>\$ 0.00</u>       | <u>\$ 0.11</u>       |

**Fiscal 2012 Items**

*Charitable Contributions and Tax Adjustments*

During fiscal 2012, the Company decreased the provision for income taxes by \$23.9 million, primarily as a result of recording the effect of a revaluation of certain deferred tax asset balances due to a change in Japan's corporate tax laws and the favorable settlement of a multi-year transfer pricing agreement with Japan. The Company used the net income favorability to contribute an aggregate \$39.2 million to the Coach Foundation. The Company believed that in order to reflect the direct results of the normal, ongoing business operations, both the tax adjustments and the resulting Coach Foundation funding needed to be adjusted. This exclusion is consistent with the way management views its results and is the basis on which incentive compensation was calculated for fiscal 2012.

**Fiscal 2011 Items**

*Charitable Contributions and Tax Adjustments*

During the third quarter of fiscal 2011, the Company decreased the provision for income taxes by \$15.5 million, primarily as a result of a favorable settlement of a multi-year tax return examination. The Company used the net income favorability to contribute \$20.9 million to the Coach Foundation and 400 million yen or \$4.8 million to the Japanese Red Cross Society. The Company believed that in order to reflect the direct results of the normal, ongoing business operations, both the tax adjustments and the resulting Coach Foundation funding and Japanese Red Cross Society contribution needed to be adjusted. This exclusion is consistent with the way management views its results and is the basis on which incentive compensation was calculated and paid for fiscal 2011.

## **Fiscal 2009 Items**

### *Cost Savings Measures*

During the third quarter of fiscal 2009, the Company recorded a charge of \$13.4 million, related to cost savings initiatives. These initiatives included the elimination of approximately 150 positions from the Company's corporate offices in New York, New Jersey and Jacksonville, the closure of four underperforming retail stores and the closure of Coach Europe Services, the Company's sample-making facility in Italy. Prior to these cost savings measures in fiscal 2009, the Company had no recent past history of similar elimination of positions, closure of facilities, or closure of underperforming stores during the stores' lease terms.

### *Charitable Contribution and Tax Adjustments*

During the fourth quarter of fiscal 2009, the Company decreased the provision for income taxes by \$18.8 million, primarily as a result of a favorable settlement of a multi-year tax return examination and other tax accounting adjustments. The underlying events and circumstances for the tax settlement and adjustments were not related to the fiscal 2008 settlement. The Company used the net income favorability to contribute \$15.0 million to the Coach Foundation. The Company believed that in order to reflect the direct results of the normal, ongoing business operations, both the tax adjustments and the resulting foundation funding needed to be adjusted. This exclusion is consistent with the way management views its results and is the basis on which incentive compensation was calculated and paid for fiscal 2009.

## **Fiscal 2008 Items**

### *Charitable Contribution and Tax Adjustments*

During the fourth quarter of fiscal 2008, the Company decreased the provision for income taxes by \$60.6 million, primarily as a result of a favorable settlement of a tax return examination. The underlying events and circumstances for the tax settlement were not related to the fiscal 2009 settlement. The Company used the net income favorability to create the Coach Foundation. The Company recorded an initial contribution to the Coach Foundation in the amount of \$20.0 million. The Company believed that in order to reflect the direct results of the business operations as was done for executive management incentive compensation, both the tax adjustments and the resulting foundation funding needed to be adjusted.

### *Variable Expenses*

As a result of the lower income tax provision, the Company incurred additional incentive compensation expense of \$12.1 million, as a portion of the Company's incentive compensation plan is based on net income and earnings per share. Incremental incentive compensation driven by tax settlements of this magnitude is unlikely to recur in the near future as the Company has modified its incentive compensation plans during fiscal 2009 to be measured exclusive of any unusual accounting adjustments. The Company believes excluding these variable expenses, which were directly linked to the tax settlements, assists investors in evaluating the Company's direct, ongoing business operations.

## **Currency Fluctuation Effects**

The percentage increase in sales and U.S. dollar increases in operating expenses in fiscal 2012 and fiscal 2011 for Coach Japan have been presented both including and excluding currency fluctuation effects from translating these foreign-denominated amounts into U.S. dollars and comparing these figures to the same periods in the prior fiscal year.

We believe that presenting Coach Japan sales and operating expense increases, including and excluding currency fluctuation effects, will help investors and analysts to understand the effect on these valuable performance measures of significant year-over-year currency fluctuations.

## **FINANCIAL CONDITION**

### **Cash Flow**

Net cash provided by operating activities was \$1.22 billion in fiscal 2012 compared to \$1.03 billion in fiscal 2011. The increase of \$188.4 million was primarily due to the \$158.1 million increase in net income as well as the result of working capital changes between the two fiscal years, the most significant of which

occurred in inventories, accrued liabilities and other liabilities. Increases in inventory balances in fiscal 2012 resulted in the use of cash of \$71.7 million as compared to \$64.7 million in fiscal 2011, primarily due to the Company's international expansion. Changes during the year in accrued liabilities balances provided cash of \$84.2 million in fiscal 2012, compared to \$53.7 million in fiscal 2011, driven primarily by the timing of certain expenses and tax payments. Changes in other liabilities balances resulted in a use of cash of \$17.6 million in fiscal 2012 compared to a cash source of \$13.4 million in fiscal 2011, primarily due to the timing of certain cash payments.

Net cash used in investing activities was \$259.4 million in fiscal 2012 compared to \$59.6 million in fiscal 2011, with the increase of \$199.8 million largely driven by acquisitions, higher planned capital investment, and the timing of cash investments. During fiscal 2012, the Company acquired 100% of its domestic retail businesses in Singapore and Taiwan from the former distributors for an aggregate \$53.2 million, net of cash acquired. Purchases of property and equipment were \$184.3 million in fiscal 2012, which was \$36.6 million higher than fiscal 2011, reflecting planned increased capital investment. In addition, during fiscal 2012, the Company provided \$24.1 million of loan advances in connection with its European joint venture operations, to fund expansion plans in the region.

Net cash used in financing activities was \$741.9 million in fiscal 2012 as compared to \$875.1 million in fiscal 2011. The decrease of \$133.2 million was primarily attributable to \$398.0 million less expended for common stock repurchases, partially offset by \$192.4 million lower net proceeds from exercises of share based awards and \$82.2 million higher dividend payments in fiscal 2012, due to the higher dividend payment rate.

### **Revolving Credit Facilities**

Through June 18, 2012, the Company maintained a \$100 million revolving credit facility with certain lenders and Bank of America, N.A. as the primary lender and administrative agent (the "Bank of America facility"). At Coach's request and lenders' consent, the Bank of America facility was able to be expanded to \$200 million and also extended for two additional one-year periods.

Coach paid a commitment fee of 6 to 12.5 basis points on the Bank of America facility on any unused amounts and interest of LIBOR plus 20 to 55 basis points on any outstanding borrowings. Both the commitment fee and the LIBOR margin were based on the Company's fixed charge coverage ratio.

Coach's Bank of America facility was available for seasonal working capital requirements or general corporate purposes and could be prepaid without penalty or premium. During fiscal 2012 and fiscal 2011 there were no borrowings under the Bank of America facility. Accordingly, as of July 2, 2011, there were no outstanding borrowings under the Bank of America facility.

The Bank of America facility contained various covenants and customary events of default. Coach was in compliance with all covenants of the Bank of America facility since its inception through its termination.

On June 18, 2012, the Company terminated the Bank of America facility and replaced it with a new, \$400 million revolving credit facility with certain lenders and JP Morgan Chase Bank, N.A. as the primary lender and administrative agent (the "JP Morgan facility"). The JP Morgan facility may also be used to finance the working capital needs, capital expenditures, certain investments, share repurchases, dividends, and other general corporate purposes of the Company and its subsidiaries (which may include commercial paper back-up), and expires in June 2017. At Coach's request and lenders' consent, revolving commitments of the JP Morgan facility may be expanded to \$650 million. As of June 30, 2012, there were no outstanding borrowings on the JP Morgan facility, and the borrowing capacity was \$393 million, due to outstanding letters of credit.

Borrowings under the JP Morgan Facility bear interest at a rate per annum equal to, at Coach's option, either (a) an alternate base rate or (b) 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 (the "Adjusted LIBO Rate") plus an applicable margin. The applicable margin for Adjusted LIBO Rate loans will be adjusted by reference to a grid (the "Pricing Grid") based on the ratio of (a) consolidated debt plus 800% of consolidated lease expense to (b) consolidated EBITDAR ("Leverage Ratio"). Additionally, Coach will pay a commitment fee, calculated



at a rate per annum determined in accordance with the Pricing Grid, on the average daily unused amount of the JP Morgan Facility, and certain fees with respect to letters of credit that are issued. At June 30, 2012, the commitment fee was nine basis points.

The JP Morgan facility contains various covenants and customary events of default. Coach has been in compliance with all covenants of the facility since its inception.

To provide funding for working capital and general corporate purposes, Coach Japan has available credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 4.1 billion yen, or approximately \$52 million, at June 30, 2012. Interest is based on the Tokyo Interbank rate plus a margin of 27.5 to 30 basis points. During fiscal 2012 and 2011, the peak borrowings were \$0 and \$27.1 million, respectively. As of June 30, 2012 and July 2, 2011, there were no outstanding borrowings under the Japanese credit facilities.

To provide funding for working capital and general corporate purposes, Coach Shanghai Limited has a credit facility that allows a maximum borrowing of 63 million Chinese renminbi, or approximately \$10 million, at June 30, 2012. Interest is based on the People's Bank of China rate. During fiscal 2012 and fiscal 2011, there were no borrowings under this credit facility. Accordingly, at June 30, 2012 and July 2, 2011, there were no outstanding borrowings under this facility.

### **Common Stock Repurchase Program**

During fiscal 2011, the Company completed its \$1.0 billion common stock repurchase program, which was put into place in April 2010. In January 2011, the Board approved a new common stock repurchase program to acquire up to \$1.5 billion of Coach's outstanding common stock through June 2013. Purchases of Coach common stock are made subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares become authorized but unissued shares and may be issued in the future for general corporate and other uses. The Company may terminate or limit the stock repurchase program at any time.

During fiscal 2012 and fiscal 2011, the Company repurchased and retired 10.7 million and 20.4 million shares, respectively, or \$0.70 billion and \$1.10 billion of common stock, respectively, at an average cost of \$65.49 and \$53.81, respectively. As of June 30, 2012, \$261.6 million remained available for future purchases under the existing program.

### **Liquidity and Capital Resources**

In fiscal 2012, total capital expenditures were \$184.3 million related primarily to new stores and corporate infrastructure in North America, China, and Japan which accounted for approximately \$58.4 million, \$35.4, and \$10.4 million, respectively, of total capital expenditures. Spending on department store renovations and distributor locations accounted for approximately \$9.9 million of the total capital expenditures. The remaining capital expenditures related to corporate systems and infrastructure. These investments were financed from on hand cash and operating cash flows.

For the fiscal year ending June 29, 2013, the Company expects total capital expenditures to be approximately \$250 million. Capital expenditures will be primarily for new stores in North America, Asia and technology to support our global expansion. We will also continue to invest in corporate infrastructure and department store and distributor locations. These investments will be financed primarily from on hand cash and operating cash flows.

Coach experiences significant seasonal variations in its working capital requirements. During the first fiscal quarter Coach builds inventory for the holiday selling season, opens new retail stores and generates higher levels of trade receivables. In the second fiscal quarter its working capital requirements are reduced substantially as Coach generates consumer sales and collects wholesale accounts receivable. In fiscal 2012, Coach purchased approximately \$1.4 billion of inventory, which was primarily funded by on hand cash and operating cash flows.

Management believes that cash flow from operations and on hand cash will provide adequate funds for the foreseeable working capital needs, planned capital expenditures, dividend payments and the common stock repurchase program. Any future acquisitions, joint ventures or 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.

### Commitments

At June 30, 2012, the Company had letters of credit available of \$600 million, of which \$215.4 million were outstanding. These letters of credit, which expire at various dates through 2014, primarily collateralize the Company's obligation to third parties for the purchase of inventory.

### Contractual Obligations

As of June 30, 2012, Coach's long-term contractual obligations are as follows:

|   | Payments Due by Period |                       |                       |                           |                |
|---|------------------------|-----------------------|-----------------------|---------------------------|----------------|
|   | Less than<br>1 Year    | 1 – 3<br>Years        | 3 – 5<br>Years        | More than<br>5 Years      |                |
|   | Fiscal<br>2013         | Fiscal<br>2014 — 2015 | Fiscal<br>2016 – 2017 | Fiscal 2018<br>and beyond | Total          |
|   | (amounts in millions)  |                       |                       |                           |                |
| Capital expenditure commitments <sup>(1)</sup>                  | \$ 1.3                 | \$ 1.3                | \$ —                  | \$ —                      | \$ —           |
| Inventory purchase obligations <sup>(2)</sup>                   | 212.1                  | 212.1                 | —                     | —                         | —              |
| Long-term debt, including the<br>current portion <sup>(3)</sup> | 24.4                   | 23.4                  | 1.0                   | —                         | —              |
| Operating leases  | 1,075.5                | 179.3                 | 324.2                 | 233.4                     | 338.5          |
| Total   | <u>\$1,313.3</u>       | <u>\$416.1</u>        | <u>\$325.2</u>        | <u>\$233.4</u>            | <u>\$338.5</u> |

(1) Represents the Company's legally binding agreements related to capital expenditures.

(2) Represents the Company's legally binding agreements to purchase finished goods.

(3) Amounts presented include interest payment obligations.

The table above excludes the following: amounts included in current liabilities, other than the current portion of long-term debt, in the Consolidated Balance Sheet at June 30, 2012 as these items will be paid within one year; long-term liabilities not requiring cash payments and cash contributions for the Company's pension plans. The Company intends to contribute approximately \$0.4 million to its pension plans during the next year. The above table also excludes reserves recorded in accordance with the Financial Accounting Standards Board's ("FASB") guidance for accounting for uncertainty in income taxes which has been codified within Accounting Standards Codification ("ASC") 740, as we are unable to reasonably estimate the timing of future cash flows related to these reserves.

Coach does not have any off-balance-sheet financing or unconsolidated special purpose entities. Coach's risk management policies prohibit the use of derivatives for trading or speculative purposes. The valuation of financial instruments that are marked-to-market are based upon independent third-party sources.

### Long-Term Debt

Coach is party to an Industrial Revenue Bond related to its Jacksonville, Florida distribution and consumer service facility. This loan has a remaining balance of \$1.4 million and bears interest at 4.5%. Principal and interest payments are made semiannually, with the final payment due in 2014.

During fiscal 2009, Coach assumed a mortgage in connection with the purchase of its corporate headquarters building in New York City. This mortgage bears interest at 4.68%. Interest payments are made monthly and principal payments began in July 2009, with the final payment of \$21.6 million due in June 2013. As of June 30, 2012, the remaining balance on the mortgage was \$21.9 million.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Predicting future events is

inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. The development and selection of the Company's critical accounting policies and estimates are periodically reviewed with the Audit Committee of the Board.

The accounting policies discussed below are considered critical because changes to certain judgments and assumptions inherent in these policies could affect the financial statements. For more information on Coach's accounting policies, please refer to the Notes to Consolidated Financial Statements.

### **Income Taxes**

The Company's effective tax rate is based on pre-tax income, statutory tax rates, tax laws and regulations, and tax planning strategies available in the various jurisdictions in which Coach operates. Deferred tax assets are reported at net realizable value, as determined by management. Significant management judgment is required in determining the effective tax rate, in evaluating our tax positions and in determining the net realizable value of deferred tax assets. In accordance with ASC 740-10, the Company recognizes the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. Tax authorities periodically audit the Company's income tax returns. Management believes that our tax filing positions are reasonable and legally supportable. However, in specific cases, various tax authorities may take a contrary position. A change in our tax positions or audit settlements could have a significant impact on our results of operations. For further information about income taxes, see the Income Taxes note presented in the Notes to the Consolidated Financial Statements.

### **Inventories**

The Company's inventories are reported at the lower of cost or market. Inventory costs include material, conversion costs, freight and duties and are determined by the first-in, first-out method. The Company reserves for slow-moving and aged inventory based on historical experience, current product demand and expected future demand. A decrease in product demand due to changing customer tastes, buying patterns or increased competition could impact Coach's evaluation of its slow-moving and aged inventory and additional reserves might be required. At June 30, 2012, a 10% change in the reserve for slow-moving and aged inventory would have resulted in an insignificant change in inventory and cost of goods sold.

### **Goodwill and Other Intangible Assets**

The Company evaluates goodwill and other indefinite life intangible assets annually for impairment. In order to complete our impairment analysis, we must perform a valuation analysis which includes determining the fair value of the Company's reporting units based on discounted cash flows. This analysis contains uncertainties as it requires management to make assumptions and estimate the profitability of future growth strategies. The Company determined that there was no impairment in fiscal 2012, fiscal 2011 or fiscal 2010.

### **Long-Lived Assets**

Long-lived assets, such as property and equipment, are evaluated for impairment whenever events or circumstances indicate that the carrying value of the assets may not be recoverable. The evaluation is based on a review of forecasted operating cash flows and the profitability of the related asset group. An impairment loss is recognized if the forecasted cash flows are less than the carrying amount of the asset. The Company recorded an impairment loss in fiscal 2009 of \$1.5 million related to the closure of three underperforming stores. The Company did not record any impairment losses in fiscal 2012, fiscal 2011 or fiscal 2010. However, as the determination of future cash flows is based on expected future performance, impairment could result in the future if expectations are not met.

### **Revenue Recognition**

Sales are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction or, for the wholesale channels, upon shipment of merchandise, when title passes to the customer. Revenue associated with gift cards is recognized upon redemption. The Company estimates the amount of gift cards that will not be redeemed or remitted as escheatable property, based on historical

redemption patterns and escheatment laws, and records such amounts as breakage revenue when we can determine the portion of the liability where redemption is remote, which is approximately two years after the gift card is issued. Revenue associated with gift card breakage is not material to the Company's net operating results. Allowances for estimated uncollectible accounts, discounts and returns are provided when sales are recorded based upon historical experience and current trends. Royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is recognized based upon reported sales from the licensee. At June 30, 2012, a 10% change in the allowances for estimated uncollectible accounts, discounts and returns would have resulted in an insignificant change in accounts receivable and net sales.

### **Share-Based Compensation**

The Company recognizes the cost of employee services received in exchange for awards of equity instruments, such as stock options, based on the grant-date fair value of those awards. The grant-date fair value of stock option awards is determined using the Black-Scholes option pricing model and involves several assumptions, including the expected term of the option, expected volatility and dividend yield. The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of the Company's stock as well as the implied volatility from publicly traded options on Coach's stock. Dividend yield is based on the current expected annual dividend per share and the Company's stock price. Changes in the assumptions used to determine the Black-Scholes value could result in significant changes in the Black-Scholes value. However, a 10% change in the Black-Scholes value would have resulted in an insignificant change in fiscal 2012 share-based compensation expense.

### **Recent Accounting Pronouncements**

In May 2011, Accounting Standards Codification 820-10 "*Fair Value Measurements and Disclosures*," was amended to clarify certain disclosure requirements and improve consistency with international reporting standards. This amendment is to be applied prospectively and was effective for the Company beginning January 1, 2012. The adoption of this amendment did not have a material effect on the Company's consolidated financial statements.

Accounting Standards Codification Topic 220, "*Comprehensive Income*," was amended in June 2011 to require entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendment does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income under current GAAP. This guidance is effective for the Company's fiscal year and interim periods beginning July 1, 2012. The Company is currently evaluating this guidance, but does not expect its adoption to have a material effect on its consolidated financial statements.

In September 2011, Accounting Standards Codification 350-20, "*Intangibles — Goodwill and Other — Goodwill*," was amended to allow entities to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired, and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance is effective for the Company's fiscal year beginning July 1, 2012. The Company does not expect its adoption to have a material effect on its consolidated financial statements.

### **ITEM 7A. 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 interest rates or foreign currency exchange rates. Coach manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments with respect to Coach Japan and Coach Canada. 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 following quantitative disclosures 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**

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 fiscal 2012 non-licensed product needs are purchased from independent manufacturers in countries other than the United States, including China, Vietnam, India, Philippines, Thailand, Italy, Taiwan, Peru, Malaysia, Columbia, Turkey and Great Britain. Additionally, sales are made through international channels to third party distributors. Substantially all purchases and sales involving international parties, excluding consumer sales at Coach Japan, Coach Canada, Coach China, Coach Singapore, and Coach Taiwan are denominated in U.S. dollars and, therefore, are not subject to foreign currency exchange risk.

In Japan and Canada, Coach is exposed to market risk from foreign currency exchange rate fluctuations resulting from Coach Japan and Coach Canada's U.S. dollar denominated inventory purchases. Coach Japan and Coach Canada enter into certain foreign currency derivative contracts, primarily zero-cost collar options, to manage these risks. As of June 30, 2012 and July 2, 2011, open foreign currency forward contracts designated as hedges with a notional amount of \$310.9 million and \$171.0 million, respectively, were outstanding.

Coach had exposure to market risk from foreign currency exchange rate fluctuations with respect to Coach Japan as a result of its \$65.0 million U.S. dollar-denominated fixed rate intercompany loan. To manage this risk, on December 29, 2011, Coach Japan entered into a cross-currency swap transaction, the terms of which included an exchange of Japanese yen fixed interest for U.S. dollar fixed interest. The loan and swap were settled at maturity in June 2012, at which point the swap required an exchange of Japanese yen and U.S. dollar based notional values.

Coach is also exposed to market risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany and related party loans. These loans are denominated in various foreign currencies, with a total notional value of approximately \$207 million as of June 30, 2012. To manage the exchange rate risk related to these loans, the Company entered 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 June 2013.

The fair value of open foreign currency derivatives included in current assets at June 30, 2012 and July 2, 2011 was \$1.5 million and \$2.0 million, respectively. The fair value of open foreign currency derivatives included in current liabilities at June 30, 2012 and July 2, 2011 was \$4.1 million and \$1.7 million, respectively. The fair value of these contracts is sensitive to changes in foreign currency exchange rates.

Coach believes that exposure to adverse changes in exchange rates associated with revenues and expenses of foreign operations, which are denominated in Japanese yen, Chinese renminbi, Hong Kong dollar, Macanese pataca, Canadian dollar, Singapore dollar, Taiwan dollar, Malaysian ringgit, Korean won and the euro, are not material to the Company's consolidated financial statements.

### **Interest Rate**

Coach is exposed to interest rate risk in relation to its investments, revolving credit facilities and long-term debt.

The Company's investment portfolio is maintained in accordance with the Company's investment policy, which identifies allowable investments, specifies 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. The Company's investment portfolio primarily consists of U.S. government and agency securities as well as

corporate debt securities. As the Company does not have the intent to sell and will not be required to sell these securities until maturity, investments are classified as held-to-maturity and stated at amortized cost, except for auction rate securities, which are classified as available-for-sale. At July 2, 2011, the Company's investments, classified as held-to-maturity, consisted of commercial paper and treasury bills valued at \$2.3 million. These investments matured during 2012, and the Company does not hold any similar investments at June 30, 2012. As the adjusted book value of the commercial paper and treasury bills equaled its fair value, there were no unrealized gains or losses associated with these investments. At June 30, 2012, the Company's investments, classified as available-for-sale, consisted of a \$6.0 million auction rate security. At June 30, 2012, as the auction rate securities' adjusted book value equaled its fair value, there were no unrealized gains or losses associated with this investment.

As of June 30, 2012, the Company had no outstanding borrowings on its JP Morgan facility, its revolving credit facility maintained by Coach Japan, and its revolving credit facility maintained by Coach Shanghai Limited. The fair value of any future borrowing may be impacted by fluctuations in interest rates.

As of June 30, 2012, Coach's outstanding long-term debt, including the current portion, was \$23.4 million. A hypothetical 10% change in the interest rate applied to the fair value of debt would not have a material impact on earnings or cash flows of Coach.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See "Index to Financial Statements," which is located on page 47 of this report.

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

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure 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 Lew Frankfort, the Chief Executive Officer of the Company, and Jane Nielsen, the Chief Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures are effective as of June 30, 2012.

### **Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board regarding the preparation and fair presentation of published financial statements. Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2012 and concluded that it is effective.

The Company's independent auditors have issued an audit report on the Company's internal control over financial reporting. The audit report appears on page 49 of this report.

### **Changes in Internal Control over Financial Reporting**

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

## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required to be included by Item 10 of Form 10-K will be included in the Proxy Statement for the 2012 Annual Meeting of Stockholders and such information is incorporated by reference herein. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information regarding executive and director compensation set forth in the Proxy Statement for the 2012 Annual Meeting of Stockholders is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information under the headings “Securities Authorized for Issuance Under Equity Compensation Plans” and “Coach Stock Ownership by Certain Beneficial Owners and Management” in the Company’s Proxy Statement for the 2012 Annual Meeting of Stockholders is incorporated herein by reference.

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

The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required to be included by Item 13 of Form 10-K will be included in the Proxy Statement for the 2012 Annual Meeting of Stockholders and such information is incorporated by reference herein. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated herein by reference to the sections entitled “Fees For Audit and Other Services” and “Audit Committee Pre-Approval Policy” in the Proxy Statement for the 2012 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Financial Statements and Financial Statement Schedules

See “Index to Financial Statements” which is located on page 47 of this report.

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



## SIGNATURES

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

COACH, INC.

Date: August 22, 2012

By: /s/ Lew Frankfort

Name: Lew Frankfort

Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated below on August 22, 2012.

| <u>Signature</u>                            | <u>Title</u>  |
|---|---|
| <u>/s/ Lew Frankfort</u><br>Lew Frankfort   | Chairman, Chief Executive Officer and Director  |
| <u>/s/ Jerry Stritzke</u><br>Jerry Stritzke | President, Chief Operating Officer  |
| <u>/s/ Jane Nielsen</u><br>Jane Nielsen     | Executive Vice President and Chief Financial Officer<br>(as principal financial officer and<br>principal accounting officer of Coach) |
| <u>/s/ Susan Kropf</u><br>Susan Kropf       | Director  |
| <u>/s/ Gary Loveman</u><br>Gary Loveman     | Director  |
| <u>/s/ Ivan Menezes</u><br>Ivan Menezes     | Director  |
| <u>/s/ Irene Miller</u><br>Irene Miller     | Director  |
| <u>/s/ Michael Murphy</u><br>Michael Murphy | Director  |
| <u>/s/ Jide Zeitlin</u><br>Jide Zeitlin     | Director  |

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

FORM 10-K

FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

COACH, INC.

New York, New York 10001

INDEX TO FINANCIAL STATEMENTS

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| Reports of Independent Registered Public Accounting Firm . . . . .   | 48                     |
| Consolidated Balance Sheets — At June 30, 2012 and July 2, 2011 . . . . .  | 50                     |
| Consolidated Statements of Income — For Fiscal Years Ended June 30, 2012, July 2,<br>2011 and July 3, 2010 . . . . .   | 51                     |
| Consolidated Statements of Stockholders' Equity — For Fiscal Years Ended June 30, 2012,<br>July 2, 2011 and July 3, 2010 . . . . .                           | 52                     |
| Consolidated Statements of Cash Flows — For Fiscal Years Ended June 30, 2012, July 2,<br>2011 and July 3, 2010 . . . . .                                     | 53                     |
| Notes to Consolidated Financial Statements . . . . .   | 54                     |
| Financial Statement Schedules for the years ended June 30, 2012, July 2, 2011 and July 3, 2010:<br>Schedule II — Valuation and Qualifying Accounts . . . . . | 75                     |

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Coach, Inc.  
New York, New York

We have audited the accompanying consolidated balance sheets of Coach, Inc. and subsidiaries (the “Company”) as of June 30, 2012 and July 2, 2011, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended June 30, 2012. Our audits also included the financial statement schedule listed in the Index to the financial statements. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at June 30, 2012 and July 2, 2011, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of June 30, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 22, 2012 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

New York, New York  
August 22, 2012

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Coach, Inc.  
New York, New York

We have audited the internal control over financial reporting of Coach, Inc. and subsidiaries (the “Company”) as of June 30, 2012 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended June 30, 2012 of the Company and our report dated August 22, 2012 expressed an unqualified opinion on those consolidated financial statements and consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

New York, New York  
August 22, 2012

**COACH, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(amounts in thousands, except share data)

|   | <b>June 30,<br/>2012</b> | <b>July 2,<br/>2011</b> |
|---|--------------------------|-------------------------|
| <b>ASSETS</b>   |                          |                         |
| Current Assets:   |                          |                         |
| Cash and cash equivalents . . . . .   | \$ 917,215               | \$ 699,782              |
| Short-term investments . . . . .  | —                        | 2,256                   |
| Trade accounts receivable, less allowances of \$9,813 and \$9,544,<br>respectively . . . . .  | 174,462                  | 142,898                 |
| Inventories . . . . .   | 504,490                  | 421,831                 |
| Deferred income taxes . . . . .   | 95,419                   | 93,902                  |
| Prepaid expenses . . . . .  | 39,365                   | 38,203                  |
| Other current assets . . . . .  | 73,577                   | 53,516                  |
| Total current assets . . . . .  | 1,804,528                | 1,452,388               |
| Property and equipment, net . . . . .   | 644,449                  | 582,348                 |
| Goodwill . . . . .  | 376,035                  | 331,004                 |
| Intangible assets . . . . .   | 9,788                    | 9,788                   |
| Deferred income taxes . . . . .   | 95,223                   | 103,657                 |
| Other assets . . . . .  | 174,298                  | 155,931                 |
| Total assets . . . . .  | \$3,104,321              | \$2,635,116             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                          |                         |
| Current Liabilities:  |                          |                         |
| Accounts payable . . . . .  | \$ 155,387               | \$ 118,612              |
| Accrued liabilities . . . . .   | 540,398                  | 473,610                 |
| Current portion of long-term debt . . . . .   | 22,375                   | 795                     |
| Total current liabilities . . . . .   | 718,160                  | 593,017                 |
| Long-term debt . . . . .  | 985                      | 23,360                  |
| Other liabilities . . . . .   | 392,245                  | 406,170                 |
| Total liabilities . . . . .   | 1,111,390                | 1,022,547               |
| See note on commitments and contingencies   |                          |                         |
| Stockholders' Equity:   |                          |                         |
| Preferred stock: (authorized 25,000,000 shares; \$0.01 par value) none<br>issued . . . . .  | —                        | —                       |
| Common stock: (authorized 1,000,000,000 shares; \$0.01 par value)<br>issued and outstanding – 285,118,488 and 288,514,529, respectively . . . . . | 2,851                    | 2,886                   |
| Additional paid-in-capital . . . . .  | 2,327,055                | 2,000,426               |
| Accumulated deficit . . . . .   | (387,450)                | (445,654)               |
| Accumulated other comprehensive income . . . . .  | 50,475                   | 54,911                  |
| Total stockholders' equity . . . . .  | 1,992,931                | 1,612,569               |
| Total liabilities and stockholders' equity . . . . .  | \$3,104,321              | \$2,635,116             |

*See accompanying Notes to Consolidated Financial Statements.*

**COACH, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(amounts in thousands, except per share data)

|  | Fiscal Year Ended  |                   |                   |
|--|--------------------|-------------------|-------------------|
|  | June 30,<br>2012   | July 2,<br>2011   | July 3,<br>2010   |
| Net sales . . . . .                                    | \$4,763,180        | \$4,158,507       | \$3,607,636       |
| Cost of sales . . . . .                                | 1,297,102          | 1,134,966         | 973,945           |
| Gross profit . . . . .                                 | 3,466,078          | 3,023,541         | 2,633,691         |
| Selling, general and administrative expenses . . . . . | 1,954,089          | 1,718,617         | 1,483,520         |
| Operating income . . . . .                             | 1,511,989          | 1,304,924         | 1,150,171         |
| Interest income, net . . . . .                         | 720                | 1,031             | 7,961             |
| Other expense . . . . .                                | (7,046)            | (4,736)           | —                 |
| Income before provision for income taxes . . . . .     | 1,505,663          | 1,301,219         | 1,158,132         |
| Provision for income taxes . . . . .                   | 466,753            | 420,419           | 423,192           |
| Net income . . . . .                                   | <u>\$1,038,910</u> | <u>\$ 880,800</u> | <u>\$ 734,940</u> |
| Net income per share                                   |                    |                   |                   |
| Basic . . . . .  | <u>\$ 3.60</u>     | <u>\$ 2.99</u>    | <u>\$ 2.36</u>    |
| Diluted . . . . .                                      | <u>\$ 3.53</u>     | <u>\$ 2.92</u>    | <u>\$ 2.33</u>    |
| Shares used in computing net income per share          |                    |                   |                   |
| Basic . . . . .  | <u>288,284</u>     | <u>294,877</u>    | <u>311,413</u>    |
| Diluted . . . . .                                      | <u>294,129</u>     | <u>301,558</u>    | <u>315,848</u>    |

*See accompanying Notes to Consolidated Financial Statements.*

**COACH, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(amounts in thousands)

|  | Shares of<br>Common<br>Stock | Preferred<br>Stock | Common<br>Stock       | Additional<br>Paid-in-<br>Capital | Retained<br>Earnings/<br>(Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Stockholders'<br>Equity |
|--|------------------------------|--------------------|-----------------------|-----------------------------------|---|---|----------------------------------|
| Balances at June 27, 2009                                      | 318,006                      | \$ —               | \$3,180               | \$1,189,060                       | \$ 499,951  | \$ 3,851  | \$ 1,696,042                     |
| Net income   | —                            | —                  | —                     | —                                 | 734,940   | —   | 734,940                          |
| Unrealized losses on cash flow hedging derivatives, net of tax | —                            | —                  | —                     | —                                 | —   | (1,757)   | (1,757)                          |
| Translation adjustments  | —                            | —                  | —                     | —                                 | —   | 27,464  | 27,464                           |
| Change in pension liability, net of tax                        | —                            | —                  | —                     | —                                 | —   | (163)   | (163)                            |
| Comprehensive income   | —                            | —                  | —                     | —                                 | —   | —   | <u>760,484</u>                   |
| Shares issued for stock options and employee benefit plans     | 9,547                        | —                  | 96                    | 204,886                           | —   | —   | 204,982                          |
| Share-based compensation                                       | —                            | —                  | —                     | 81,420                            | —   | —   | 81,420                           |
| Excess tax benefit from share-based compensation               | —                            | —                  | —                     | 27,616                            | —   | —   | 27,616                           |
| Repurchase and retirement of common stock                      | (30,686)                     | —                  | (307)                 | —                                 | (1,149,691)                                       | —   | (1,149,998)                      |
| Dividends declared   | —                            | —                  | —                     | —                                 | (115,253)   | —   | (115,253)                        |
| Balances at July 3, 2010                                       | <u>296,867</u>               | <u>—</u>           | <u>2,969</u>          | <u>1,502,982</u>                  | <u>(30,053)</u>                                   | <u>29,395</u>                                   | <u>1,505,293</u>                 |
| Net income   | —                            | —                  | —                     | —                                 | 880,800   | —   | 880,800                          |
| Unrealized gains on cash flow hedging derivatives, net of tax  | —                            | —                  | —                     | —                                 | —   | 627   | 627                              |
| Translation adjustments  | —                            | —                  | —                     | —                                 | —   | 24,351  | 24,351                           |
| Change in pension liability, net of tax                        | —                            | —                  | —                     | —                                 | —   | 538   | 538                              |
| Comprehensive income   | —                            | —                  | —                     | —                                 | —   | —   | <u>906,316</u>                   |
| Shares issued for stock options and employee benefit plans     | 12,052                       | —                  | 121                   | 343,450                           | —   | —   | 343,571                          |
| Share-based compensation                                       | —                            | —                  | —                     | 95,830                            | —   | —   | 95,830                           |
| Excess tax benefit from share-based compensation               | —                            | —                  | —                     | 58,164                            | —   | —   | 58,164                           |
| Repurchase and retirement of common stock                      | (20,404)                     | —                  | (204)                 | —                                 | (1,097,796)                                       | —   | (1,098,000)                      |
| Dividends declared   | —                            | —                  | —                     | —                                 | (198,605)   | —   | (198,605)                        |
| Balances at July 2, 2011                                       | <u>288,515</u>               | <u>—</u>           | <u>2,886</u>          | <u>2,000,426</u>                  | <u>(445,654)</u>                                  | <u>54,911</u>                                   | <u>1,612,569</u>                 |
| Net income   | —                            | —                  | —                     | —                                 | 1,038,910   | —   | 1,038,910                        |
| Unrealized gains on cash flow hedging derivatives, net of tax  | —                            | —                  | —                     | —                                 | —   | 1,004   | 1,004                            |
| Translation adjustments  | —                            | —                  | —                     | —                                 | —   | (4,052)   | (4,052)                          |
| Change in pension liability, net of tax                        | —                            | —                  | —                     | —                                 | —   | (1,388)   | (1,388)                          |
| Comprehensive income   | —                            | —                  | —                     | —                                 | —   | —   | <u>1,034,474</u>                 |
| Shares issued for stock options and employee benefit plans     | 7,291                        | —                  | 72                    | 151,061                           | —   | —   | 151,133                          |
| Share-based compensation                                       | —                            | —                  | —                     | 107,511                           | —   | —   | 107,511                          |
| Excess tax benefit from share-based compensation               | —                            | —                  | —                     | 68,057                            | —   | —   | 68,057                           |
| Repurchase and retirement of common stock                      | (10,688)                     | —                  | (107)                 | —                                 | (699,893)   | —   | (700,000)                        |
| Dividends declared   | —                            | —                  | —                     | —                                 | (280,813)   | —   | (280,813)                        |
| Balances at June 30, 2012                                      | <u><u>285,118</u></u>        | <u><u>\$ —</u></u> | <u><u>\$2,851</u></u> | <u><u>\$2,327,055</u></u>         | <u><u>\$ (387,450)</u></u>                        | <u><u>\$50,475</u></u>                          | <u><u>\$ 1,992,931</u></u>       |

*See accompanying Notes to Consolidated Financial Statements.*

**COACH, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(amounts in thousands)

|  | Fiscal Year Ended |                   |                    |
|--|-------------------|-------------------|--------------------|
|  | June 30,<br>2012  | July 2,<br>2011   | July 3,<br>2010    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |                   |                   |                    |
| Net income . . . . .   | \$1,038,910       | \$ 880,800        | \$ 734,940         |
| Adjustments to reconcile net income to net cash from operating activities: |                   |                   |                    |
| Depreciation and amortization . . . . .                                    | 132,909           | 125,106           | 126,744            |
| Provision for bad debt . . . . .   | 595               | 2,014             | (698)              |
| Share-based compensation . . . . .   | 107,511           | 95,830            | 81,420             |
| Excess tax benefit from share-based compensation . .                       | (68,057)          | (58,164)          | (27,616)           |
| Deferred income taxes . . . . .  | 27,568            | 39,724            | (17,129)           |
| Other noncash credits and (charges), net . . . . .                         | 217               | 9,790             | (10,449)           |
| Changes in operating assets and liabilities:                               |                   |                   |                    |
| (Increase) decrease in trade accounts receivable . .                       | (26,565)          | (31,831)          | 4,344              |
| Increase in inventories . . . . .  | (71,680)          | (64,720)          | (33,878)           |
| (Increase) decrease in other assets . . . . .                              | (22,812)          | (42,174)          | 35,640             |
| (Decrease) increase in other liabilities . . . . .                         | (17,581)          | 13,421            | 28,477             |
| Increase in accounts payable . . . . .                                     | 36,494            | 9,742             | 1,019              |
| Increase in accrued liabilities . . . . .                                  | 84,180            | 53,733            | 68,063             |
| Net cash provided by operating activities . . . . .                        | <u>1,221,689</u>  | <u>1,033,271</u>  | <u>990,877</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |                   |                   |                    |
| Acquisition of interest in equity method investment . . . . .              | —                 | (9,559)           | —                  |
| Acquisitions of distributors . . . . .                                     | (53,235)          | —                 | (1,200)            |
| Purchases of property and equipment . . . . .                              | (184,309)         | (147,744)         | (81,116)           |
| Loans to related parties . . . . .   | (24,138)          | —                 | —                  |
| Purchases of investments . . . . .   | —                 | (224,007)         | (229,860)          |
| Proceeds from sales and maturities of investments . . . . .                | 2,256             | 321,679           | 129,932            |
| Net cash used in investing activities . . . . .                            | <u>(259,426)</u>  | <u>(59,631)</u>   | <u>(182,244)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |                   |                   |                    |
| Dividend payments . . . . .  | (260,276)         | (178,115)         | (94,324)           |
| Repurchase of common stock . . . . .                                       | (700,000)         | (1,098,000)       | (1,149,998)        |
| Repayment of long-term debt . . . . .                                      | (795)             | (746)             | (679)              |
| Repayments on revolving credit facility . . . . .                          | —                 | —                 | (7,496)            |
| Proceeds from share-based awards . . . . .                                 | 185,071           | 362,157           | 213,296            |
| Taxes paid to net settle share-based awards . . . . .                      | (33,938)          | (18,586)          | (8,314)            |
| Excess tax benefit from share-based compensation . . . . .                 | 68,057            | 58,164            | 27,616             |
| Net cash used in financing activities . . . . .                            | <u>(741,881)</u>  | <u>(875,126)</u>  | <u>(1,019,899)</u> |
| Effect of exchange rate changes on cash and cash equivalents . . . . .     | (2,949)           | 4,798             | 7,374              |
| Increase (decrease) in cash and cash equivalents . . . . .                 | 217,433           | 103,312           | (203,892)          |
| Cash and cash equivalents at beginning of year . . . . .                   | 699,782           | 596,470           | 800,362            |
| Cash and cash equivalents at end of year . . . . .                         | <u>\$ 917,215</u> | <u>\$ 699,782</u> | <u>\$ 596,470</u>  |
| Supplemental information:  |                   |                   |                    |
| Cash paid for income taxes . . . . .                                       | <u>\$ 438,884</u> | <u>\$ 364,493</u> | <u>\$ 364,156</u>  |
| Cash paid for interest . . . . .   | <u>\$ 1,793</u>   | <u>\$ 1,233</u>   | <u>\$ 1,499</u>    |
| Noncash investing activity – property and equipment obligations . . . . .  | <u>\$ 31,363</u>  | <u>\$ 23,173</u>  | <u>\$ 16,526</u>   |

*See accompanying Notes to Consolidated Financial Statements.*



## COACH, INC.

### Notes to Consolidated Financial Statements (dollars and shares in thousands, except per share data)

#### 1. NATURE OF OPERATIONS

Coach, Inc. (the “Company”) designs and markets high-quality, modern American classic accessories. The Company’s primary product offerings, manufactured by third-party suppliers, include women’s and men’s bags, accessories, business cases, footwear, wearables, jewelry, sunwear, travel bags, watches and fragrance. Coach’s products are sold through the Direct-to-Consumer segment, which includes Company-operated stores in North America; Japan; Hong Kong, Macau, mainland China; Taiwan; Singapore and the Internet, and through the Indirect segment, which includes sales to wholesale customers and distributors in over 20 countries, including the United States, and royalties earned on licensed products. Beginning with the first quarter of fiscal 2013, the Direct-to-Consumer segment also includes Coach-operated stores in Malaysia and Korea.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Fiscal Year

The Company’s fiscal year ends on the Saturday closest to June 30. Unless otherwise stated, references to years in the financial statements relate to fiscal years. The fiscal years ended June 30, 2012 (“fiscal 2012”) and July 2, 2011 (“fiscal 2011”) were each 52-week periods. The fiscal year ended July 3, 2010 (“fiscal 2010”) was a 53-week period. The fiscal year ending June 29, 2013 (“fiscal 2013”) will be a 52-week period.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could differ from estimates in amounts that may be material to the financial statements.

##### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all 100% owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with a maturity of three months or less at the date of purchase.

##### Investments

Long-term investments primarily consist of U.S. government and agency debt securities as well as municipal government and corporate debt securities. Long-term investments are classified as available-for-sale and recorded at fair value, with unrealized gains and losses recorded in other comprehensive income. Dividend and interest income are recognized when earned.

Short-term investments consist of commercial paper; the adjusted book value of the commercial paper equals its fair value. As the Company does not have the intent to sell and will not be required to sell these securities until maturity, investments are classified as held-to-maturity and stated at amortized cost.

In fiscal 2011, the Company participated in the organization of a joint venture. The Company has contributed a total of \$9,559 in cash to the joint venture through June 30, 2012. This investment, which consists of a 50% equity interest, is accounted for using the equity method of accounting.

##### Concentration of Credit Risk

Financial instruments that potentially expose Coach to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. The Company places its cash investments

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

with high-credit quality financial institutions and currently invests primarily in U.S. government and agency debt securities, municipal government and corporate debt securities, and money market instruments placed with major banks and financial institutions. Accounts receivable is generally diversified due to the number of entities comprising Coach's customer base and their dispersion across many geographical regions. The Company believes no significant concentration of credit risk exists with respect to these cash investments and accounts receivable.

#### **Inventories**

Inventories consist primarily of finished goods and are valued at the lower of cost (determined by the first-in, first-out method) or market. Inventory costs include material, conversion costs, freight and duties.

#### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Buildings are depreciated over 40 years. Machinery and equipment are depreciated over lives of five to seven years and furniture and fixtures are depreciated over lives of three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings as incurred while expenditures for major renewals and improvements are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts.

#### **Operating Leases**

The Company's leases for office space, retail stores and the distribution facility are accounted for as operating leases. The majority of the Company's lease agreements provide for tenant improvement allowances, rent escalation clauses and/or contingent rent provisions. Tenant improvement allowances are recorded as a deferred lease credit on the balance sheet and amortized over the lease term, which is consistent with the amortization period for the constructed assets. Rent expense is recorded when the Company takes possession of a store to begin its buildout, which generally occurs before the stated commencement of the lease term and is approximately 60 to 90 days prior to the opening of the store.

#### **Goodwill and Other Intangible Assets**

Goodwill and indefinite life intangible assets are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company performed an impairment evaluation in fiscal 2012, fiscal 2011 and fiscal 2010 and concluded that there was no impairment of its goodwill or indefinite life intangible assets.

#### **Valuation of Long-Lived Assets**

Long-lived assets, such as property and equipment, are evaluated for impairment whenever events or circumstances indicate that the carrying value of the assets may not be recoverable. The evaluation is based on a review of forecasted operating cash flows and the profitability of the related asset group. An impairment loss is recognized if the forecasted cash flows are less than the carrying amount of the asset. The Company performed an impairment evaluation in fiscal 2012, fiscal 2011 and fiscal 2010 and concluded that there was no impairment of its long-lived assets for stores expected to remain open.

#### **Stock Repurchase and Retirement**

Coach accounts for stock repurchases and retirements by allocating the repurchase price to common stock, additional paid-in-capital and retained earnings. The repurchase price allocation is based upon the equity contribution associated with historical issuances, beginning with the earliest issuance. Under Maryland law, Coach's state of incorporation, treasury shares are not allowed. As a result, all repurchased shares are

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

retired when acquired. During the second quarter of fiscal 2008, the Company's total cumulative stock repurchases exceeded the total shares issued in connection with the Company's October 2000 initial public offering, and stock repurchases in excess of this amount are assumed to be made from the Company's April 2001 Sara Lee exchange offer. Shares issued in connection with this exchange offer were accounted for as a contribution to common stock and retained earnings. Therefore, stock repurchases and retirements associated with the exchange offer are accounted for by allocation of the repurchase price to common stock and retained earnings. During the fourth quarter of fiscal 2010, cumulative stock repurchases allocated to retained earnings have resulted in an accumulated deficit balance. Since its initial public offering, the Company has not experienced a net loss in any fiscal year, and the net accumulated deficit balance in stockholders' equity is attributable to the cumulative stock repurchase activity. The total cumulative amount of common stock repurchase price allocated to retained earnings as of June 30, 2012 was approximately \$5,800,000.

#### Revenue Recognition

Sales are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction or, for the wholesale channels, upon shipment of merchandise, when title passes to the customer. Revenue associated with gift cards is recognized upon redemption. The Company estimates the amount of gift cards that will not be redeemed or remitted as escheatable property, based on historical redemption patterns and escheatment laws, and records such amounts as breakage revenue when we can determine the portion of the liability where redemption is remote, which is approximately two years after the gift card is issued. Revenue associated with gift card breakage is not material to the Company's net operating results. Allowances for estimated uncollectible accounts, discounts and returns are provided when sales are recorded. Royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is recognized based upon reported sales from the licensee. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis and therefore are excluded from revenue.

#### Cost of Sales

Cost of sales consists of cost of merchandise, inbound freight and duty expenses, and other inventory-related costs such as shrinkage, damages, replacements and production overhead.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses are comprised of four categories: (1) selling; (2) advertising, marketing and design; (3) distribution and consumer service; and (4) administrative. Selling expenses include store employee compensation, store occupancy costs, store supply costs, wholesale account administration compensation and all Coach Japan, Coach China, Coach Singapore, and Coach Taiwan operating expenses. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations, market research expenses and mail order costs. Distribution and consumer service expenses include warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administrative expenses include compensation costs for the executive, finance, human resources, legal and information systems departments, corporate headquarters occupancy costs, and consulting and software expenses.

#### Preopening Costs

Costs associated with the opening of new stores are expensed in the period incurred.

#### Advertising

Advertising costs include expenses related to direct marketing activities, such as catalogs, media and production costs. In fiscal 2012, fiscal 2011 and fiscal 2010, advertising expenses totaled \$89,159, \$74,988,

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

and \$61,241, respectively, and are included in selling, general and administrative expenses. Advertising costs are expensed when the advertising first appears.

#### Share-Based Compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The grant-date fair value of the award is recognized as compensation expense over the vesting period.

#### Shipping and Handling

Shipping and handling costs incurred were \$52,240, \$31,522, and \$22,661 in fiscal 2012, fiscal 2011 and fiscal 2010, respectively, and are included in selling, general and administrative expenses.

#### Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification (“ASC”) 740, “*Income Taxes*.” Under ASC 740, a deferred tax liability or asset is recognized for the estimated future tax consequences of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. In evaluating the unrecognized tax benefits associated with the Company’s various tax filing positions, management records these positions using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken in accordance with ASC 740. The Company classifies interest and penalties, if present, on uncertain tax positions in the Provision for income taxes. See the note on Change in Accounting Principle.

#### Fair Value of Financial Instruments

As of June 30, 2012 and July 2, 2011, the carrying values of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities approximated their values due to the short-term maturities of these accounts. The Company has evaluated its Industrial Revenue Bond and mortgage and believes, based on the interest rates, related terms and maturities, that the fair values of such instruments approximate their carrying amounts. See note on Fair Value Measurements for the fair values of the Company’s investments as of June 30, 2012 and July 2, 2011.

Coach Japan and Coach Canada enter into foreign currency contracts that hedge certain U.S. dollar-denominated inventory purchases. Additionally, the Company entered into forward exchange and cross-currency swap contracts to hedge various intercompany and related party loans denominated in various foreign currencies. These contracts qualify for hedge accounting and have been designated as cash flow hedges. The fair value of these contracts is recorded in other comprehensive income (loss) and recognized in earnings in the period in which the hedged item is also recognized in earnings. The fair values of the foreign currency derivatives are based on the forward curves of the specific indices upon which settlement is based and includes an adjustment for the Company’s credit risk. Considerable 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.

#### Foreign Currency

The functional currency of the Company’s foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted-average exchange rates for the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income within stockholders’ equity.

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

##### Net Income 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 vesting of stock awards.

##### Reclassification

Certain prior year amounts, specifically relating to cash flows in connection with share-based awards, have been reclassified to conform to the current year presentation in the Consolidated Statement of Cash Flows.

##### Recent Accounting Pronouncements

In May 2011, Accounting Standards Codification 820-10 “*Fair Value Measurements and Disclosures*,” was amended to clarify certain disclosure requirements and improve consistency with international reporting standards. This amendment is to be applied prospectively and was effective for the Company beginning January 1, 2012. The adoption of this amendment did not have a material effect on the Company’s consolidated financial statements.

Accounting Standards Codification Topic 220, “*Comprehensive Income*,” was amended in June 2011 to require entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendment does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income under current GAAP. This guidance is effective for the Company’s fiscal year and interim periods beginning July 1, 2012. The Company is currently evaluating this guidance, but does not expect its adoption to have a material effect on its consolidated financial statements.

In September 2011, Accounting Standards Codification 350-20, “*Intangibles — Goodwill and Other — Goodwill*,” was amended to allow entities to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired, and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance is effective for the Company’s fiscal year beginning July 1, 2012. The Company does not expect its adoption to have a material effect on its consolidated financial statements.

#### 3. ACQUISITIONS

On July 3, 2011, Coach acquired 100% of its domestic retail business in Singapore from the former distributor, Valiram Group, and on January 1, 2012, acquired 100% of its domestic retail business in Taiwan from the former distributor, Tasa Meng. The results of the acquired businesses have been included in the consolidated financial statements since July 3, 2011 and January 1, 2012, respectively, within the Direct-to-Consumer segment. These acquisitions provide the Company with greater control over the brand in Singapore and Taiwan, enabling Coach to raise brand awareness and grow market share with regional consumers. The aggregate purchase prices of the Singapore and Taiwan businesses were \$7,595 and \$46,916, respectively, both paid during fiscal 2012.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**3. ACQUISITIONS – (continued)**

The following table summarizes the preliminary estimated fair values of the assets and liabilities acquired as of the dates of acquisition:

|   | <b>Estimated Fair Value</b> |
|---|-----------------------------|
| Current assets . . . . .                            | \$12,671                    |
| Fixed assets and other non-current assets . . . . . | 3,087                       |
| Goodwill <sup>(1)</sup> . . . . .                   | 41,307                      |
| Liabilities . . . . .                               | <u>(2,554)</u>              |
| Total net assets acquired . . . . .                 | <u>\$54,511</u>             |

(1) We anticipate the entire balance of acquired goodwill to be tax deductible.

Prior to these acquisitions, Valiram Group operated five retail and department store locations in Singapore and Tasa Meng operated 26 retail and department stores in Taiwan. Management believes the strength of these established locations supported a premium above the fair value of the individual assets acquired. Unaudited pro forma information related to these acquisitions is not included, as the impact of this transaction is not material to the consolidated results of the Company.

In connection with the fiscal 2011 agreement with the Valiram Group, the Company assumed direct control of its domestic retail business in Malaysia in July 2012. Additionally, in connection with the fiscal 2012 agreement with Shinsegae International, the Company assumed direct control of its retail business in Korea in early August 2012.

**4. SHARE-BASED COMPENSATION**

The Company maintains several share-based compensation plans which are more fully described below. The following table shows the total compensation cost charged against income for these plans and the related tax benefits recognized in the income statement:

|   | <b>Fiscal Year Ended</b> |                         |                         |
|---|--------------------------|-------------------------|-------------------------|
|   | <b>June 30,<br/>2012</b> | <b>July 2,<br/>2011</b> | <b>July 3,<br/>2010</b> |
| Share-based compensation expense . . . . .                                  | \$107,511                | \$95,830                | \$81,420                |
| Income tax benefit related to share-based<br>compensation expense . . . . . | 37,315                   | 33,377                  | 28,446                  |

**Coach Stock-Based Plans**

Coach maintains the 2010 Stock Incentive Plan to award stock options and shares to certain members of Coach management and the outside members of its Board of Directors (“Board”). Coach maintains the 2000 Stock Incentive Plan, the 2000 Non-Employee Director Stock Plan and the 2004 Stock Incentive Plan for awards granted prior to the establishment of the 2010 Stock Incentive Plan. These plans were approved by Coach’s stockholders. The exercise price of each stock option equals 100% of the market price of Coach’s stock on the date of grant and generally has a maximum term of 10 years. Stock options and share awards that are granted as part of the annual compensation process generally vest ratably over three years. Other stock option and share awards, granted primarily for retention purposes, are subject to forfeiture until completion of the vesting period, which ranges from one to five years. The Company issues new shares upon the exercise of stock options, vesting of share units and employee stock purchases.

For options granted under Coach’s stock option plans prior to July 1, 2003, an active employee can receive a replacement stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option equals 100% of the market value at the date of exercise of the

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**4. SHARE-BASED COMPENSATION – (continued)**

original option and will remain exercisable for the remaining term of the original option. Replacement stock options generally vest six months from the grant date. No replacement stock options were granted in fiscal 2012, fiscal 2011 or fiscal 2010.

*Stock Options*

A summary of option activity under the Coach stock option plans as of June 30, 2012 and changes during the year then ended is as follows:

|                                       | Number of<br>Options<br>Outstanding | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic<br>Value |
|---------------------------------------|-------------------------------------|---|--|---------------------------------|
| Outstanding at July 2, 2011 . . . . . | 16,832                              | \$31.73                                   |  |                                 |
| Granted . . . . .                     | 2,258                               | 62.39                                     |  |                                 |
| Exercised . . . . .                   | (5,919)                             | 30.12                                     |  |                                 |
| Forfeited or expired . . . . .        | (371)                               | 41.45                                     |  |                                 |
| Outstanding at June 30, 2012          | <u>12,800</u>                       | 37.61                                     | 6.1  | \$276,237                       |
| Vested or expected to vest at         |                                     |   |  |                                 |
| June 30, 2012 . . . . .               | 12,599                              | 37.40                                     | 6.0  | 274,191                         |
| Exercisable at June 30, 2012          | 7,061                               | 30.86                                     | 4.4  | 195,081                         |

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

|                                   | Fiscal Year Ended |                 |                 |
|-----------------------------------|-------------------|-----------------|-----------------|
|                                   | June 30,<br>2012  | July 2,<br>2011 | July 3,<br>2010 |
| Expected term (years) . . . . .   | 3.1               | 3.3             | 3.0             |
| Expected volatility . . . . .     | 39.4%             | 44.9%           | 49.4%           |
| Risk-free interest rate . . . . . | 0.6%              | 1.0%            | 1.7%            |
| Dividend yield . . . . .          | 1.5%              | 1.5%            | 1.0%            |

The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of the Company's stock as well as the implied volatility from publicly traded options on Coach's stock. The risk free interest rate is based on the zero-coupon U.S. Treasury issue as of the date of the grant. Grants subsequent to the Company's April 2009 Board approval to initiate a quarterly dividend included a dividend yield assumption based on Coach's annual expected dividend divided by the grant-date share price.

The weighted-average grant-date fair value of options granted during fiscal 2012, fiscal 2011 and fiscal 2010 was \$15.59, \$11.41, and \$9.68, respectively. The total intrinsic value of options exercised during fiscal 2012, fiscal 2011 and fiscal 2010 was \$197,793, \$226,511, and \$127,879, respectively. The total cash received from option exercises was \$178,292, \$357,344, and \$208,919 in fiscal 2012, fiscal 2011 and fiscal 2010, respectively, and the actual tax benefit realized for the tax deductions from these option exercises was \$73,982, \$84,993, and \$47,795, respectively.

At June 30, 2012, \$38,783 of total unrecognized compensation cost related to non-vested stock option awards is expected to be recognized over a weighted-average period of 1.0 years.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**4. SHARE-BASED COMPENSATION – (continued)**

*Share Units*

The grant-date fair value of each Coach share unit is equal to the fair value of Coach stock at the grant date. The weighted-average grant-date fair value of shares granted during fiscal 2012, fiscal 2011 and fiscal 2010 was \$62.71, \$40.31, and \$30.55, respectively. The following table summarizes information about non-vested shares as of and for the year ended June 30, 2012:

|                                      | <b>Number of<br/>Non-Vested<br/>Shares</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|--------------------------------------|--|---|
| Nonvested at July 2, 2011 . . . . .  | 4,321                                      | \$33.81   |
| Granted . . . . .                    | 1,823                                      | 62.72   |
| Vested . . . . .                     | (1,649)                                    | 29.96   |
| Forfeited . . . . .                  | (246)                                      | 38.97   |
| Nonvested at June 30, 2012 . . . . . | 4,249                                      | 46.36   |

The total fair value of shares vested during fiscal 2012, fiscal 2011 and fiscal 2010 was \$99,488, \$58,359, and \$23,955, respectively. At June 30, 2012, \$98,571 of total unrecognized compensation cost related to non-vested share awards is expected to be recognized over a weighted-average period of 1.0 years.

**Employee Stock Purchase Plan**

Under the Employee Stock Purchase Plan, full-time Coach employees are permitted to purchase a limited number of Coach common shares at 85% of market value. Under this plan, Coach sold 129, 120, and 176 new shares to employees in fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Compensation expense is calculated for the fair value of employees' purchase rights using the Black-Scholes model and the following weighted-average assumptions:

|                                   | <b>Fiscal Year Ended</b> |                         |                         |
|-----------------------------------|--------------------------|-------------------------|-------------------------|
|                                   | <b>June 30,<br/>2012</b> | <b>July 2,<br/>2011</b> | <b>July 3,<br/>2010</b> |
| Expected term (years) . . . . .   | 0.5                      | 0.5                     | 0.5                     |
| Expected volatility . . . . .     | 45.6%                    | 31.7%                   | 57.6%                   |
| Risk-free interest rate . . . . . | 0.1%                     | 0.2%                    | 0.2%                    |
| Dividend yield . . . . .          | 1.4%                     | 1.3%                    | 1.0%                    |

The weighted-average fair value of the purchase rights granted during fiscal 2012, fiscal 2011 and fiscal 2010 was \$17.31, \$11.51, and \$9.15, respectively.

**Deferred Compensation**

Under the Coach, Inc. Deferred Compensation Plan for Non-Employee Directors, Coach's outside directors may defer their director's fees. Amounts deferred under these plans may, at the participants' election, be either represented by deferred stock units, which represent the right to receive shares of Coach common stock on the distribution date elected by the participant, or placed in an interest-bearing account to be paid on such distribution date. The amounts accrued under these plans at June 30, 2012 and July 2, 2011 were \$2,664 and \$2,688, respectively, and are included within total liabilities in the consolidated balance sheets.

**5. LEASES**

Coach leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2028, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of



**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**5. LEASES – (continued)**

increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales.

Rent-free periods and scheduled rent increases are recorded as components of rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target (i.e., sales levels), which triggers the related payment, is considered probable. Rent expense for the Company's operating leases consisted of the following:

|                              | Fiscal Year Ended |                 |                 |
|------------------------------|-------------------|-----------------|-----------------|
|                              | June 30,<br>2012  | July 2,<br>2011 | July 3,<br>2010 |
| Minimum rentals . . . . .    | \$153,577         | \$129,110       | \$121,563       |
| Contingent rentals . . . . . | 94,579            | 77,795          | 59,806          |
| Total rent expense . . . . . | \$248,156         | \$206,905       | \$181,369       |

Future minimum rental payments under noncancelable operating leases are as follows:

| Fiscal Year                                    | Amount      |
|--|-------------|
| 2013 . . . . .                                 | \$ 179,330  |
| 2014 . . . . .                                 | 169,840     |
| 2015 . . . . .                                 | 154,381     |
| 2016 . . . . .                                 | 124,202     |
| 2017 . . . . .                                 | 109,224     |
| Subsequent to 2017 . . . . .                   | 338,495     |
| Total minimum future rental payments . . . . . | \$1,075,472 |

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

**6. FAIR VALUE MEASUREMENTS**

In accordance with ASC 820-10, "*Fair Value Measurements and Disclosures*," the Company categorized 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. Coach currently does not have any Level 1 financial 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.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**6. FAIR VALUE MEASUREMENTS – (continued)**

The following table shows the fair value measurements of the Company’s assets and liabilities at June 30, 2012 and July 2, 2011:

|   | Level 2          |                 | Level 3          |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | June 30,<br>2012 | July 2,<br>2011 | June 30,<br>2012 | July 2,<br>2011 |
| <b>Assets:</b>  |                  |                 |                  |                 |
| Long-term investment – auction rate security <sup>(a)</sup> . . .                               | \$ —             | \$ —            | \$6,000          | \$6,000         |
| Derivative assets – zero-cost collar options <sup>(b)</sup> . . . .                             | 971              | 2,020           | —                | —               |
| Derivative assets – forward contracts and cross<br>currency swaps <sup>(c)</sup> . . . . .      | 488              | —               | —                | —               |
| <b>Total</b> . . . . .  | <u>\$1,459</u>   | <u>\$2,020</u>  | <u>\$6,000</u>   | <u>\$6,000</u>  |
| <b>Liabilities:</b>   |                  |                 |                  |                 |
| Derivative liabilities – zero-cost collar options <sup>(b)</sup> . .                            | \$3,538          | \$1,062         | \$ —             | \$ —            |
| Derivative liabilities – forward contracts and<br>cross-currency swaps <sup>(c)</sup> . . . . . | 560              | —               | —                | 651             |
| <b>Total</b> . . . . .  | <u>\$4,098</u>   | <u>\$1,062</u>  | <u>\$ —</u>      | <u>\$ 651</u>   |

- (a) The fair value of the security is determined using a valuation model that takes into consideration the financial conditions of the issuer and the bond insurer, current market conditions and the value of the collateral bonds.
- (b) The Company enters into zero-cost collar options to manage its exposure to foreign currency exchange rate fluctuations resulting from Coach Japan’s and Coach Canada’s U.S. dollar-denominated inventory purchases. The fair value of these cash flow 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.
- (c) The Company is a party to forward contracts and cross-currency swap transactions to manage its exposure to foreign currency exchange rate fluctuations resulting from fixed rate intercompany and related party loans. The fair value of these cash flow hedges is primarily based on the forward curves of the specific indices upon which settlement is based and includes an adjustment for the Company’s credit risk.

See note on Derivative Instruments and Hedging Activities for more information on the Company’s derivative contracts.

As of June 30, 2012 and July 2, 2011, the Company’s investments included an auction rate security (“ARS”) classified as a long-term investment, as the auction for this security has been unsuccessful. The underlying investments of the ARS are scheduled to mature in 2035. We have determined that the significant majority of the inputs used to value this security fall within Level 3 of the fair value hierarchy as the inputs are based on unobservable estimates. The fair value of the Company’s ARS has been \$6,000 since the end of the second quarter of fiscal 2009.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**6. FAIR VALUE MEASUREMENTS – (continued)**

As of July 2, 2011, the fair value of the Company’s cross-currency swap derivatives, classified as Level 3 derivatives, were included within accrued liabilities. There were no derivatives classified as Level 3 as of June 30, 2012. The Company used a valuation model to value the Level 3 derivatives, which included a combination of observable inputs, such as tenure of the agreement and notional amount, and unobservable inputs, such as the Company’s credit rating. The table below presents the changes in the fair value of these derivatives during fiscal 2012 and fiscal 2011, through the settlement on December 29, 2011:

|   | Cross-Currency<br>Swaps |
|---|-------------------------|
| Balance at July 2, 2011 . . . . .   | \$ 651                  |
| Settlement on December 29, 2011 . . . . .   | (651)                   |
| Balance at December 31, 2011 . . . . .  | \$ —                    |
| Balance at July 3, 2010 . . . . .   | \$ 2,418                |
| Settlement on June 30, 2011 . . . . .   | (2,418)                 |
| Unrealized loss on cross-currency swap maturing on December 29, 2011,<br>recorded in accumulated other comprehensive income . . . . . | 651                     |
| Balance at July 2, 2011 . . . . .   | \$ 651                  |

The above settlement amounts for the cross-currency swaps on June 30, 2012 and December 29, 2011 are net of a previously unrecognized gain recognized through accumulated other comprehensive income of \$615 in fiscal 2012 and a loss of \$10,807 in fiscal 2011 prior to the respective settlement dates.

During fiscal 2011, the Company purchased \$224,007 of short-term investments consisting of U.S. treasury bills and commercial paper. These investments, net of proceeds from sales and maturities, totaled \$2,256 as of July 2, 2011 and were classified as held-to-maturity based on our positive intent and ability to hold the securities to maturity. They were stated at amortized cost, which approximated fair market value due to their short maturities. There were no purchases of short-term investments during fiscal 2012, and there were no short-term investments held by the Company as of June 30, 2012.

**7. DEBT**

**Revolving Credit Facilities**

The Company maintains a \$400,000 revolving credit facility with certain lenders and JP Morgan Chase Bank, N.A. as the primary lender and administrative agent (the “JP Morgan facility”). The JP Morgan facility, which expires in June 2017, replaced the Company’s previous \$100,000 revolving credit facility with certain lenders, and Bank of America, N.A. as the primary lender and administrative agent, which was terminated on June 18, 2012 (the “Bank of America facility”). At Coach’s request and lenders’ consent, the JP Morgan facility can be expanded to \$650,000. Borrowings under the JP Morgan facility bear interest at a rate per annum equal to, at Coach’s option, either (a) an alternate base rate or (b) 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 (the “Adjusted LIBO Rate”) plus an applicable margin. The applicable margin for Adjusted LIBO Rate loans will be adjusted by reference to a grid (the “Pricing Grid”) based on the ratio of (a) consolidated debt plus 800% of consolidated lease expense to (b) consolidated EBITDAR (“Leverage Ratio”). Additionally, Coach will pay a commitment fee, calculated at a rate per annum determined in accordance with the Pricing Grid, on the average daily unused amount of the Facility, and certain fees with respect to letters of credit that are issued. At June 30, 2012, the commitment fee was nine basis points.

The JP Morgan facility may also be used to finance the working capital needs, capital expenditures, certain investments, share repurchases, dividends, and other general corporate purposes of the Company and its subsidiaries (which may include commercial paper back-up). During fiscal 2012 and fiscal 2011 there were

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 7. DEBT – (continued)

no borrowings under the JP Morgan facility and the Bank of America facility. Accordingly, as of June 30, 2012 and July 2, 2011, there were no outstanding borrowings. The Company's borrowing capacity as of June 30, 2012 was \$393,300 due to outstanding letters of credit.

The JP Morgan facility contains various covenants and customary events of default. Coach has been in compliance with all covenants of the facility since its inception.

To provide funding for working capital and general corporate purposes, Coach Japan has available credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 4.1 billion yen, or approximately \$51,500, at June 30, 2012. Interest is based on the Tokyo Interbank rate plus a margin of 27.5 to 30 basis points. During fiscal 2012 and 2011, the peak borrowings were \$0 and \$27.1 million, respectively. As of June 30, 2012 and July 2, 2011, there were no outstanding borrowings under the Japanese credit facilities.

To provide funding for working capital and general corporate purposes, Coach Shanghai Limited has a credit facility that allows a maximum borrowing of 63 million Chinese renminbi, or approximately \$10,000 at June 30, 2012. Interest is based on the People's Bank of China rate. During fiscal 2012 and fiscal 2011, there were no borrowings under this credit facility. Accordingly, at June 30, 2012 and July 2, 2011, there were no outstanding borrowings under this facility.

#### Long-Term Debt

Coach is party to an Industrial Revenue Bond related to its Jacksonville, Florida facility. This loan bears interest at 4.5%. Principal and interest payments are made semi-annually, with the final payment due in August 2014. As of June 30, 2012 and July 2, 2011, the remaining balance on the loan was \$1,440 and \$1,860, respectively. During fiscal 2009, Coach assumed a mortgage in connection with the purchase of its corporate headquarters building in New York City. This mortgage bears interest at 4.68%. Interest payments are made monthly and principal payments began in July 2009, with the final payment of \$21,555 due in June 2013. As of June 30, 2012, the remaining balance on the mortgage was \$21,920. Future principal payments under these obligations are as follows:

| <u>Fiscal Year</u>           | <u>Amount</u>   |
|------------------------------|-----------------|
| 2013 . . . . .               | \$22,375        |
| 2014 . . . . .               | 500             |
| 2015 . . . . .               | 485             |
| 2016 . . . . .               | —               |
| 2017 . . . . .               | —               |
| Subsequent to 2017 . . . . . | —               |
| Total . . . . .              | <u>\$23,360</u> |

#### 8. COMMITMENTS AND CONTINGENCIES

At June 30, 2012 and July 2, 2011, the Company had credit available of \$600,000 and \$275,000, respectively, of which letters of credit totaling \$215,380 and \$171,916, respectively, were outstanding. The letters of credit, which expire at various dates through 2014, primarily collateralize the Company's obligation to third parties for the purchase of inventory.

## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 8. COMMITMENTS AND CONTINGENCIES – (continued)

Coach is a party to employment agreements with certain key executives which provide for compensation and other benefits. The agreements also provide for severance payments under certain circumstances. The Company's employment agreements and the respective end of initial term dates are as follows:

| <u>Executive</u> | <u>Title</u>                              | <u>End of Initial Term<sup>(1)</sup></u> |
|------------------|---|--|
| Lew Frankfort    | Chairman and Chief Executive Officer      | August 2012                              |
| Reed Krakoff     | President and Executive Creative Director | June 2014                                |
| Michael Tucci    | President, North America Retail Division  | June 2013                                |

- (1) Once the initial term expires, these agreements automatically renew for successive one year terms unless either the employee or Board provides notice

In addition to the employment agreements described above, other contractual cash obligations as of June 30, 2012 and July 2, 2011 included \$212,084 and \$195,382, respectively, related to inventory purchase obligations and \$1,272 and \$1,087, respectively, related to capital expenditure purchase obligations. In addition, as of June 30, 2012, the Company had an irrevocable commitment to fund the Coach Foundation in the amount of \$18,900 in fiscal 2013, and made a total of \$20,270 in cash contributions to the Coach Foundation during fiscal 2012.

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 cash flow, results of operations or financial position.

#### 9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Substantially all purchases and sales involving international parties, excluding consumer sales at Coach Japan, Coach Canada, Coach China, Coach Singapore, and Coach Taiwan, are denominated in U.S. dollars, which limits the Company's exposure to foreign currency exchange rate fluctuations. However, the Company is exposed to market risk from foreign currency exchange risk related to Coach Japan's and Coach Canada's 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.

Coach Japan and Coach Canada enter into certain foreign currency derivative contracts, primarily zero-cost collar options, to manage the exchange rate risk related to their inventory purchases. As of June 30, 2012 and July 2, 2011, \$310,891 and \$171,030 of foreign currency forward contracts were outstanding, respectively.

On June 30, 2011, to manage the exchange rate risk related to a \$109,110 intercompany loan, Coach Japan entered into a cross-currency swap transaction, the terms of which included an exchange of Japanese yen fixed interest for U.S. dollar fixed interest and an exchange of yen and U.S. dollar based notional values at maturity on December 29, 2011. On December 29, 2011, Coach Japan repaid the loan and settled the cross-currency swap. Concurrently, Coach Japan entered into a new \$65,000 intercompany loan agreement and a cross currency swap transaction, the terms of which included an exchange of a Japanese yen fixed interest for a U.S. dollar fixed interest and an exchange of yen and U.S. dollar based notional values at maturity. The loan and swap were settled at maturity in June 2012.

During fiscal 2012, the Company entered into various intercompany and related party loans denominated in various foreign currencies. These loans have a total notional value of approximately \$206,648 as of June 30, 2012 and maturity dates ranging from July 2012 to June 2013. To manage the exchange rate risk

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES – (continued)**

related to these loans, the Company entered 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, the latest of which is June 2013.

The Company's derivative instruments are primarily designated as cash flow hedges. The effective portion of gains or losses on the derivative instruments are reported as a component of other comprehensive income and reclassified into earnings in the same periods during which the hedged transaction affects earnings. The ineffective portion of gains or losses on the derivative instruments are recognized in current earnings and are included within net cash provided by operating activities.

The following tables provide information related to the Company's derivatives:

|   | Balance Sheet Classification | Fair Value   |                     |
|---|------------------------------|--|---------------------|
|   |                              | At June 30, 2012   | At July 2, 2011     |
| <b>Derivatives Designated as Hedging Instruments</b>  |                              |  |                     |
| Foreign exchange contracts                            | Other Current Assets         | \$1,459  | \$2,020             |
| <b>Total derivative assets</b>                        |                              | <u>\$1,459</u>   | <u>\$2,020</u>      |
| Foreign exchange contracts                            | Accrued Liabilities          | \$4,098  | \$1,713             |
| <b>Total derivative liabilities</b>                   |                              | <u>\$4,098</u>   | <u>\$1,713</u>      |
|   |                              | <b>Amount of Loss Recognized in OCI on Derivatives (Effective Portion)</b> |                     |
|   |                              | <b>Year Ended</b>  |                     |
|   |                              | <b>June 30, 2012</b>   | <b>July 2, 2011</b> |
| <b>Derivatives in Cash Flow Hedging Relationships</b> |                              |  |                     |
| Foreign exchange contracts                            |                              | \$(2,095)  | \$(9,394)           |
| <b>Total</b>  |                              | <u>\$(2,095)</u>   | <u>\$(9,394)</u>    |

For fiscal 2012 and fiscal 2011, the amounts above are net of tax of \$1,858 and \$5,960, respectively.

|   | Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) |                   |
|---|--|-------------------|
|   | Year Ended   |                   |
|   | June 30, 2012  | July 2, 2011      |
| <b>Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)</b> |  |                   |
| Cost of Sales   | \$(5,281)  | \$(15,886)        |
| <b>Total</b>  | <u>\$(5,281)</u>   | <u>\$(15,886)</u> |

During fiscal 2012 and fiscal 2011, there were no material gains or losses recognized in income due to hedge ineffectiveness.

The Company expects that \$994 of net derivative losses included in accumulated other comprehensive income at June 30, 2012 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in the Japanese yen and Canadian dollar exchange rates.

Hedging activity affected accumulated other comprehensive income, net of tax, as follows:

|                                    | Year Ended      |                  |
|------------------------------------|-----------------|------------------|
|                                    | June 30, 2012   | July 2, 2011     |
| Balance at beginning of period     | \$(1,465)       | \$(2,092)        |
| Net losses transferred to earnings | 3,100           | 10,021           |
| Change in fair value, net of tax   | (2,095)         | (9,394)          |
| Balance at end of period           | <u>\$ (460)</u> | <u>\$(1,465)</u> |

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill for the years ended June 30, 2012 and July 2, 2011 are as follows:

|   | <u>Direct-to-Consumer</u> | <u>Indirect</u> | <u>Total</u>     |
|---|---------------------------|-----------------|------------------|
| Balance at July 3, 2010 . . . . .                               | \$304,345                 | \$1,516         | \$305,861        |
| Foreign exchange impact . . . . .                               | 25,143                    | —               | 25,143           |
| Balance at July 2, 2011 . . . . .                               | 329,488                   | 1,516           | 331,004          |
| Acquisition of Singapore and Taiwan retail businesses . . . . . | 41,307                    | —               | 41,307           |
| Foreign exchange impact . . . . .                               | 3,724                     | —               | 3,724            |
| Balance at June 30, 2012 . . . . .                              | <u>\$374,519</u>          | <u>\$1,516</u>  | <u>\$376,035</u> |

At June 30, 2012 and July 2, 2011, intangible assets not subject to amortization were \$9,788 and consisted of trademarks.

**11. INCOME TAXES**

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

|  | <u>Fiscal Year Ended</u> |                   |                     |                   |                     |                   |
|--|--------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|  | <u>June 30, 2012</u>     |                   | <u>July 2, 2011</u> |                   | <u>July 3, 2010</u> |                   |
|  | <u>Amount</u>            | <u>Percentage</u> | <u>Amount</u>       | <u>Percentage</u> | <u>Amount</u>       | <u>Percentage</u> |
| Income before provision for income taxes:                        |                          |                   |                     |                   |                     |                   |
| United States . . . . .  | \$1,152,576              | 76.5%             | \$ 983,698          | 75.6%             | \$ 995,459          | 86.0%             |
| Foreign . . . . .  | 353,087                  | 23.5              | 317,521             | 24.4              | 162,673             | 14.0              |
| Total income before provision for income taxes: . . . . .        | <u>\$1,505,663</u>       | <u>100.0%</u>     | <u>\$1,301,219</u>  | <u>100.0%</u>     | <u>\$1,158,132</u>  | <u>100.0%</u>     |
| Tax expense at U.S. statutory rate . . . . .                     | \$ 526,979               | 35.0%             | \$ 455,426          | 35.0%             | \$ 405,346          | 35.0%             |
| State taxes, net of federal benefit . . . . .                    | 46,233                   | 3.1               | 42,464              | 3.3               | 39,131              | 3.4               |
| Effects of foreign operations . . . . .                          | (120,642)                | (8.1)             | (87,607)            | (6.8)             | (39,631)            | (3.5)             |
| Tax benefit related to agreements with tax authorities . . . . . | (11,553)                 | (0.7)             | (15,517)            | (1.2)             | —                   | 0.0               |
| Other, net . . . . .   | 25,736                   | 1.7               | 25,653              | 2.0               | 18,346              | 1.6               |
| Taxes at effective worldwide rates . . . . .                     | <u>\$ 466,753</u>        | <u>31.0%</u>      | <u>\$ 420,419</u>   | <u>32.3%</u>      | <u>\$ 423,192</u>   | <u>36.5%</u>      |

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**11. INCOME TAXES – (continued)**

Current and deferred tax provisions (benefits) were:

|  | Fiscal Year Ended |                 |                  |                 |                  |                   |
|--|-------------------|-----------------|------------------|-----------------|------------------|-------------------|
|  | June 30, 2012     |                 | July 2, 2011     |                 | July 3, 2010     |                   |
|  | Current           | Deferred        | Current          | Deferred        | Current          | Deferred          |
| Federal . . . . .  | \$398,494         | \$ 9,676        | \$345,006        | \$11,848        | \$384,716        | \$(40,613)        |
| Foreign . . . . .  | (13,685)          | 16,623          | (3,064)          | 26,589          | (9,956)          | 28,449            |
| State . . . . .  | 54,108            | 1,537           | 38,753           | 1,287           | 65,562           | (4,965)           |
| Total current and deferred tax provisions (benefits) . . . . . | <u>\$438,917</u>  | <u>\$27,836</u> | <u>\$380,695</u> | <u>\$39,724</u> | <u>\$440,322</u> | <u>\$(17,129)</u> |

The components of deferred tax assets and liabilities at the respective year-ends were as follows:

|  | Fiscal 2012      | Fiscal 2011      |
|--|------------------|------------------|
| Share-based compensation . . . . .             | \$ 58,774        | \$ 59,672        |
| Reserves not deductible until paid . . . . .   | 68,312           | 67,072           |
| Pensions and other employee benefits . . . . . | 67,851           | 67,264           |
| Property and equipment . . . . .               | 6,472            | 12,439           |
| Net operating loss . . . . .                   | 35,080           | 42,215           |
| Other . . . . .                                | 5,655            | 2,887            |
| Gross deferred tax assets . . . . .            | <u>\$242,144</u> | <u>\$251,549</u> |
| Prepaid expenses . . . . .                     | \$ 7,979         | \$ 6,781         |
| Goodwill . . . . .                             | 61,464           | 45,528           |
| Other . . . . .                                | 1,462            | 1,681            |
| Gross deferred tax liabilities . . . . .       | <u>70,905</u>    | <u>53,990</u>    |
| Net deferred tax assets . . . . .              | <u>\$171,239</u> | <u>\$197,559</u> |

**Consolidated Balance Sheets Classification**

|  |                  |                  |
|--|------------------|------------------|
| Deferred income taxes – current asset . . . . .        | \$ 95,419        | \$ 93,902        |
| Deferred income taxes – noncurrent asset . . . . .     | 95,223           | 103,657          |
| Deferred income taxes – noncurrent liability . . . . . | (19,403)         | —                |
| Net amount recognized . . . . .                        | <u>\$171,239</u> | <u>\$197,559</u> |

Significant judgment is required in determining the worldwide provision for income taxes, and there are many transactions for which the ultimate tax outcome is uncertain. It is the Company's policy to establish provisions for taxes that may become payable in future years as a result of an examination by tax authorities. The Company establishes the provisions based upon management's assessment of exposure associated with uncertain tax positions. The provisions are analyzed periodically and adjustments are made as events occur that warrant adjustments to those provisions. All of these determinations are subject to the requirements of ASC 740.



## COACH, INC.

### Notes to Consolidated Financial Statements (Continued) (dollars and shares in thousands, except per share data)

#### 11. INCOME TAXES – (continued)

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

|  | Fiscal<br>2012 | Fiscal<br>2011 | Fiscal<br>2010 |
|--|----------------|----------------|----------------|
| <b>Balance at beginning of fiscal year</b> . . . . .             | \$162,060      | \$165,676      | \$137,807      |
| Gross increase due to tax positions related to prior periods . . | 1,271          | 5,225          | 3,903          |
| Gross decrease due to tax positions related to prior periods . . | (7,264)        | (1,218)        | (971)          |
| Gross increase due to tax positions related to current period. . | 28,151         | 29,342         | 27,034         |
| Decrease due to lapse of statutes of limitations . . . . .       | (15,187)       | (6,519)        | (1,692)        |
| Decrease due to settlements with taxing authorities . . . . .    | (13,432)       | (30,446)       | (405)          |
| <b>Balance at end of fiscal year</b> . . . . .                   | \$155,599      | \$162,060      | \$165,676      |

Of the \$155,599 ending gross unrecognized tax benefit balance, \$77,366 relates to items which, if recognized, would impact the effective tax rate. As of June 30, 2012 and July 2, 2011, gross interest and penalties payable was \$24,338 and \$35,258, which are included in other liabilities. During fiscal 2012, fiscal 2011 and fiscal 2010, the Company recognized interest and penalty (income) expense of \$(11,334), \$(3,195), and \$6,204, respectively, in the Consolidated Statements of Income.

The Company files income tax returns in the U.S. federal jurisdiction as well as various state and foreign jurisdictions. Fiscal years 2009 to present are open to examination in the federal jurisdiction, fiscal 2004 to present in significant state jurisdictions and from fiscal 2004 to present in foreign jurisdictions. During fiscal 2012 and fiscal 2011, the Company recorded tax benefits related to multi-year agreements with tax authorities.

Based on the number of tax years currently under audit by the relevant tax authorities, the Company anticipates that one or more of these audits may be finalized in the foreseeable future. However, based on the status of these examinations, and the protocol of finalizing audits by the relevant tax authorities, we cannot reasonably estimate the impact of any amount of such changes in the next 12 months, if any, to previously recorded uncertain tax positions.

At June 30, 2012, the Company had net operating loss carryforwards in foreign tax jurisdictions of \$88,967, which will expire beginning in fiscal years 2013 through fiscal year 2017. The deferred tax assets related to the carryforwards have been reflected net of a \$3,156 valuation allowance.

The total amount of undistributed earnings of foreign subsidiaries as of June 30, 2012 was \$1,203,949. It is the Company's intention to permanently reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or United States income taxes which may become payable if undistributed earnings of foreign subsidiaries are paid as dividends. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is subject to many variables and is dependent on circumstances existing if and when remittance occurs.

#### 12. DEFINED CONTRIBUTION PLAN

Coach maintains the Coach, Inc. Savings and Profit Sharing Plan, which is a defined contribution plan. Employees who meet certain eligibility requirements and are not part of a collective bargaining agreement may participate in this program. The annual expense incurred by Coach for this defined contribution plan was \$18,641, \$16,029, and \$13,285 in fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

#### 13. SEGMENT INFORMATION

The Company operates its business in two reportable segments: Direct-to-Consumer and Indirect. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through Company-operated stores in North America; Japan;

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**13. SEGMENT INFORMATION – (continued)**

Hong Kong, Macau and mainland China; Singapore; Taiwan and the Internet constitute the Direct-to-Consumer segment. Beginning with the first quarter of fiscal 2013, this segment also includes Coach-operated stores in Malaysia and Korea. The Indirect segment includes sales to wholesale customers and distributors in over 20 countries, including the United States and royalties earned on licensed products. In deciding how to allocate resources and assess performance, Coach’s chief operating decision maker regularly evaluates the sales and operating income of these segments. Operating income is the gross margin of the segment less direct expenses of the segment. Unallocated corporate expenses include production variances, general marketing, administration and information systems, as well as distribution and consumer service expenses.

In connection with the acquisitions of the retail businesses in Hong Kong, Macau, mainland China, Singapore and Taiwan, the Company evaluated the composition of its reportable segments and concluded that sales in these regions should be included in the Direct-to-Consumer segment. Accordingly, prior year net sales, operating income and profit before tax figures have been reclassified to conform to the current year presentation.

|   | <b>Direct-to-<br/>Consumer</b> | <b>Indirect</b> | <b>Corporate<br/>Unallocated</b> | <b>Total</b> |
|---|--------------------------------|-----------------|----------------------------------|--------------|
| <b>Fiscal 2012</b>                                  |                                |                 |                                  |              |
| Net sales . . . . .                                 | \$4,231,698                    | \$531,482       | \$ —                             | \$4,763,180  |
| Operating income (loss) . . . . .                   | 1,733,612                      | 298,593         | (520,216)                        | 1,511,989    |
| Income (loss) before provision for income taxes . . | 1,733,612                      | 298,593         | (527,302)                        | 1,505,663    |
| Depreciation and amortization expense . . . . .     | 90,733                         | 9,049           | 33,127                           | 132,909      |
| Total assets . . . . .                              | 1,546,225                      | 107,135         | 1,450,961                        | 3,104,321    |
| Additions to long-lived assets . . . . .            | 121,426                        | 7,085           | 69,776                           | 198,287      |
| <b>Fiscal 2011</b>                                  |                                |                 |                                  |              |
| Net sales . . . . .                                 | \$3,646,424                    | \$512,083       | \$ —                             | \$4,158,507  |
| Operating income (loss) . . . . .                   | 1,438,998                      | 280,225         | (414,299)                        | 1,304,924    |
| Income (loss) before provision for income taxes . . | 1,438,998                      | 280,225         | (418,004)                        | 1,301,219    |
| Depreciation and amortization expense . . . . .     | 82,333                         | 11,273          | 31,500                           | 125,106      |
| Total assets . . . . .                              | 1,454,106                      | 109,514         | 1,071,496                        | 2,635,116    |
| Additions to long-lived assets . . . . .            | 106,556                        | 8,671           | 39,424                           | 154,651      |
| <b>Fiscal 2010</b>                                  |                                |                 |                                  |              |
| Net sales . . . . .                                 | \$3,178,735                    | \$428,901       | \$ —                             | \$3,607,636  |
| Operating income (loss) . . . . .                   | 1,260,503                      | 241,534         | (351,866)                        | 1,150,171    |
| Income (loss) before provision for income taxes . . | 1,260,503                      | 241,534         | (343,905)                        | 1,158,132    |
| Depreciation and amortization expense . . . . .     | 85,110                         | 10,138          | 31,496                           | 126,744      |
| Total assets . . . . .                              | 1,294,445                      | 120,739         | 1,051,931                        | 2,467,115    |
| Additions to long-lived assets . . . . .            | 45,003                         | 9,088           | 26,307                           | 80,398       |

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**13. SEGMENT INFORMATION – (continued)**

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

|  | Fiscal Year Ended |                 |                 |
|--|-------------------|-----------------|-----------------|
|  | June 30,<br>2012  | July 2,<br>2011 | July 3,<br>2010 |
| Production variances . . . . .                   | \$ 35,262         | \$ 64,043       | \$ 61,481       |
| Advertising, marketing and design . . . . .      | (217,167)         | (175,643)       | (164,082)       |
| Administration and information systems . . . . . | (272,556)         | (247,585)       | (204,029)       |
| Distribution and customer service . . . . .      | (65,755)          | (55,114)        | (45,236)        |
| Total corporate unallocated . . . . .            | \$(520,216)       | \$(414,299)     | \$(351,866)     |

**Geographic Area Information**

As of June 30, 2012, Coach operated 329 retail stores and 163 factory stores in the United States, 25 retail stores and six factory stores in Canada, 180 department store shop-in-shops, retail stores and factory stores in Japan and 130 department store shop-in-shops, retail stores and factory stores in Hong Kong, Macau, mainland China, Taiwan and Singapore. Coach also operates distribution, product development and quality control locations in the United States, Hong Kong, China, South Korea, Vietnam and India. Geographic revenue information is based on the location of our customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period and includes property and equipment, net and other assets.

|                             | United States | Japan     | Other<br>International <sup>(1)</sup> | Total       |
|-----------------------------|---------------|-----------|---------------------------------------|-------------|
| <b>Fiscal 2012</b>          |               |           |                                       |             |
| Net sales . . . . .         | \$3,243,710   | \$844,863 | \$674,607                             | \$4,763,180 |
| Long-lived assets . . . . . | 631,979       | 74,324    | 108,334                               | 814,637     |
| <b>Fiscal 2011</b>          |               |           |                                       |             |
| Net sales . . . . .         | \$2,895,029   | \$757,744 | \$505,734                             | \$4,158,507 |
| Long-lived assets . . . . . | 574,285       | 76,804    | 76,473                                | 727,562     |
| <b>Fiscal 2010</b>          |               |           |                                       |             |
| Net sales . . . . .         | \$2,534,372   | \$720,860 | \$352,404                             | \$3,607,636 |
| Long-lived assets . . . . . | 567,380       | 76,514    | 42,466                                | 686,360     |

(1) Other International sales reflect shipments to third-party distributors, primarily in East Asia, and sales from Coach-operated stores in Hong Kong, Macau, mainland China, Taiwan, Singapore and Canada.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**14. EARNINGS PER SHARE**

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

|  | Fiscal Year Ended |              |              |
|--|-------------------|--------------|--------------|
|  | June 30, 2012     | July 2, 2011 | July 3, 2010 |
| Net income . . . . .                             | \$1,038,910       | \$880,800    | \$734,940    |
| Total weighted-average basic shares . . . . .    | 288,284           | 294,877      | 311,413      |
| Dilutive securities:                             |                   |              |              |
| Employee benefit and share award plans . . . . . | 1,694             | 1,792        | 1,318        |
| Stock option programs . . . . .                  | 4,151             | 4,889        | 3,117        |
| Total weighted-average diluted shares . . . . .  | 294,129           | 301,558      | 315,848      |
| Net income per share:                            |                   |              |              |
| Basic . . . . .                                  | \$ 3.60           | \$ 2.99      | \$ 2.36      |
| Diluted . . . . .                                | \$ 3.53           | \$ 2.92      | \$ 2.33      |

At June 30, 2012, options to purchase 116 shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from \$72.06 to \$78.46, were greater than the average market price of the common shares.

At July 2, 2011, options to purchase 55 shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from \$59.97 to \$60.28, were greater than the average market price of the common shares.

At July 3, 2010, options to purchase 3,710 shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from \$41.93 to \$51.56, were greater than the average market price of the common shares.

**15. 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. Repurchased shares of common stock become authorized but unissued shares and may be issued in the future for general corporate and other purposes. The Company may terminate or limit the stock repurchase program at any time.

During fiscal 2012, fiscal 2011 and fiscal 2010, the Company repurchased and retired 10,688, 20,404 and 30,686 shares, respectively, or \$700,000, \$1,098,000 and \$1,150,000 of common stock, respectively, at an average cost of \$65.49, \$53.81 and \$37.48 per share, respectively. As of June 30, 2012, Coach had \$261,627 remaining in the stock repurchase program.

**COACH, INC.**

**Notes to Consolidated Financial Statements (Continued)**  
**(dollars and shares in thousands, except per share data)**

**16. SUPPLEMENTAL BALANCE SHEET INFORMATION**

The components of certain balance sheet accounts are as follows:

|  | <u>June 30, 2012</u> | <u>July 2, 2011</u> |
|--|----------------------|---------------------|
| <b>Property and equipment</b>  |                      |                     |
| Land and building . . . . .  | \$ 168,550           | \$ 168,550          |
| Machinery and equipment . . . . .  | 34,056               | 32,298              |
| Furniture and fixtures . . . . .   | 490,892              | 394,588             |
| Leasehold improvements . . . . .   | 618,583              | 552,855             |
| Construction in progress . . . . .   | 19,774               | 17,568              |
| Less: accumulated depreciation . . . . .   | (687,406)            | (583,511)           |
| Total property and equipment, net . . . . .  | <u>\$ 644,449</u>    | <u>\$ 582,348</u>   |
| <b>Accrued liabilities</b>   |                      |                     |
| Payroll and employee benefits . . . . .  | \$ 184,918           | \$ 177,412          |
| Accrued rent . . . . .   | 37,834               | 34,833              |
| Dividends payable . . . . .  | 85,796               | 65,260              |
| Operating expenses . . . . .   | 231,850              | 196,105             |
| Total accrued liabilities . . . . .  | <u>\$ 540,398</u>    | <u>\$ 473,610</u>   |
| <b>Other liabilities</b>   |                      |                     |
| Deferred lease incentives . . . . .  | \$ 116,302           | \$ 116,032          |
| Non-current tax liabilities . . . . .  | 155,599              | 162,060             |
| Tax-related deferred credit (See Note on Income Taxes) . . . . .                                   | 22,520               | 46,534              |
| Other . . . . .  | 97,824               | 81,544              |
| Total other liabilities . . . . .  | <u>\$ 392,245</u>    | <u>\$ 406,170</u>   |
| <b>Accumulated other comprehensive income</b>  |                      |                     |
| Cumulative translation adjustments . . . . .   | \$ 55,360            | \$ 59,412           |
| Cumulative effect of adoption of ASC 320-10-35-17,<br>net of taxes of \$628 and \$628 . . . . .    | (1,072)              | (1,072)             |
| Unrealized losses on cash flow hedging derivatives,<br>net of taxes of \$576 and \$899 . . . . .   | (461)                | (1,465)             |
| ASC 715 adjustment and minimum pension liability,<br>net of taxes of \$2,028 and \$1,309 . . . . . | (3,352)              | (1,964)             |
| Accumulated other comprehensive income . . . . .   | <u>\$ 50,475</u>     | <u>\$ 54,911</u>    |

\*\*\*\*\*

COACH, INC.

Schedule II — Valuation and Qualifying Accounts

For the Fiscal Years Ended June 30, 2012, July 2, 2011 and July 3, 2010

(amounts in thousands)

|                                   | Balance at<br>Beginning<br>of Year | Provision<br>Charged to<br>Costs and<br>Expenses | Write-offs/<br>Allowances<br>Taken | Balance at<br>End of<br>Year |
|-----------------------------------|------------------------------------|--|------------------------------------|------------------------------|
| <b>Fiscal 2012</b>                |                                    |  |                                    |                              |
| Allowance for bad debts . . . . . | \$3,431                            | \$ (117)   | \$ 4                               | \$ 3,318                     |
| Allowance for returns . . . . .   | 6,113                              | 12,019   | (11,637)                           | 6,495                        |
| Valuation allowance . . . . .     | —                                  | 3,156  | —                                  | 3,156                        |
| Total . . . . .                   | <u>\$9,544</u>                     | <u>\$15,058</u>                                  | <u>\$(11,633)</u>                  | <u>\$12,969</u>              |
| <b>Fiscal 2011</b>                |                                    |  |                                    |                              |
| Allowance for bad debts . . . . . | \$1,943                            | \$ 1,495   | \$ (7)                             | \$ 3,431                     |
| Allowance for returns . . . . .   | 5,022                              | 11,070   | (9,979)                            | 6,113                        |
| Valuation allowance . . . . .     | —                                  | —  | —                                  | —                            |
| Total . . . . .                   | <u>\$6,965</u>                     | <u>\$12,565</u>                                  | <u>\$ (9,986)</u>                  | <u>\$ 9,544</u>              |
| <b>Fiscal 2010</b>                |                                    |  |                                    |                              |
| Allowance for bad debts . . . . . | \$2,840                            | \$ (897)   | \$ —                               | \$ 1,943                     |
| Allowance for returns . . . . .   | 3,507                              | 8,579  | (7,064)                            | 5,022                        |
| Valuation allowance . . . . .     | —                                  | —  | —                                  | —                            |
| Total . . . . .                   | <u>\$6,347</u>                     | <u>\$ 7,682</u>                                  | <u>\$ (7,064)</u>                  | <u>\$ 6,965</u>              |

**COACH, INC.**

**Quarterly Financial Data**  
(dollars and shares in thousands, except per share data)  
(unaudited)

|                                  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|----------------------------------|------------------|-------------------|------------------|-------------------|
| <b>Fiscal 2012<sup>(1)</sup></b> |                  |                   |                  |                   |
| Net sales . . . . .              | \$1,050,359      | \$1,448,649       | \$1,108,981      | \$1,155,191       |
| Gross profit . . . . .           | 764,653          | 1,045,211         | 818,067          | 838,147           |
| Net income. . . . .              | 214,983          | 500,901           | 225,002          | 251,430           |
| Net income per common share:     |                  |                   |                  |                   |
| Basic . . . . .                  | 0.74             | 1.20              | 0.78             | 0.88              |
| Diluted. . . . .                 | 0.73             | 1.18              | 0.77             | 0.86              |
| <b>Fiscal 2011<sup>(1)</sup></b> |                  |                   |                  |                   |
| Net sales . . . . .              | \$ 911,669       | \$1,264,457       | \$ 950,706       | \$1,031,675       |
| Gross profit . . . . .           | 676,171          | 915,176           | 691,655          | 740,539           |
| Net income. . . . .              | 188,876          | 303,428           | 186,015          | 202,481           |
| Net income per common share:     |                  |                   |                  |                   |
| Basic . . . . .                  | 0.64             | 1.02              | 0.63             | 0.70              |
| Diluted. . . . .                 | 0.63             | 1.00              | 0.62             | 0.68              |
| <b>Fiscal 2010<sup>(1)</sup></b> |                  |                   |                  |                   |
| Net sales . . . . .              | \$ 761,437       | \$1,065,005       | \$ 830,669       | \$ 950,525        |
| Gross profit . . . . .           | 550,178          | 770,939           | 615,575          | 696,999           |
| Net income. . . . .              | 140,827          | 240,950           | 157,636          | 195,527           |
| Net income per common share:     |                  |                   |                  |                   |
| Basic . . . . .                  | 0.44             | 0.76              | 0.51             | 0.65              |
| Diluted. . . . .                 | 0.44             | 0.75              | 0.50             | 0.64              |

(1) The sum of the quarterly earnings per share may not equal the full-year amount, as the computations of the weighted-average number of common basic and diluted shares outstanding for each quarter and the full year are performed independently.

## COACH, INC.

### EXHIBITS TO FORM 10-K

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

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 3.1                | Amended and Restated Bylaws of Coach, Inc., dated February 7, 2008, which is incorporated herein by reference from Exhibit 3.1 to Coach's Current Report on Form 8-K filed on February 13, 2008   |
| 3.2                | Articles Supplementary of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.2 to Coach's Current Report on Form 8-K filed on May 9, 2001   |
| 3.3                | Articles of Amendment of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.3 to Coach's Current Report on Form 8-K filed on May 9, 2001  |
| 3.4                | Articles of Amendment of Coach, Inc., dated May 3, 2002, which is incorporated by reference from Exhibit 3.4 to Coach's Annual Report on Form 10-K for the fiscal year ended June 29, 2002  |
| 3.5                | Articles of Amendment of Coach, Inc., dated February 1, 2005, which is incorporated by reference from Exhibit 99.1 to Coach's Current Report on Form 8-K filed on February 2, 2005  |
| 4.1                | Specimen Certificate for Common Stock of Coach, which is incorporated herein by reference from Exhibit 4.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)   |
| 4.2                | Deposit Agreement, dated November 24, 2011, between Coach, Inc. and JPMorgan Chase Bank, N.A., as depositary, which is incorporated by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on November 25, 2011  |
| 4.3                | Deed Poll, dated November 24, 2011, executed by Coach, Inc. and JPMorgan Chase Bank, N.A., as depositary, pursuant to the deposit agreement in favor of and in relation to the rights of the holders of the depositary receipts, which is incorporated by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on November 25, 2011 |
| 10.1               | Revolving Credit Agreement, dated as of July 26, 2007, by and between Coach, certain lenders and Bank of America, N.A. which is incorporated by reference from Exhibit 10 to Coach's Quarterly Report on Form 10-Q for the period ended April 2, 2011   |
| 10.2*              | Revolving Credit Agreement, dated as of June 18, 2012, by and between Coach, certain lenders and JPMorgan Chase Bank, N.A., as administrative agent   |
| 10.3               | Coach, Inc. 2000 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.10 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003  |
| 10.4               | Coach, Inc. Performance-Based Annual Incentive Plan, which is incorporated by reference from Appendix A to the Registrant's Definitive Proxy Statement for the 2005 Annual Meeting of Stockholders, filed on September 28, 2005   |
| 10.5               | Coach, Inc. 2000 Non-Employee Director Stock Plan, which is incorporated by reference from Exhibit 10.13 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003  |
| 10.6               | Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors, which is incorporated by reference from Exhibit 10.14 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003   |
| 10.7               | Coach, Inc. 2001 Employee Stock Purchase Plan, which is incorporated by reference from Exhibit 10.15 to Coach's Annual Report on Form 10-K for the fiscal year ended June 29, 2002  |



| Exhibit No. | Description   |
|-------------|---|
| 10.8        | Coach, Inc. 2004 Stock Incentive Plan, which is incorporated by reference from Appendix A to the Registrant's Definitive Proxy Statement for the 2004 Annual Meeting of Stockholders, filed on September 29, 2004   |
| 10.9        | Employment Agreement dated June 1, 2003 between Coach and Lew Frankfort, which is incorporated by reference from Exhibit 10.20 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003  |
| 10.10       | Employment Agreement dated June 1, 2003 between Coach and Reed Krakoff, which is incorporated by reference from Exhibit 10.21 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003   |
| 10.11       | Branding Agreement dated August 5, 2010 between Coach and Reed Krakoff, which is incorporated by reference from Exhibit 10.10 to Coach's Annual Report on Form 10-K for the fiscal year ended July 3, 2010  |
| 10.12       | Amendment to Employment Agreement, dated August 22, 2005, between Coach and Lew Frankfort, which is incorporated by reference from Exhibit 10.23 to Coach's Annual Report on Form 10-K for the fiscal year ended July 2, 2005   |
| 10.13       | Amendment to Employment Agreement, dated August 22, 2005, between Coach and Reed Krakoff, which is incorporated by reference from Exhibit 10.23 to Coach's Annual Report on Form 10-K for the fiscal year ended July 2, 2005  |
| 10.14       | Performance Restricted Stock Unit Award Grant Notice and Agreement, dated August 6, 2009, between Coach and Lew Frankfort, which is incorporated by reference from Exhibit 10.13 to Coach's Annual Report on Form 10-K for the fiscal year ended July 3, 2010         |
| 10.15       | Employment Agreement dated November 8, 2005 between Coach and Michael Tucci, which is incorporated by reference from Exhibit 10.1 to Coach's Quarterly Report on Form 10-Q for the period ended December 31, 2005   |
| 10.16       | Employment Agreement dated November 8, 2005 between Coach and Michael F Devine, III, which is incorporated by reference from Exhibit 10.2 to Coach's Quarterly Report on Form 10-Q for the period ended December 31, 2005   |
| 10.17       | Amendment to Employment Agreement, dated March 11, 2008, between Coach and Reed Krakoff, which is incorporated herein by reference from Exhibit 10.16 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2008                                   |
| 10.18       | Amendment to Employment Agreement, dated August 5, 2008, between Coach and Michael Tucci, which is incorporated herein by reference from Exhibit 10.16 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2008                                  |
| 10.19       | Performance Restricted Stock Unit Award Grant Notice and Agreement, dated August 5, 2010, between Coach and Jerry Stritzke, which is incorporated herein by reference from Exhibit 10.19 to Coach's Annual Report on Form 10-K for the fiscal year ended July 3, 2010 |
| 10.20       | Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Appendix A to the Registrant's Definitive Proxy Statement for the 2010 Annual Meeting of Stockholders, filed on September 24, 2010   |
| 10.21       | Amendment to Employment Agreement, dated May 7, 2012, between Coach and Lew Frankfort, which is incorporated herein by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K filed on May 8, 2012   |
| 10.22       | Amendment to Employment Agreement, dated May 7, 2012, between Coach and Reed Krakoff, which is incorporated herein by reference from Exhibit 10.2 to Coach's Current Report on Form 8-K filed on May 8, 2012  |

| Exhibit No. | Description   |
|-------------|---|
| 10.23       | Amendment to Employment Agreement, dated May 7, 2012, between Coach and Michael Tucci, which is incorporated herein by reference from Exhibit 10.3 to Coach's Current Report on Form 8-K filed on May 8, 2012   |
| 10.24       | Performance Restricted Stock Unit Award Grant Notice and Agreement, dated August 4, 2011, between Coach and Michael Tucci, which is incorporated herein by reference from Exhibit 10.1 to Coach's Quarterly Report on Form 10-Q for the fiscal period ended October 1, 2011 |
| 10.25       | Employment Offer Letter, dated July 19, 2011, between Coach and Jane Nielsen, which is incorporated herein by reference from Exhibit 10.2 to Coach's Quarterly Report on Form 10-Q for the fiscal period ended October 1, 2011  |
| 10.26       | Consulting Agreement dated October 7, 2011 between Coach and Michael F. Devine, III, which is incorporated herein by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K filed on October 7, 2011   |
| 10.27       | Sponsor Agreement, dated November 24, 2011, between Coach, Inc. and J.P. Morgan Securities (Asia Pacific) Limited, as sponsor, which is incorporated herein by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on November 25, 2011                  |
| 18          | Letter re: change in accounting principle, which is incorporated herein by reference from Exhibit 18 to Coach's Quarterly Report on Form 10-Q for the period ended October 2, 2010  |
| 21.1*       | List of Subsidiaries of Coach   |
| 23.1*       | Consent of Deloitte & Touche LLP  |
| 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   |

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\* Filed herewith

# J.P.Morgan

## CREDIT AGREEMENT

dated as of

June 18, 2012

among

COACH, INC.

The Foreign Subsidiary Borrowers Party Hereto

The Lenders Party Hereto

JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

HSBC BANK USA, NATIONAL ASSOCIATION  
as Syndication Agent

and

TD BANK, N.A.,  
U.S. BANK NATIONAL ASSOCIATION  
and  
WELLS FARGO BANK, NATIONAL ASSOCIATION  
as Co-Documentation Agents

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J.P. MORGAN SECURITIES LLC and HSBC BANK USA, NATIONAL ASSOCIATION  
as Joint Bookrunners and Joint Lead Arrangers

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Table Of Contents

|   | <u>Page</u> |
|---|-------------|
| ARTICLE I Definitions   | 1           |
| SECTION 1.01. DEFINED TERMS   | 1           |
| SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS                      | 23          |
| SECTION 1.03. TERMS GENERALLY   | 23          |
| SECTION 1.04. ACCOUNTING TERMS; GAAP; EXCHANGE RATES                      | 23          |
| ARTICLE II The Credits  | 24          |
| SECTION 2.01. COMMITMENTS   | 24          |
| SECTION 2.02. LOANS AND BORROWINGS  | 24          |
| SECTION 2.03. REQUESTS FOR REVOLVING BORROWINGS                           | 25          |
| SECTION 2.04. DETERMINATION OF DOLLAR AMOUNTS                             | 26          |
| SECTION 2.05. SWINGLINE LOANS   | 26          |
| SECTION 2.06. LETTERS OF CREDIT   | 27          |
| SECTION 2.07. FUNDING OF BORROWINGS                                       | 32          |
| SECTION 2.08. INTEREST ELECTIONS  | 32          |
| SECTION 2.09. TERMINATION AND REDUCTION OF COMMITMENTS                    | 34          |
| SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT                        | 34          |
| SECTION 2.11. PREPAYMENT OF LOANS   | 35          |
| SECTION 2.12. FEES  | 36          |
| SECTION 2.13. INTEREST  | 37          |
| SECTION 2.14. ALTERNATE RATE OF INTEREST                                  | 37          |
| SECTION 2.15. INCREASED COSTS   | 38          |
| SECTION 2.16. BREAK FUNDING PAYMENTS                                      | 39          |
| SECTION 2.17. TAXES   | 40          |
| SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS | 43          |
| SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS              | 45          |
| SECTION 2.20. EXPANSION OPTION  | 46          |
| SECTION 2.21. [INTENTIONALLY OMITTED]                                     | 47          |
| SECTION 2.22. JUDGMENT CURRENCY   | 47          |
| SECTION 2.23. DESIGNATION OF FOREIGN SUBSIDIARY BORROWERS                 | 47          |
| SECTION 2.24. DEFAULTING LENDERS  | 48          |
| SECTION 2.25. EXTENSION OF MATURITY DATE                                  | 49          |
| ARTICLE III Representations and Warranties                                | 51          |
| SECTION 3.01. ORGANIZATION; POWERS; SUBSIDIARIES                          | 51          |
| SECTION 3.02. AUTHORIZATION; ENFORCEABILITY                               | 51          |
| SECTION 3.03. GOVERNMENTAL APPROVALS; NO CONFLICTS                        | 51          |
| SECTION 3.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE             | 52          |
| SECTION 3.05. PROPERTIES  | 52          |
| SECTION 3.06. LITIGATION  | 52          |
| SECTION 3.07. INVESTMENT COMPANY STATUS                                   | 52          |
| SECTION 3.08. TAXES   | 52          |
| SECTION 3.09. ERISA   | 52          |
| SECTION 3.10. DISCLOSURE  | 53          |
| SECTION 3.11. FEDERAL RESERVE REGULATIONS                                 | 53          |
| SECTION 3.12. NO DEFAULT  | 53          |

---

Table Of Contents  
(continued)

|                                       | <u>Page</u>  |
|---------------------------------------|--|
| SECTION 3.13.                         | OFAC   |
| ARTICLE IV Conditions                 | 53   |
| SECTION 4.01.                         | EFFECTIVE DATE   |
| SECTION 4.02.                         | EACH CREDIT EVENT  |
| SECTION 4.03.                         | DESIGNATION OF A FOREIGN SUBSIDIARY BORROWER               |
| ARTICLE V Affirmative Covenants       | 54   |
| SECTION 5.01.                         | FINANCIAL STATEMENTS AND OTHER INFORMATION                 |
| SECTION 5.02.                         | NOTICES OF MATERIAL EVENTS                                 |
| SECTION 5.03.                         | EXISTENCE; CONDUCT OF BUSINESS                             |
| SECTION 5.04.                         | PAYMENT OF OBLIGATIONS                                     |
| SECTION 5.05.                         | MAINTENANCE OF PROPERTIES; INSURANCE                       |
| SECTION 5.06.                         | BOOKS AND RECORDS; INSPECTION RIGHTS                       |
| SECTION 5.07.                         | COMPLIANCE WITH LAWS AND MATERIAL CONTRACTUAL OBLIGATIONS  |
| SECTION 5.08.                         | USE OF PROCEEDS AND LETTERS OF CREDIT                      |
| SECTION 5.09.                         | SUBSIDIARY GUARANTY  |
| ARTICLE VI Negative Covenants         | 58   |
| SECTION 6.01.                         | INDEBTEDNESS   |
| SECTION 6.02.                         | LIENS  |
| SECTION 6.03.                         | FUNDAMENTAL CHANGES AND ASSET SALES                        |
| SECTION 6.04.                         | INVESTMENTS, LOANS, ADVANCES, GUARANTEES AND ACQUISITIONS  |
| SECTION 6.05.                         | TRANSACTIONS WITH AFFILIATES                               |
| SECTION 6.06.                         | RESTRICTED PAYMENTS  |
| SECTION 6.07.                         | LEVERAGE RATIO   |
| ARTICLE VII Events of Default         | 63   |
| ARTICLE VIII The Administrative Agent | 66   |
| ARTICLE IX Miscellaneous              | 68   |
| SECTION 9.01.                         | NOTICES  |
| SECTION 9.02.                         | WAIVERS; AMENDMENTS  |
| SECTION 9.03.                         | EXPENSES; INDEMNITY; DAMAGE WAIVER                         |
| SECTION 9.04.                         | SUCCESSORS AND ASSIGNS                                     |
| SECTION 9.05.                         | SURVIVAL   |
| SECTION 9.06.                         | COUNTERPARTS; INTEGRATION; EFFECTIVENESS                   |
| SECTION 9.07.                         | SEVERABILITY   |
| SECTION 9.08.                         | RIGHT OF SETOFF  |
| SECTION 9.09.                         | GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS |
| SECTION 9.10.                         | WAIVER OF JURY TRIAL                                       |
| SECTION 9.11.                         | HEADINGS   |
| SECTION 9.12.                         | CONFIDENTIALITY  |

Table Of Contents  
(continued)

|                             | <u>Page</u>   |    |
|-----------------------------|---|----|
| SECTION 9.13.               | USA PATRIOT ACT   | 77 |
| SECTION 9.14.               | RELEASES OF SUBSIDIARY GUARANTORS                           | 78 |
| SECTION 9.15.               | INTEREST RATE LIMITATION                                    | 78 |
| SECTION 9.16.               | NO ADVISORY OR FIDUCIARY RESPONSIBILITY                     | 78 |
| ARTICLE X Company Guarantee |   | 79 |
| SECTION 10.01.              | GUARANTEE   | 79 |
| SECTION 10.02.              | NO SUBROGATION  | 79 |
| SECTION 10.03.              | AMENDMENTS, ETC. WITH RESPECT TO THE SUBSIDIARY OBLIGATIONS | 80 |
| SECTION 10.04.              | GUARANTEE ABSOLUTE AND UNCONDITIONAL                        | 80 |
| SECTION 10.05.              | REINSTATEMENT   | 81 |
| SECTION 10.06.              | PAYMENTS  | 81 |

SCHEDULES:

- Schedule 2.01 – Commitments
- Schedule 2.02 – Mandatory Cost
- Schedule 2.06 – Existing Letter of Credit
- Schedule 3.01 – Subsidiaries
- Schedule 3.05 – Properties
- Schedule 3.06 – Litigation
- Schedule 6.01 – Existing Indebtedness
- Schedule 6.02 – Existing Liens
- Schedule 6.04 – Existing Investments

EXHIBITS:

- Exhibit A – Form of Assignment and Assumption
- Exhibit B – [Intentionally Omitted]
- Exhibit C – Form of Increasing Lender Supplement
- Exhibit D – Form of Augmenting Lender Supplement
- Exhibit E – List of Closing Documents
- Exhibit F-1 – Form of Borrowing Subsidiary Agreement
- Exhibit F-2 – Form of Borrowing Subsidiary Termination
- Exhibit G – Form of Subsidiary Guaranty
- Exhibit H-1 – Form of U.S. Tax Certificate (Foreign Lenders That Are Not Partnerships)
- Exhibit H-2 – Form of U.S. Tax Certificate (Foreign Participants That Are Not Partnerships)
- Exhibit H-3 – Form of U.S. Tax Certificate (Foreign Participants That Are Partnerships)
- Exhibit H-4 – Form of U.S. Tax Certificate (Foreign Lenders That Are Partnerships)

CREDIT AGREEMENT (this "Agreement") dated as of June 18, 2012 among COACH, INC., the FOREIGN SUBSIDIARY BORROWERS from time to time party hereto, the LENDERS from time to time party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, HSBC BANK USA, NATIONAL ASSOCIATION, as Syndication Agent and TD BANK, N.A., U.S. BANK NATIONAL ASSOCIATION and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Co-Documentation Agents.

The parties hereto agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to a Loan, or the Loans comprising such Borrowing, bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (i) (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate plus, without duplication (ii) in the case of Loans by a Lender from its or its applicable Affiliate's office or branch in the United Kingdom or any Participating Member State, the Mandatory Cost.

"Administrative Agent" means JPMorgan Chase Bank, N.A. (including its branches and affiliates), in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitment" means the aggregate of the Commitments of all of the Lenders, as reduced or increased from time to time pursuant to the terms and conditions hereof. As of the Effective Date, the Aggregate Commitment is \$400,000,000.

"Agreed Currencies" means (i) Dollars, (ii) euro, (iii) Pounds Sterling, (iv) Japanese Yen and (v) any other currency that is (x) a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars, (y) available in the London interbank deposit market and (z) reasonably acceptable to the Administrative Agent and each of the Lenders.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.



“Applicable Percentage” means, with respect to any Lender, the percentage of the Aggregate Commitment represented by such Lender’s Commitment; provided that, in the case of Section 2.24 when a Defaulting Lender shall exist, “Applicable Percentage” shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“Applicable Rate” means, for any day, with respect to any Eurocurrency Revolving Loan or any ABR Revolving Loan or with respect to the commitment fees payable hereunder or with respect to any Commercial Letter of Credit, as the case may be, the applicable rate per annum set forth below under the caption “Eurocurrency Spread”, “ABR Spread”, “Commitment Fee Rate” or “Commercial Letter of Credit Rate”, as the case may be, based upon the Leverage Ratio applicable on such date:

|                    | <u>Leverage Ratio:</u>            | <u>Eurocurrency Spread</u> | <u>ABR Spread</u> | <u>Commercial Letter of Credit Rate</u> | <u>Commitment Fee Rate</u> |
|--------------------|-----------------------------------|----------------------------|-------------------|---|----------------------------|
| <u>Category 1:</u> | ≤ 1.25 to 1.00                    | 0.75%                      | 0%                | 0.375%                                  | 0.075%                     |
| <u>Category 2:</u> | > 1.25 to 1.00 but ≤ 2.00 to 1.00 | 0.875%                     | 0%                | 0.4375%                                 | 0.09%                      |
| <u>Category 3:</u> | > 2.00 to 1.00 but ≤ 2.75 to 1.00 | 1.00%                      | 0%                | 0.50%                                   | 0.125%                     |
| <u>Category 4:</u> | > 2.75 to 1.00 but ≤ 3.50 to 1.00 | 1.125%                     | 0.125%            | 0.5625%                                 | 0.15%                      |
| <u>Category 5:</u> | > 3.50 to 1.00                    | 1.25%                      | 0.25%             | 0.625%                                  | 0.175%                     |

For purposes of the foregoing,

(i) if at any time the Company fails to deliver the Financials on or before the date the Financials are due pursuant to Section 5.01, Category 5 shall be deemed applicable for the period commencing three (3) Business Days after the required date of delivery and ending on the date which is three (3) Business Days after the Financials are actually delivered, after which the Category shall be determined in accordance with the table above as applicable;

(ii) adjustments, if any, to the Category then in effect shall be effective three (3) Business Days after the Administrative Agent has received the applicable Financials (it being understood and agreed that each change in Category shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change); and

(iii) notwithstanding the foregoing, Category 2 shall be deemed to be applicable until the Administrative Agent’s receipt of the applicable Financials for the Company’s first full fiscal quarter ending after the Effective Date (unless such Financials demonstrate that Category 3, 4 or 5 should have been applicable during such period, in which case such other Category shall be deemed to be applicable during such period) and adjustments to the Category then in effect shall thereafter be effected in accordance with the preceding paragraphs.

“Assignment and Assumption” means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

“Augmenting Lender” has the meaning assigned to such term in Section 2.20.

“Available Revolving Commitment” means, at any time with respect to any Lender, the Commitment of such Lender then in effect minus the Revolving Credit Exposure of such Lender at such time; it being understood and agreed that any Lender’s Swingline Exposure shall not be deemed to be a component of the Revolving Credit Exposure for purposes of calculating the commitment fee under Section 2.12(a).

“Availability Period” means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

“Bankruptcy Event” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means the Company or any Foreign Subsidiary Borrower.

“Borrowing” means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

“Borrowing Request” means a request by any Borrower for a Revolving Borrowing in accordance with Section 2.03.

“Borrowing Subsidiary Agreement” means a Borrowing Subsidiary Agreement substantially in the form of Exhibit F-1.

“Borrowing Subsidiary Termination” means a Borrowing Subsidiary Termination substantially in the form of Exhibit F-2.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in the relevant Agreed Currency in the London interbank market or the principal financial center of such Agreed Currency (and, if the Borrowings or LC Disbursements which are the subject of a borrowing, drawing, payment, reimbursement or rate selection are denominated in euro, the term “Business Day” shall also exclude any day on which the TARGET2 payment system is not open for the settlement of payments in euro).

“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP; provided that Capital Lease Obligations shall not include any obligations of any Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) of real or personal property, or a combination thereof, which obligations would be required to be classified and accounted for as an operating lease under GAAP as in effect on the Effective Date.

“Change in Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), of Equity Interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the Company ceases to own, directly or indirectly, and Control 100% (other than directors’ qualifying shares) of the ordinary voting and economic power of any Foreign Subsidiary Borrower.

“Change in Law” means the occurrence, after the date of this Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law” regardless of the date enacted, adopted, issued or implemented.

“Class”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

“Code” means the Internal Revenue Code of 1986, as amended.

“Co-Documentation Agent” means each of TD Bank, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association in its capacity as co-documentation agent for the credit facility evidenced by this Agreement.

“Commercial Letter of Credit” means a commercial documentary letter of credit issued pursuant to this Agreement by any Issuing Bank for the account of any Borrower for the purchase of goods in the ordinary course of business.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or terminated from time to time pursuant to Section 2.09, (b) increased from time to time pursuant to Section 2.20 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption or other documentation contemplated hereby pursuant to which such Lender shall have assumed its Commitment, as applicable.

“Company” means Coach, Inc., a Maryland corporation.

“Computation Date” is defined in Section 2.04.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated EBITDAR” means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary or non-recurring non-cash expenses or losses (including any noncash impairment of assets, and, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, non-cash losses on sales of assets outside of the ordinary course of business and including non-cash charges arising from the application of Statement of Financial Accounting Standards No. 142 (or the corresponding Accounting Standards Codification Topic, as applicable), (f) non-cash expenses related to stock based compensation and (g) Consolidated Lease Expense and minus, (x) to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) interest income, (ii) any extraordinary or non-recurring non-cash income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (iii) income tax credits (to the extent not netted from income tax expense) and (y) any cash payments made during such period in respect of items described in clauses (e) and (f) above subsequent to the fiscal quarter in which the relevant noncash expenses or losses were reflected as a charge in the statement of Consolidated Net Income, all as determined on a consolidated basis in accordance with GAAP.

For the purposes of calculating Consolidated EBITDAR for any period of four consecutive fiscal quarters (each, a “Reference Period”) pursuant to any determination of the Leverage Ratio, (i) if at any time during such Reference Period the Company or any Subsidiary shall have made any Material Disposition, the Consolidated EBITDAR for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDAR (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDAR (if negative) attributable thereto for such Reference Period, and (ii) if during such Reference Period the Company or any Subsidiary shall have made a Material Acquisition, Consolidated EBITDAR for such Reference Period shall be calculated after giving pro forma effect thereto (taking into account (A) such cost savings as may be determined by the Company in a manner consistent with the evaluation performed by the Company in deciding to make such Material Acquisition, as presented to the Company’s Board of Directors, provided that the Company may take into account such cost savings only if it in good faith determines on the date of calculation that it is reasonable to expect that such cost savings will be implemented within 120 days following the date of such Material Acquisition (or in the case of any calculation made subsequent to such 120th day, that such cost savings have, in fact, been implemented) and (B) all transactions that are directly related to such Material Acquisition and are entered into in connection and substantially contemporaneously therewith) as if such Material Acquisition occurred on the first day of such Reference Period. As used in this definition, “Material Acquisition” means any acquisition of property or series of related acquisitions of property that (a) constitutes (i) assets comprising all or substantially all of a business or operating unit of a business, (ii) all or substantially all of the common stock or other Equity Interests of a Person or (iii) in any case where clauses (i) and (ii) above are inapplicable, the rights of any licensee (including by means of the termination of such licensee’s rights under such license) under a trademark license to such licensee from the Company or any of its Affiliates (the “Acquired Rights”), and (b) involves the payment of consideration by the Company and its Subsidiaries in excess of \$50,000,000; “Material Disposition” means any Disposition of property or series of related Dispositions of property that yields gross proceeds to the Company or any of its Subsidiaries in excess of \$50,000,000. In making any calculation pursuant to this paragraph with respect to a Material Acquisition of a Person, business or rights for which quarterly financial statements are not available, the Company shall base such calculation on the financial statements of such Person, business or rights for the then most recently completed period of twelve consecutive calendar months for which such financial statements are available and shall deem the contribution of such Person, business or rights to Consolidated EBITDAR for the period from the beginning of the applicable Reference Period to the date of such Material Acquisition to be equal to the product of (x) the number of days in such period divided by 365 multiplied by (y) the amount of Consolidated EBITDAR of such Person, business or rights for the twelve-month period referred to above (calculated on the basis set forth in this definition). In making any calculation pursuant to this paragraph in connection with an acquisition of Acquired Rights to be followed by the granting of a new license of such Acquired Rights (or any rights derivative therefrom), effect may be given to such grant of such new license (as if it had occurred on the date of such acquisition) if, and only if, the Company in good faith determines on the date of such calculation that it is reasonable to expect that such grant will be completed within 120 days following the date of such acquisition (or in the case of any calculation made subsequent to such 120th day, that such grant has, in fact, been completed).

“Consolidated Lease Expense” means, for any period, the aggregate amount of fixed and contingent rentals payable by the Company and its Subsidiaries for such period with respect to leases of real and personal property, determined on a consolidated basis in accordance with GAAP; provided that payments in respect of Capital Lease Obligations shall not constitute Consolidated Lease Expense.

“Consolidated Net Income” means for any period, the consolidated net income (or loss) of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Company or is merged into or consolidated with the Company or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Company) in which the Company or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Company or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Company to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

“Consolidated Net Worth” means as of any date of determination thereof, the excess of (a) the aggregate consolidated net book value of the assets of the Company and its Subsidiaries after all appropriate adjustments in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization) over (b) all of the aggregate liabilities of the Company and its Subsidiaries, including all items which, in accordance with GAAP, would be included on the liability side of the balance sheet (other than Equity Interests, treasury stock, capital surplus and retained earnings), in each case determined on a consolidated basis (after eliminating all inter-company items) in accordance with GAAP, provided, however, that in calculating Consolidated Net Worth the effects of the Statement of Financial Accounting Standards No. 142 (or the corresponding Accounting Standards Codification Topic, as applicable) shall be disregarded.

“Consolidated Total Indebtedness” means at any time, the aggregate Indebtedness of the Company and its Subsidiaries calculated on a consolidated basis as of such time in accordance with GAAP; provided that Indebtedness incurred in connection with the ownership, development, leasing, acquisition, construction or improvement of the headquarters of the Company located at Hudson Yards (the “Corporate Headquarters”) shall be excluded from Consolidated Total Indebtedness to the extent such Indebtedness is without recourse to the Company or any Subsidiary.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Corporate Headquarters” has the meaning assigned to such term in the definition of Consolidated Total Indebtedness.

“Credit Event” means a Borrowing, the issuance, amendment, renewal or extension of a Letter of Credit, an LC Disbursement or any of the foregoing.

“Credit Party” means the Administrative Agent, any Issuing Bank, the Swingline Lender or any other Lender.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Company or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

“Disposition” means with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Dollar Amount” of any currency at any date shall mean (i) the amount of such currency if such currency is Dollars or (ii) the equivalent amount thereof in Dollars if such currency is a Foreign Currency, calculated on the basis of the Exchange Rate for such currency, on or as of the most recent Computation Date provided for in Section 2.04.

“Dollars” or “\$” refers to lawful money of the United States of America.

“Domestic Foreign Holdco Subsidiary” means a Domestic Subsidiary substantially all of the assets of which consist of the Equity Interests of (and/or receivables or other amounts due from) one or more Foreign Subsidiaries that are “controlled foreign corporations” within the meaning of Section 957 of the Code, so long as such Domestic Subsidiary (i) does not conduct any business or activities other than the ownership of such Equity Interests and/or receivables and (ii) does not incur, and is not otherwise liable for, any Indebtedness (other than intercompany indebtedness permitted pursuant to Section 6.01(c)).

“Domestic Subsidiary” means a Subsidiary organized under the laws of a jurisdiction located in the United States of America.

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

“Eligible Foreign Subsidiary” means (i) any Foreign Subsidiary organized under the laws of Luxembourg and (ii) any other Foreign Subsidiary that is approved from time to time by the Administrative Agent and the Lenders.

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

“Equivalent Amount” of any currency with respect to any amount of Dollars at any date shall mean the equivalent in such currency of such amount of Dollars, calculated on the basis of the Exchange Rate for such other currency at 11:00 a.m., London time, on the date on or as of which such amount is to be determined.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any Reportable Event; (b) a determination that any Plan is, or is expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA); (c) the failure of any Loan Party or any ERISA Affiliate to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan or the failure by any Plan to satisfy the minimum funding standards (within the meaning of Section 412 of the Code or Section 302 of ERISA) applicable to such Plan, whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the receipt by any Loan Party or any ERISA Affiliate from the PBGC of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan, or the incurrence by any Loan Party or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan, including but not limited to the imposition of any Lien in favor of the PBGC or any Plan; (f) the receipt by any Loan Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Loan Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or the incurrence by any Loan Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; (g) the receipt by any Loan Party or any ERISA Affiliate of any determination that a Multiemployer Plan is, or is expected to be, Insolvent, in Reorganization, terminated (within the meaning of Section 4041A of ERISA), or in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); (h) the failure by any Loan Party or any of its ERISA Affiliates to make when due any required contribution to a Multiemployer Plan pursuant to Sections 431 or 432 of the Code or any installment payment with respect to Withdrawal Liability under Section 4201 of ERISA; or (i) any Foreign Plan Event.

“euro” and/or “EUR” means the single currency of the Participating Member States.

“Eurocurrency”, when used in reference to a currency means an Agreed Currency and when used in reference to any Loan or Borrowing, means that such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

“Eurocurrency Payment Office” of the Administrative Agent shall mean, for each Foreign Currency, the office, branch, affiliate or correspondent bank of the Administrative Agent for such currency as specified from time to time by the Administrative Agent to the Company and each Lender.

“Event of Default” has the meaning assigned to such term in Article VII.



“Exchange Rate” means, on any day, with respect to any Foreign Currency, the rate at which such Foreign Currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m., Local Time, on such date on the Reuters World Currency Page for such Foreign Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate with respect to such Foreign Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Company or, in the absence of such an agreement, such Exchange Rate shall instead be calculated on the basis of the arithmetical mean of the buy and sell spot rates of exchange of the Administrative Agent for such Foreign Currency on the London market at 11:00 a.m., Local Time, on such date for the purchase of Dollars with such Foreign Currency, for delivery two Business Days later; provided, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Company, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Excluded Subsidiary” means (i) any Domestic Subsidiary that is a subsidiary of a Foreign Subsidiary and (ii) any Domestic Foreign Holdco Subsidiary.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. Federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Company under Section 2.19(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender acquired the applicable interest in a Loan or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.17(f) and (d) any U.S. Federal withholding Taxes imposed under FATCA.

“Existing Credit Agreement” means the Credit Agreement dated as of July 26, 2007 by and among the Company, the lenders party thereto and Bank of America, N.A., as administrative agent, as amended, restated supplemented or otherwise modified prior to the date hereof.

“Existing Letter of Credit” means the Letter of Credit heretofore issued pursuant to the Existing Credit Agreement and described on Schedule 2.06.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer or assistant treasurer of the Company.

“Financials” means the annual or quarterly financial statements, and accompanying certificates and other documents, of the Company and its Subsidiaries required to be delivered pursuant to Section 5.01(a) or 5.01(b).

“Fiscal Quarter” means with respect to the Company and its Subsidiaries, and with respect to any Fiscal Year, (a) each of the quarterly periods ending 13 calendar weeks, 26 calendar weeks, 39 calendar weeks and 52 or 53 calendar weeks, as the case may be, after the end of the prior Fiscal Year or (b) such other quarterly periods as the Company shall adopt after giving prior written notice thereof to the Lenders.

“Fiscal Year” means with respect to the Company and its Subsidiaries, (a) the 52- or 53-week annual period, as the case may be, ending on the Saturday nearest to June 30 of each calendar year or (b) such other fiscal year as the Company shall adopt with the prior written consent of the Required Lenders (which consent shall not be unreasonably withheld). Any designation of a particular Fiscal Year by reference to a calendar year shall mean the Fiscal Year ending during such calendar year.

“Foreign Currencies” means Agreed Currencies other than Dollars.

“Foreign Currency LC Exposure” means, at any time, the sum of (a) the Dollar Amount of the aggregate undrawn and unexpired amount of all outstanding Foreign Currency Letters of Credit at such time plus (b) the aggregate principal Dollar Amount of all LC Disbursements in respect of Foreign Currency Letters of Credit that have not yet been reimbursed at such time.

“Foreign Currency Letter of Credit” means a Letter of Credit denominated in a Foreign Currency.

“Foreign Lender” means (a) if the applicable Borrower is a U.S. Person, a Lender, with respect to such Borrower, that is not a U.S. Person, and (b) if the applicable Borrower is not a U.S. Person, a Lender, with respect to such Borrower, that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

“Foreign Plan” means any employee benefit plan (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA) that is not subject to United States law and is maintained or contributed to by any Loan Party or any ERISA Affiliate.

“Foreign Plan Event” means, with respect to any Foreign Plan, (a) the failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Foreign Plan, (b) the failure to register or loss of good standing with applicable regulatory authorities of any such Foreign Plan required to be registered, or (c) the failure of any Foreign Plan to comply with any material provisions of applicable law and regulations or with the material terms of such Foreign Plan.

“Foreign Subsidiary” means any Subsidiary which is not a Domestic Subsidiary.

“Foreign Subsidiary Borrower” means any Eligible Foreign Subsidiary that becomes a Foreign Subsidiary Borrower pursuant to Section 2.23 and that has not ceased to be a Foreign Subsidiary Borrower pursuant to such Section.

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. For purposes of all calculations provided for in this Agreement, the amount of any Guarantee of any guarantor shall be deemed to be the lower of (x) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (y) the maximum amount for which such guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guarantor may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guarantor’s maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Increasing Lender” has the meaning assigned to such term in Section 2.20.

“Incremental Term Loan” has the meaning assigned to such term in Section 2.20.

“Incremental Term Loan Amendment” has the meaning assigned to such term in Section 2.20.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business and any earnout obligations or similar deferred or contingent purchase price obligations not overdue, which are being contested in good faith or which do not appear as a liability on a balance sheet of such Person incurred in connection with any acquisition of property or series of related acquisitions of property that constitutes (i) assets comprising all or substantially all of a business or operating unit of a business, (ii) all or substantially all of the common stock or other Equity Interests of a Person or (iii) in any case where clauses (i) and (ii) above are inapplicable, the Acquired Rights), (e) all Indebtedness of others secured by any Lien on property owned or acquired by such Person (to the extent of such Person’s interest in such property), whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (i) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances and (j) all payment and performance obligations of every kind, nature and description of such Person under or in connection with Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. For purposes of all calculations provided for in this Agreement, there shall be disregarded any Guarantee of any Person in respect of any Indebtedness of any other Person with which the accounts of such first Person are then required to be consolidated in accordance with GAAP. For the avoidance of doubt, any amounts available and not drawn under the Commitments shall be deemed not to be Indebtedness and “Indebtedness” shall not include the obligations of any Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations would be required to be classified and accounted for as an operating lease under GAAP as in effect on the Effective Date.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Information Memorandum” means the Confidential Information Memorandum dated May 2012 relating to the Company and the Transactions.

“Insolvent” means, with respect to any Multiemployer Plan, the condition that such Multiemployer Plan is insolvent within the meaning of Section 4245 of ERISA.

“Interest Election Request” means a request by the applicable Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

“Interest Payment Date” means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December and the Maturity Date, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period and the Maturity Date and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid and the Maturity Date.

“Interest Period” means with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, if acceptable to all Lenders, nine or twelve months) thereafter, as the applicable Borrower (or the Company on behalf of the applicable Borrower) may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Investment” means, as applied to any Person, any direct or indirect purchase or other acquisition by such Person of Equity Interests or other securities of, or any assets constituting a business unit of, any other Person, or any direct or indirect loan, advance or capital contribution by such Person to any other Person. In computing the amount involved in any Investment at the time outstanding, (a) undistributed earnings of, and unpaid interest accrued in respect of Indebtedness owing by, such other Person shall not be included, (b) there shall not be deducted from the amounts invested in such other Person any amounts received as earnings (in the form of dividends, interest or otherwise) on such Investment or as loans from such other Person and (c) unrealized increases or decreases in value, or write-ups, write-downs or writeoffs, of Investments in such other Person shall be disregarded.

“IRS” means the United States Internal Revenue Service.

“Issuing Bank” means JPMorgan Chase Bank, N.A. and each other Lender designated by the Company as an “Issuing Bank” hereunder that has agreed to such designation (and is reasonably acceptable to the Administrative Agent), each in its capacity as an issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i); provided that, solely with respect to the Existing Letter of Credit, Bank of America, N.A. shall be deemed to be an Issuing Bank. Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“Japanese Yen” means the lawful currency of Japan.

“LC Collateral Account” has the meaning assigned to such term in Section 2.06(j).

“LC Disbursement” means a payment made by an Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time, the sum of (a) the aggregate undrawn Dollar Amount of all outstanding Letters of Credit at such time plus (b) the aggregate Dollar Amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Company at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“Lenders” means the Persons listed on Schedule 2.01 and any other Person that shall have become a Lender hereunder pursuant to Section 2.20 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

“Letter of Credit” means any Commercial Letter of Credit or Standby Letter of Credit, including the Existing Letter of Credit.

“Leverage Ratio” has the meaning assigned to such term in Section 6.07.

“LIBO Rate” means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate appearing on, in the case of Dollars, Reuters Screen LIBOR01 Page and, in the case of any Foreign Currency, the appropriate page of such service which displays British Bankers Association Interest Settlement Rates for deposits in such Foreign Currency (or, in each case, on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the relevant Agreed Currency in the London interbank market) at approximately 11:00 a.m., London time, two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period, as the rate for deposits in the relevant Agreed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in the relevant Agreed Currency in an Equivalent Amount of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Documents” means this Agreement, each Borrowing Subsidiary Agreement, each Borrowing Subsidiary Termination, the Subsidiary Guaranty, any promissory notes issued pursuant to Section 2.10(e) and any Letter of Credit applications now or hereafter executed by or on behalf of any Loan Party and delivered to the Administrative Agent or any Lender in connection with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Loan Parties” means, collectively, the Borrowers and the Subsidiary Guarantors.

“Loans” means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

“Local Time” means (i) New York City time in the case of a Loan, Borrowing or LC Disbursement denominated in Dollars and (ii) local time in the case of a Loan, Borrowing or LC Disbursement denominated in a Foreign Currency (it being understood that such local time shall mean London, England time unless otherwise notified by the Administrative Agent).

“Luxembourg Borrower Insolvency Event” shall mean, with respect to any Foreign Subsidiary Borrower organized under the law of Luxembourg, (i) a situation of (*cessation de paiements*) and absence of access to credit (*credit ébranlé*) within the meaning of Article 437 of the Luxembourg Commercial Code, (ii) insolvency proceedings (*faillite*) within the meaning of Articles 437 ff. of the Luxembourg Commercial Code or any other insolvency proceedings pursuant to the Council Regulation (EC) N° 1346/2000 of 29 May 2000 on insolvency proceedings, (iii) controlled management (*gestion contrôlée*) within the meaning of the grand ducal regulation of 24 May 1935 on controlled management, (iv) voluntary arrangement with creditors (*concordat préventif de faillite*) within the meaning of the law of 14 April 1886 on arrangements to prevent insolvency, as amended, (v) suspension of payments (*sursis de paiement*) within the meaning of Articles 593 ff. of the Luxembourg Commercial Code, (vi) voluntary or compulsory winding-up pursuant to the law of 10 August 1915 on commercial companies, as amended or (vii) the appointment of an ad hoc director (*administrateur provisoire*) by a court in respect of such Foreign Subsidiary Borrower or a substantial part of its assets.

“Luxembourg Domiciliation Law” shall mean the Luxembourg law of May 31, 1999, as amended, regarding the domiciliation of companies.

“Mandatory Cost” is described in Schedule 2.02.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, property or financial condition of the Company and the Subsidiaries taken as a whole or (b) the rights and remedies, taken as a whole, of the Administrative Agent and the Lenders under the Loan Documents.

“Material Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding \$50,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Company or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

“Maturity Date” means June 16, 2017, as extended pursuant to Section 2.25.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Obligations” means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations and indebtedness (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), obligations and liabilities of any of the Company and its Subsidiaries to any of the Lenders, the Administrative Agent, any Issuing Bank or any indemnified party, individually or collectively, existing on the Effective Date or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents or to the Lenders or any of their Affiliates in respect of any of the Loans made or reimbursement or other obligations incurred or any of the Letters of Credit or other instruments at any time evidencing any thereof.

“OFAC” means the Office of Foreign Assets Control of the U.S. Treasury Department.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.19).

“Overnight Foreign Currency Rate” means, for any amount payable in a Foreign Currency, the rate of interest per annum as determined by the Administrative Agent at which overnight or weekend deposits in the relevant currency (or if such amount due remains unpaid for more than three (3) Business Days, then for such other period of time as the Administrative Agent may elect) for delivery in immediately available and freely transferable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for the relevant currency as determined above and in an amount comparable to the unpaid principal amount of the related Credit Event, plus any taxes, levies, imposts, duties, deductions, charges or withholdings imposed upon, or charged to, the Administrative Agent by any relevant correspondent bank in respect of such amount in such relevant currency.

“Parent” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“Participant” has the meaning assigned to such term in Section 9.04.

“Participant Register” has the meaning assigned to such term in Section 9.04(c).

“Participating Member State” means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Acquisition” means any acquisition (in one transaction or a series of related transactions) by the Company or any Subsidiary, on or after the Effective Date (whether effected through a purchase of Equity Interests or assets or through a merger, consolidation or amalgamation), of (i) another Person including the equity interest of any Person in which the Company or any Subsidiary owns an equity interest, (ii) the assets constituting all or substantially all of a business or operating business unit of another Person or (iii) in any case where clauses (i) and (ii) above are inapplicable, the rights of any licensee (including by means of the termination of such licensee’s rights under such license) under a trademark license to such licensee from the Company or any of its Affiliates; provided that (a) the assets so acquired or, as the case may be, the assets of the Person so acquired shall be in a Related Line of Business, (b) no Default shall have occurred and be continuing at the time thereof or would result therefrom, (c) such acquisition shall be effected in such manner so that the acquired Equity Interests, assets or rights are owned either by the Company or a Subsidiary and, if effected by merger, consolidation or amalgamation, the continuing, surviving or resulting entity shall be the Company or a Subsidiary, provided that, nothing in this clause shall be deemed to limit the ability of the Company or any Subsidiary to grant to a different licensee any acquired license rights described in clause (iii) above (or any rights derivative therefrom) and (d) the Company and its Subsidiaries shall be in compliance, on a pro forma basis after giving effect to such acquisition, with the covenant contained in Section 6.07 recomputed as at the last day of the most recently ended fiscal quarter of the Company for which financial statements are available, as if such acquisition had occurred on the first day of each relevant period for testing such compliance.



“Permitted Encumbrances” means:

- (a) Liens imposed by law for taxes and duties, assessments, governmental charges or levies that are not yet due or are being contested in compliance with Section 5.04;
- (b) landlords, carriers’, warehousemen’s, mechanics’, shippers’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 45 days or are being contested in compliance with Section 5.04;
- (c) pledges and deposits made in connection with workers’ compensation, unemployment insurance, old age pensions and other social security laws or regulations, and pledges and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;
- (d) Liens, pledges and deposits to secure the performance of tenders, bids, trade contracts, leases, public or statutory obligations, warranty requirements, customs, surety and appeal bonds, bonds posted in connection with actions, suits or proceedings, performance and bid bonds and other obligations of a like nature, in each case in the ordinary course of business;
- (e) Liens incurred in the ordinary course of business in connection with the sale, lease, transfer or other disposition of any credit card receivables of the Company or any of its Subsidiaries;
- (f) judgment, attachment or other similar liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;
- (g) easements, zoning restrictions, restrictive covenants, encroachments, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary; and
- (h) possessory Liens in favor of brokers and dealers arising in connection with the acquisition or disposition of Permitted Investments;

provided that the term “Permitted Encumbrances” shall not include any Lien securing Indebtedness.

“Permitted Investments” means:

- (a) direct obligations of, or obligations the principal of and interest on which are directly and fully guaranteed or insured by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America) or any Participating Member State;
- (b) investments in commercial paper having, at such date of acquisition, a credit rating of at least A-2 from S&P or P-2 from Moody’s;
- (c) investments in demand deposits, certificates of deposit, eurocurrency time deposits, banker’s acceptances and time deposits issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any Lender or any commercial bank which has a combined capital and surplus and undivided profits of not less than \$100,000,000;

(d) repurchase agreements with a term of not more than 180 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) securities with maturities of three years or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States or by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth or territory, political subdivision, taxing authority or foreign government (as the case may be) are rated, at such date of acquisition, at least A- by S&P or A3 by Moody's;

(f) securities with maturities of three years or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (c) of this definition;

(g) shares of money market funds that (i) comply with the criteria set forth in (a) Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, as amended or (b) Securities and Exchange Commission Rule 3c-7 under the Investment Company Act of 1940, as amended and (ii) have portfolio assets of at least (x) in the case of funds that invest exclusively in assets satisfying the requirements of clause (a) of this definition, \$250,000,000 and (y) in all other cases, \$500,000,000;

(h) in the case of investments by any Foreign Subsidiary, obligations of a credit quality and maturity comparable to that of the items referred to in clauses (a) through (g) above that are available in local markets;

(i) corporate debt obligations with a Moody's rating of at least A3 or an S&P rating of at least A-, or their equivalent, as follows: (i) corporate notes and bonds and (ii) medium term notes; and

(j) mutual funds which invest primarily in the securities described in clauses (a) through (d) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (within the meaning of Section 3(2) of ERISA, but not including any Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Loan Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" (as defined in Section 3(5) of ERISA).

"Pounds Sterling" means the lawful currency of the United Kingdom.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Priority Indebtedness" means (a) Indebtedness of the Company or any Subsidiary (other than that described in Section 6.01(e)) secured by any Lien on any asset(s) of the Company or any Subsidiary and (b) Indebtedness of any Subsidiary which is not a Subsidiary Guarantor, in each case owing to a Person other than the Company or any Subsidiary.

“Recipient” means (a) the Administrative Agent, (b) any Lender and (c) any Issuing Bank, as applicable.

“Register” has the meaning assigned to such term in Section 9.04.

“Related Line of Business” means: (a) any line of business in which the Company or any of its Subsidiaries is engaged as of, or immediately prior to, the Effective Date, (b) any wholesale, retail or other distribution of products or services under any domestic or foreign patent, trademark, service mark, trade name, copyright or license or (c) any similar, ancillary or related business and any business which provides a service and/or supplies products in connection with any business described in clause (a) or (b) above.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Reorganization” means, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event” means any “reportable event,” as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Plan, other than those events as to which notice is waived pursuant to DOL Regulation Section 4043 as in effect on the date hereof (no matter how such notice requirement may be changed in the future).

“Required Lenders” means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

“Requirement of Law” means, as to any Person, the Articles or Certificate of Incorporation and By-Laws, Articles or Certificate of Formation and Operating Agreement, or Certificate of Partnership or partnership agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Company or any Subsidiary or any option, warrant or other right to acquire any such Equity Interests in the Company or any Subsidiary.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Revolving Loans and its LC Exposure and Swingline Exposure at such time.

“Revolving Loan” means a Loan made pursuant to Section 2.01.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“SEC” means the United States Securities and Exchange Commission.

“Significant Subsidiary” means any Domestic Subsidiary that is a “Significant Subsidiary” as defined in Regulation S-X, part 210.1-02 of Title 17 of the Code of Federal Regulations.

“Standby Letter of Credit” means an irrevocable letter of credit issued pursuant to this Agreement by an Issuing Bank pursuant to which such Issuing Bank agrees to make payments in an Agreed Currency for the account of any Borrower in respect of obligations of such Borrower incurred pursuant to contracts made or performances undertaken or to be undertaken or like matters relating to contracts to which the such Borrower is or proposes to become a party in the ordinary course of such Borrower’s business, including, but not limited to, for insurance purposes and in connection with lease transactions.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Services Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal (other than Mandatory Costs). Such reserve, liquid asset, fees or similar requirements shall, in the case of Dollar denominated Loans, include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D of the Board. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary” means any subsidiary of the Company.

“Subsidiary Guarantor” means each Significant Subsidiary that is party to the Subsidiary Guaranty. The Subsidiary Guarantors on the Effective Date are identified as such in Schedule 3.01 hereto. Notwithstanding the foregoing, no Domestic Foreign Holdco Subsidiary shall be required to be a Subsidiary Guarantor.

“Subsidiary Guaranty” means that certain Guarantee Agreement dated as of the Effective Date in the form of Exhibit G (including any and all supplements thereto) and executed by each Subsidiary Guarantor party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option, cap or collar agreements or similar agreement involving, or settled by reference to, one or more interest or exchange rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or the Subsidiaries shall be a Swap Agreement.

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

“Swingline Lender” means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder and its successors in such capacity.

“Swingline Loan” means a Loan made pursuant to Section 2.05.

“Syndication Agent” means HSBC Bank USA, National Association in its capacity as syndication agent for the credit facility evidenced by this Agreement.

“TARGET2” means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in euro.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Transactions” means the execution, delivery and performance by the Loan Parties of this Agreement and the other Loan Documents, the borrowing of Loans and other credit extensions, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned to such term in Section 2.17(f)(ii)(B)(3).

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Withholding Agent” means any Loan Party and the Administrative Agent.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurocurrency Loan”) or by Class and Type (e.g., a “Eurocurrency Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurocurrency Borrowing”) or by Class and Type (e.g., a “Eurocurrency Revolving Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “law” shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders and decrees, of all Governmental Authorities. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP; Exchange Rates. (a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Company or any Subsidiary at “fair value”, as defined therein and (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

(b) For purposes of (i) determining the amount of Indebtedness incurred, outstanding or proposed to be incurred or outstanding under Section 6.01 (but excluding, for the avoidance of doubt, any calculation of Consolidated Net Worth or Consolidated EBITDAR), (ii) determining the amount of obligations secured by Liens incurred, outstanding or proposed to be incurred or outstanding under Section 6.02, or (iii) determining the amount of Material Indebtedness, the net assets of a Person or judgments outstanding under paragraphs (f), (g), (h), (i), (j) or (k) of Article VII, all amounts incurred, outstanding or proposed to be incurred or outstanding in currencies other than dollars shall be translated into dollars at the Exchange Rate on the applicable date, provided that no Default shall arise as a result of any limitation set forth in dollars in Section 6.01 or 6.02 being exceeded solely as a result of changes in Exchange Rates from those rates applicable at the time or times Indebtedness or obligations secured by Liens were initially consummated or acquired in reliance on the exceptions under such Sections.

## ARTICLE II

### The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers in Agreed Currencies from time to time during the Availability Period in an aggregate principal amount that will not result in (a) subject to Sections 2.04 and 2.11(b), the Dollar Amount of such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) subject to Sections 2.04 and 2.11(b), the sum of the Dollar Amount of the total Revolving Credit Exposures exceeding the Aggregate Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. Any Swingline Loan shall be made in accordance with the procedures set forth in Section 2.05.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the relevant Borrower may request in accordance herewith; provided that each ABR Loan shall only be made in Dollars. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan (and in the case of an Affiliate, the provisions of Sections 2.14, 2.15, 2.16 and 2.17 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the relevant Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 (or, if such Borrowing is denominated in (i) Japanese Yen, JPY10,000,000 or (ii) a Foreign Currency other than Japanese Yen, 100,000 units of such currency) and not less than \$1,000,000 (or, if such Borrowing is denominated in (i) Japanese Yen, JPY100,000,000 or (ii) a Foreign Currency other than Japanese Yen, 1,000,000 units of such currency). At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Aggregate Commitment or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an integral multiple of \$500,000 and not less than \$500,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of fifteen (15) Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the applicable Borrower, or the Company on behalf of the applicable Borrower, shall notify the Administrative Agent of such request (a) by irrevocable written notice (via a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower, or the Company on behalf of the applicable Borrower, promptly followed by telephonic confirmation of such request) in the case of a Eurocurrency Borrowing, not later than 12:00 noon, Local Time, three (3) Business Days (in the case of a Eurocurrency Borrowing denominated in Dollars) or by irrevocable written notice (via a written Borrowing Request in a form approved by the Administrative Agent and signed by such Borrower, or the Company on its behalf) not later than four (4) Business Days (in the case of a Eurocurrency Borrowing denominated in a Foreign Currency), in each case before the date of the proposed Borrowing or (b) by telephone in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower, or the Company on behalf of the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;
- (iv) in the case of a Eurocurrency Borrowing, the Agreed Currency and initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then, in the case of a Borrowing denominated in Dollars, the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.



SECTION 2.04. Determination of Dollar Amounts. The Administrative Agent will determine the Dollar Amount of:

- (a) each Eurocurrency Borrowing as of the date two (2) Business Days prior to the date of such Borrowing or, if applicable, the date of conversion/continuation of any Borrowing as a Eurocurrency Borrowing,
- (b) the LC Exposure as of the date of each request for the issuance, amendment, renewal or extension of any Letter of Credit, and
- (c) all outstanding Credit Events on and as of the last Business Day of each calendar quarter and, during the continuation of an Event of Default, on any other Business Day elected by the Administrative Agent in its discretion or upon instruction by the Required Lenders.

Each day upon or as of which the Administrative Agent determines Dollar Amounts as described in the preceding clauses (a), (b) and (c) is herein described as a "Computation Date" with respect to each Credit Event for which a Dollar Amount is determined on or as of such day.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans in Dollars to the Company from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$20,000,000 or (ii) the Dollar Amount of the total Revolving Credit Exposures exceeding the Aggregate Commitment; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Company shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Company. The Swingline Lender shall make each Swingline Loan available to the Company by means of a credit to the general deposit account of the Company with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the relevant Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Company for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, any Borrower may request the issuance of Letters of Credit in the form of Commercial Letters of Credit or Standby Letters of Credit denominated in Agreed Currencies for its own account, in a form reasonably acceptable to the relevant Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by any Borrower to, or entered into by any Borrower with, the relevant Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the applicable Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the relevant Issuing Bank) to the relevant Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the Agreed Currency applicable thereto, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by an Issuing Bank, the applicable Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the applicable Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) subject to Sections 2.04 and 2.11(b), the Dollar Amount of the LC Exposure solely in respect of Standby Letters of Credit shall not exceed \$125,000,000 and (ii) subject to Sections 2.04 and 2.11(b), the sum of the Dollar Amount of the total Revolving Credit Exposures shall not exceed the Aggregate Commitment.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five (5) Business Days prior to the Maturity Date. For the avoidance of doubt, if the Maturity Date shall be extended pursuant to Section 2.25, "Maturity Date" as referenced in this clause (c) shall refer to the Maturity Date as extended pursuant to Section 2.25; provided that, notwithstanding anything in this Agreement (including Section 2.25 hereof) or any other Loan Document to the contrary, the Maturity Date, as such term is used in reference to the Issuing Bank or any Letter of Credit issued thereby, may not be extended without the prior written consent of the relevant Issuing Bank.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the relevant Issuing Bank or the Lenders, the relevant Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the relevant Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the relevant Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the applicable Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to any Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the relevant Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the applicable Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent in Dollars the Dollar Amount equal to such LC Disbursement, calculated as of the date such Issuing Bank made such LC Disbursement (or if such Issuing Bank shall so elect in its sole discretion by notice to the applicable Borrower, in such other Agreed Currency which was paid by such Issuing Bank pursuant to such LC Disbursement in an amount equal to such LC Disbursement) not later than 12:00 noon, Local Time, on the date that such LC Disbursement is made, if the applicable Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Local Time, on such date, or, if such notice has not been received by such Borrower prior to such time on such date, then not later than 12:00 noon, Local Time, on the Business Day immediately following the day that such Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than the Dollar Amount of \$500,000, such Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with (i) to the extent such LC Disbursement was made in Dollars, an ABR Revolving Borrowing or Swingline Loan in Dollars in an amount equal to such LC Disbursement or (ii) to the extent such LC Disbursement was made in a Foreign Currency, a Eurocurrency Revolving Borrowing in such Foreign Currency in an amount equal to such LC Disbursement and, in each case, to the extent so financed, such Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing, Eurocurrency Revolving Borrowing or Swingline Loan, as applicable. If any Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from such Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the applicable Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the relevant Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from any Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to such Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the relevant Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the applicable Borrower of its obligation to reimburse such LC Disbursement. If any Borrower's reimbursement of, or obligation to reimburse, any amounts in any Foreign Currency would subject the Administrative Agent, any Issuing Bank or any Lender to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in Dollars, such Borrower shall, at its option, either (x) pay the amount of any such tax requested by the Administrative Agent, the relevant Issuing Bank or the relevant Lender or (y) reimburse each LC Disbursement made in such Foreign Currency in Dollars, in an amount equal to the Equivalent Amount, calculated using the applicable Exchange Rates, on the date such LC Disbursement is made, of such LC Disbursement.

(f) Obligations Absolute. Each Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the relevant Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, any Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Banks, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the relevant Issuing Bank; provided that the foregoing shall not be construed to excuse the relevant Issuing Bank from liability to a Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by each Borrower to the extent permitted by applicable law) suffered by such Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of any Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, each Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Each Issuing Bank shall promptly notify the Administrative Agent and the applicable Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve such Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If any Issuing Bank shall make any LC Disbursement, then, unless the applicable Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that such Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans (or in the case such LC Disbursement is denominated in a Foreign Currency, at the Overnight Foreign Currency Rate for such Agreed Currency plus the then effective Applicable Rate with respect to Eurocurrency Revolving Loans); provided that, if such Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the relevant Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of any Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the applicable Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of any Issuing Bank. At the time any such replacement shall become effective, the Borrowers shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued by such successor Issuing Bank thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit then outstanding and issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that any Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, such Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders (the "LC Collateral Account"), an amount in cash equal to the Dollar Amount of the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that (i) the portions of such amount attributable to undrawn Foreign Currency Letters of Credit or LC Disbursements in a Foreign Currency that such Borrower is not late in reimbursing shall be deposited in the applicable Foreign Currencies in the actual amounts of such undrawn Letters of Credit and LC Disbursements and (ii) the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Borrower described in clause (h) or (i) of Article VII. For the purposes of this paragraph, the Foreign Currency LC Exposure shall be calculated using the applicable Exchange Rate on the date notice demanding cash collateralization is delivered to the applicable Borrower. Each Borrower also shall deposit cash collateral pursuant to this paragraph as and to the extent required by Section 2.11(b). Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrowers' risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the relevant Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrowers for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other Obligations. If any Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to such Borrower within three (3) Business Days after all Events of Default have been cured or waived.

(k) Issuing Bank Agreements. Each Issuing Bank agrees that, unless otherwise requested by the Administrative Agent, such Issuing Bank shall report in writing to the Administrative Agent (i) on the first Business Day of each week, the daily activity (set forth by day) in respect of Letters of Credit during the immediately preceding week, including all issuances, extensions, amendments and renewals, all expirations and cancellations and all disbursements and reimbursements, (ii) on or prior to each Business Day on which such Issuing Bank expects to issue, amend, renew or extend any Letter of Credit, the date of such issuance, amendment, renewal or extension, and the aggregate face amount of the Letters of Credit to be issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension occurred (and whether the amount thereof changed), it being understood that such Issuing Bank shall not permit any issuance, renewal, extension or amendment resulting in an increase in the amount of any Letter of Credit to occur without first obtaining written confirmation from the Administrative Agent that it is then permitted under this Agreement, (iii) on each Business Day on which such Issuing Bank pays any amount in respect of one or more drawings under Letters of Credit, the date of such payment(s) and the amount of such payment(s), (iv) on any Business Day on which the Borrowers fail to reimburse any Reimbursement Obligation required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount and currency of such payment in respect of Letters of Credit and (v) on any other Business Day, such other information as the Administrative Agent shall reasonably request.

(l) Existing Letter of Credit. The Existing Letter of Credit shall be deemed to be a Letter of Credit issued hereunder.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds (i) in the case of Loans denominated in Dollars, by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders and (ii) in the case of each Loan denominated in a Foreign Currency, by 1:00 p.m., Local Time, in the city of the Administrative Agent's Eurocurrency Payment Office for such currency and at such Eurocurrency Payment Office for such currency; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the relevant Borrower by promptly crediting the amounts so received, in like funds, to (x) an account of the Company maintained with the Administrative Agent in New York City or Chicago and designated by the Company in the applicable Borrowing Request, in the case of Loans denominated in Dollars and (y) an account of such Borrower in the relevant jurisdiction and designated by such Borrower in the applicable Borrowing Request, in the case of Loans denominated in a Foreign Currency; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the relevant Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the case of an ABR Borrowing, prior to the proposed time of any Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and such Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including without limitation the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency) or (ii) in the case of such Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the relevant Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, a Borrower, or the Company on its behalf, shall notify the Administrative Agent of such election (by telephone or irrevocable written notice in the case of a Borrowing denominated in Dollars or by irrevocable written notice (via an Interest Election Request in a form approved by the Administrative Agent and signed by such Borrower, or the Company on its behalf) in the case of a Borrowing denominated in a Foreign Currency) by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the relevant Borrower, or the Company on its behalf. Notwithstanding any contrary provision herein, this Section shall not be construed to permit any Borrower to (i) change the currency of any Borrowing, (ii) elect an Interest Period for Eurocurrency Loans that does not comply with Section 2.02(d) or (iii) convert any Borrowing to a Borrowing of a Type not available under such Borrowing.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period and Agreed Currency to be applicable thereto after giving effect to such election, which Interest Period shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period (i) in the case of a Borrowing denominated in Dollars, such Borrowing shall be converted to an ABR Borrowing and (ii) in the case of a Borrowing denominated in a Foreign Currency in respect of which the applicable Borrower shall have failed to deliver an Interest Election Request prior to the third (3<sup>rd</sup>) Business Day preceding the end of such Interest Period, such Borrowing shall automatically continue as a Eurocurrency Borrowing in the same Agreed Currency with an Interest Period of one month unless such Eurocurrency Borrowing is or was repaid in accordance with Section 2.11. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing denominated in Dollars may be converted to or continued as a Eurocurrency Borrowing, (ii) unless repaid, each Eurocurrency Revolving Borrowing denominated in Dollars shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto and (iii) unless repaid, each Eurocurrency Revolving Borrowing denominated in a Foreign Currency shall automatically be continued as a Eurocurrency Borrowing with an Interest Period of one month.



SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Company may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (ii) the Company shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Dollar Amount of the sum of the Revolving Credit Exposures would exceed the Aggregate Commitment.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10. Repayment of Loans: Evidence of Debt. (a) Each Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan made to such Borrower on the Maturity Date in the currency of such Loan and (ii) in the case of the Company, to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15<sup>th</sup> or last day of a calendar month and is at least two (2) Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made, the Company shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Agreed Currency and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request, through the Administrative Agent, that Loans made by it to any Borrower be evidenced by a promissory note. In such event, the relevant Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if any such promissory note is a registered note, to such payee and its registered assigns).

#### SECTION 2.11. Prepayment of Loans.

(a) Any Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with the provisions of this Section 2.11(a). The applicable Borrower, or the Company on behalf of the applicable Borrower, shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 11:00 a.m., Local Time, three (3) Business Days (in the case of a Eurocurrency Borrowing denominated in Dollars) or four (4) Business Days (in the case of a Eurocurrency Borrowing denominated in a Foreign Currency), in each case before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by (i) accrued interest to the extent required by Section 2.13 and (ii) break funding payments pursuant to Section 2.16 (if any).

(b) If at any time, (i) other than as a result of fluctuations in currency exchange rates, the sum of the aggregate principal Dollar Amount of all of the Revolving Credit Exposures (calculated, with respect to those Credit Events denominated in Foreign Currencies, as of the most recent Computation Date with respect to each such Credit Event) exceeds the Aggregate Commitment or (ii) solely as a result of fluctuations in currency exchange rates, the sum of the aggregate principal Dollar Amount of all of the Revolving Credit Exposures (so calculated) exceeds 105% of the Aggregate Commitment, the Borrowers shall in each case immediately repay Borrowings or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to Section 2.06(j), as applicable, in an aggregate principal amount sufficient to cause the aggregate Dollar Amount of all Revolving Credit Exposures (so calculated) to be less than or equal to the Aggregate Commitment.

SECTION 2.12. Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average Available Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such commitment fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any commitment fees accruing after the date on which the Commitments terminate shall be payable on demand. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Standby Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurocurrency Revolving Loans on the average daily Dollar Amount of such Lender's LC Exposure in respect of Standby Letters of Credit (excluding any portion thereof attributable to unreimbursed LC Disbursements in respect of Standby Letters of Credit) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure in respect of Standby Letters of Credit, (ii) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Commercial Letters of Credit, which shall accrue at the Applicable Rate applicable to Commercial Letters of Credit on the average daily Dollar Amount of such Lender's LC Exposure in respect of Commercial Letters of Credit (excluding any portion thereof attributable to unreimbursed LC Disbursements in respect of Commercial Letters of Credit) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure in respect of Commercial Letters of Credit and (iii) to the relevant Issuing Bank for its own account a fronting fee, which shall accrue at a rate per annum separately agreed upon by the Company and such Issuing Bank on the average daily Dollar Amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) attributable to Letters of Credit issued by such Issuing Bank during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Unless otherwise specified above, participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third (3<sup>rd</sup>) Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to any Issuing Bank pursuant to this paragraph shall be payable within ten (10) Business Days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Participation fees and fronting fees in respect of Letters of Credit denominated in Dollars shall be paid in Dollars, and participation fees and fronting fees in respect of Letters of Credit denominated in a Foreign Currency shall be paid in such Foreign Currency.

(c) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in Dollars (except as otherwise expressly provided in this Section 2.12) and immediately available funds, to the Administrative Agent (or to each Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Revolving Loan shall be payable in arrears on each Interest Payment Date for such Revolving Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest (i) computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and (ii) for Borrowings denominated in Pounds Sterling shall be computed on the basis of a year of 365 days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the applicable Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the applicable Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective and, unless repaid, (A) in the case of a Eurocurrency Borrowing denominated in Dollars, such Borrowing shall be made as an ABR Borrowing and (B) in the case of a Eurocurrency Borrowing denominated in a Foreign Currency, such Eurocurrency Borrowing shall be repaid on the last day of the then current Interest Period applicable thereto and (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing in Dollars, such Borrowing shall be made as an ABR Borrowing (and if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in a Foreign Currency, such Borrowing Request shall be ineffective); provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement 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;

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes or any condition, cost or expense reflected in the Adjusted LIBO Rate) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making or maintaining any Loan or of maintaining its obligation to make any such Loan (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency) or to increase the cost to such Lender, such Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency) or to reduce the amount of any sum received or receivable by such Lender, such Issuing Bank or such other Recipient hereunder, whether of principal, interest or otherwise (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency), then, upon request of such Lender, such Issuing Bank or such other Recipient, the applicable Borrower will pay to such Lender, such Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, such Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy and liquidity), then from time to time the applicable Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay, or cause the other Borrowers to pay, such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Company shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or as a result of any prepayment pursuant to Section 2.11), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurocurrency Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(a) and is revoked in accordance therewith) or (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19, then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the relevant currency of a comparable amount and period from other banks in the eurocurrency market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the applicable Borrower and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

SECTION 2.17. Taxes. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.17) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made. For the avoidance of doubt, the Loan Parties will not be required to pay any additional amounts (or indemnification payments pursuant to paragraph (d) of this Section 2.17) with respect to any U.S. federal income Taxes that are imposed on a gross basis on, or that are required to be withheld or deducted from, a payment to any Recipient that would not have been imposed but for any Change in Law occurring after the date on which such Recipient became a party to this agreement.

(b) Payment of Other Taxes by the Borrowers. The relevant Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, Other Taxes.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.17, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Loan Parties. The Loan Parties shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the relevant Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrowers or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that any Borrower is a U.S. Person:

(A) any Lender that is a U.S. Person shall deliver to such Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to such Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), whichever of the following is applicable;

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;



(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit H-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of such Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-2 or Exhibit H-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to such Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit such Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to such Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by such Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by such Borrower or the Administrative Agent as may be necessary for such Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.17 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) Issuing Bank. For purposes of this Section 2.17, the term "Lender" includes each Issuing Bank.

(j) Luxembourg Registration Duty. In order to not unnecessarily cause application of Luxembourg's registration duty applicable to documents in writing evidencing an obligation to pay, neither the Administrative Agent nor any Lender will take any action to file or register this Agreement or any of the Loan Documents with applicable Luxembourg authorities which would cause such registration duty to be payable unless the Administrative Agent reasonably deems such action necessary in connection with the protection of rights or pursuit of remedies during the continuance of an Event of Default.

#### SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to (i) in the case of payments denominated in Dollars, 12:00 noon, New York City time and (ii) in the case of payments denominated in a Foreign Currency, 12:00 noon, Local Time, in the city of the Administrative Agent's Eurocurrency Payment Office for such currency, in each case on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made (i) in the same currency in which the applicable Credit Event was made (or where such currency has been converted to euro, in euro) and (ii) to the Administrative Agent at its offices at 10 South Dearborn Street, Chicago, Illinois 60603 or, in the case of a Credit Event denominated in a Foreign Currency, the Administrative Agent's Eurocurrency Payment Office for such currency, except payments to be made directly to an Issuing Bank or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments denominated in the same currency received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Notwithstanding the foregoing provisions of this Section, if, after the making of any Credit Event in any Foreign Currency, currency control or exchange regulations are imposed in the country which issues such currency with the result that the type of currency in which the Credit Event was made (the "Original Currency") no longer exists or any Borrower is not able to make payment to the Administrative Agent for the account of the Lenders in such Original Currency, then all payments to be made by such Borrower hereunder in such currency shall instead be made when due in Dollars in an amount equal to the Dollar Amount (as of the date of repayment) of such payment due, it being the intention of the parties hereto that the Borrowers take all risks of the imposition of any such currency control or exchange regulations.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) [Intentionally omitted].

(d) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements and Swingline Loans to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(e) Unless the Administrative Agent shall have received notice from the relevant Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Banks hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Banks, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including without limitation the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency).

(f) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(e) or 9.03 (c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender and for the benefit of the Administrative Agent, the Swingline Lender or the Issuing Banks to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under such Sections; in the case of each of (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

**SECTION 2.19. Mitigation Obligations; Replacement of Lenders.** (a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any Indemnified Taxes additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) any Lender requests compensation under Section 2.15, (ii) any Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17 or (iii) any Lender becomes a Defaulting Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under the Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the relevant Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

SECTION 2.20. Expansion Option. The Company may from time to time elect to increase the Commitments or enter into one or more tranches of term loans (each an “Incremental Term Loan”), in each case in minimum increments of \$25,000,000 so long as, after giving effect thereto, the aggregate amount of such increases and all such Incremental Term Loans does not exceed \$250,000,000. The Company may arrange for any such increase or tranche to be provided by one or more Lenders (each Lender so agreeing to an increase in its Commitment, or to participate in such Incremental Term Loans, an “Increasing Lender”), or by one or more new banks, financial institutions or other entities (each such new bank, financial institution or other entity, an “Augmenting Lender”), to increase their existing Commitments, or to participate in such Incremental Term Loans, or extend Commitments, as the case may be; provided that (i) each Augmenting Lender, shall be subject to the approval of the Company and the Administrative Agent and (ii) (x) in the case of an Increasing Lender, the Company and such Increasing Lender execute an agreement substantially in the form of Exhibit C hereto, and (y) in the case of an Augmenting Lender, the Company and such Augmenting Lender execute an agreement substantially in the form of Exhibit D hereto. No consent of any Lender (other than the Lenders participating in the increase or any Incremental Term Loan) shall be required for any increase in Commitments or Incremental Term Loan pursuant to this Section 2.20. Increases and new Commitments and Incremental Term Loans created pursuant to this Section 2.20 shall become effective on the date agreed by the Company, the Administrative Agent and the relevant Increasing Lenders or Augmenting Lenders, and the Administrative Agent shall notify each Lender thereof. Notwithstanding the foregoing, no increase in the Commitments (or in the Commitment of any Lender) or tranche of Incremental Term Loans shall become effective under this paragraph unless, (i) on the proposed date of the effectiveness of such increase or Incremental Term Loans, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied or waived by the Required Lenders and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company and (B) the Company shall be in compliance (on a pro forma basis) with the covenant contained in Section 6.07 and (ii) the Administrative Agent shall have received documents consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrowers to borrow hereunder after giving effect to such increase. On the effective date of any increase in the Commitments or any Incremental Term Loans being made, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other Lenders, each Lender’s portion of the outstanding Revolving Loans of all the Lenders to equal its Applicable Percentage of such outstanding Revolving Loans, and (ii) except in the case of any Incremental Term Loans, the Borrowers shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the applicable Borrower, or the Company on behalf of the applicable Borrower, in accordance with the requirements of Section 2.03). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurocurrency Loan, shall be, unless waived by any applicable Lender in its reasonable discretion, subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods. The Incremental Term Loans (a) shall rank pari passu in right of payment with the Revolving Loans, (b) shall not mature earlier than the latest Maturity Date in effect on the date of incurrence of such Incremental Term Loans (but may have amortization prior to such date) and (c) shall be treated substantially the same as (and in any event no more favorably than) the Revolving Loans; provided that (i) the terms and conditions applicable to any tranche of Incremental Term Loans maturing after the latest Maturity Date in effect on the date of incurrence of such Incremental Term Loans may provide for material additional or different financial or other covenants or prepayment requirements applicable only during periods after the latest Maturity Date in effect on the date of incurrence of such Incremental Term Loans and (ii) the Incremental Term Loans may be priced differently than the Revolving Loans. Incremental Term Loans may be made hereunder pursuant to an amendment or restatement (an “Incremental Term Loan Amendment”) of this Agreement and, as appropriate, the other Loan Documents, executed by the Borrowers, each Increasing Lender participating in such tranche, each Augmenting Lender participating in such tranche, if any, and the Administrative Agent. The Incremental Term Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.20. Nothing contained in this Section 2.20 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder, or provide Incremental Term Loans, at any time.

SECTION 2.21. [Intentionally Omitted].

SECTION 2.22. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the “specified currency”) into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent’s main New York City office on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of each Borrower in respect of any sum due to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or the Administrative Agent (as the case may be) may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Administrative Agent, as the case may be, in the specified currency, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Lender or the Administrative Agent, as the case may be, in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 2.18, such Lender or the Administrative Agent, as the case may be, agrees to remit such excess to such Borrower.

SECTION 2.23. Designation of Foreign Subsidiary Borrowers. The Company may at any time and from time to time designate any Eligible Foreign Subsidiary as a Foreign Subsidiary Borrower by delivery to the Administrative Agent of a Borrowing Subsidiary Agreement executed by such Subsidiary and the Company and the satisfaction of the other conditions precedent set forth in Section 4.03, and upon such delivery and satisfaction such Subsidiary shall for all purposes of this Agreement be a Foreign Subsidiary Borrower and a party to this Agreement until the Company shall have executed and delivered to the Administrative Agent a Borrowing Subsidiary Termination with respect to such Subsidiary, whereupon such Subsidiary shall cease to be a Foreign Subsidiary Borrower and a party to this Agreement. Notwithstanding the preceding sentence, no Borrowing Subsidiary Termination will become effective as to any Foreign Subsidiary Borrower at a time when any principal of or interest on any Loan to such Borrower shall be outstanding hereunder, provided that such Borrowing Subsidiary Termination shall be effective to terminate the right of such Foreign Subsidiary Borrower to make further Borrowings under this Agreement. As soon as practicable upon receipt of a Borrowing Subsidiary Agreement, the Administrative Agent shall furnish a copy thereof to each Lender.

SECTION 2.24. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9.02); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Company shall within three (3) Business Days following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of each Issuing Bank only, the Borrowers' obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(iii) if the Company cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrowers shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(a) and Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the relevant Issuing Bank or any other Lender hereunder, all letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to such Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the relevant Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Company in accordance with Section 2.24(c), and participating interests in any such newly made Swingline Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.24(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or any Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its funding obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and no Issuing Bank shall be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the relevant Issuing Bank, as the case may be, shall have entered into arrangements with the Company or such Lender, reasonably satisfactory to the Swingline Lender or such Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Company, the Swingline Lender and each Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

#### SECTION 2.25. Extension of Maturity Date.

(a) Requests for Extension. The Company may, by notice to the Administrative Agent (who shall promptly notify the Lenders) not earlier than 60 days and not later than 30 days prior to each anniversary of the date of this Agreement (each such date, an "Extension Date"), request that each Lender extend such Lender's Maturity Date to the date that is one year after the Maturity Date then in effect for such Lender (the "Existing Maturity Date").

(b) Lender Elections to Extend. Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than the date that is 15 days after the date on which the Administrative Agent received the Company's extension request (the "Lender Notice Date"), advise the Administrative Agent whether or not such Lender agrees to such extension (each Lender that determines to so extend its Maturity Date, an "Extending Lender"). Each Lender that determines not to so extend its Maturity Date (a "Non-Extending Lender") shall notify the Administrative Agent of such fact promptly after such determination (but in any event no later than the Lender Notice Date), and any Lender that does not so advise the Administrative Agent on or before the Lender Notice Date shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to so agree, and it is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Company for extension of the Maturity Date.



(c) Notification by Administrative Agent. The Administrative Agent shall notify the Company of each Lender's determination under this Section no later than the date that is 15 days prior to the applicable Extension Date (or, if such date is not a Business Day, on the next preceding Business Day).

(d) Additional Commitment Lenders. The Company shall have the right, but shall not be obligated, on or before the applicable Maturity Date for any Non-Extending Lender to replace such Non-Extending Lender with, and add as "Lenders" under this Agreement in place thereof, one or more banks, financial institutions or other entities (each, an "Additional Commitment Lender") approved by the Administrative Agent in accordance with the procedures provided in Section 2.19(b), each of which Additional Commitment Lenders shall have entered into an Assignment and Assumption (in accordance with and subject to the restrictions contained in Section 9.04, with the Company or replacement Lender obligated to pay any applicable processing or recordation fee) with such Non-Extending Lender, pursuant to which such Additional Commitment Lenders shall, effective on or before the applicable Maturity Date for such Non-Extending Lender, assume a Commitment (and, if any such Additional Commitment Lender is already a Lender, its Commitment shall be in addition to such Lender's Commitment hereunder on such date). Prior to any Non-Extending Lender being replaced by one or more Additional Commitment Lenders pursuant hereto, such Non-Extending Lender may elect, in its sole discretion, by giving irrevocable notice thereof to the Administrative Agent and the Company (which notice shall set forth such Lender's new Maturity Date), to become an Extending Lender.

(e) [Intentionally Omitted].

(f) Conditions to Effectiveness of Extension. Notwithstanding the foregoing, (x) no more than two (2) extensions of the Maturity Date shall be permitted hereunder and (y) any extension of any Maturity Date pursuant to this Section 2.25 shall not be effective with respect to any Lender unless:

(i) no Default or Event of Default shall have occurred and be continuing on the applicable Extension Date and immediately after giving effect thereto;

(ii) the representations and warranties of the Company set forth in this Agreement are true and correct in all material respects (or in all respects if such representation is qualified by materiality or Material Adverse Effect) on and as of the applicable Extension Date and after giving effect thereto, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and

(iii) the Administrative Agent shall have received a certificate from the Company signed by a Financial Officer of the Company certifying the accuracy of the foregoing clauses (i) and (ii).

(g) Maturity Date for Non-Extending Lenders. On each Extension Date, (i) to the extent of the Commitments and Loans of each Non-Extending Lender not assigned to the Additional Commitment Lenders, the Commitment of each Non-Extending Lender shall automatically terminate and (ii) the Company shall repay such Non-Extending Lender in accordance with Section 2.10 (and shall pay to such Non-Extending Lender all of the other Obligations owing to it under the Credit Agreement) and after giving effect thereto shall prepay any Loans outstanding on such date (and pay any additional amounts required pursuant to Section 2.16) to the extent necessary to keep outstanding Loans ratable with any revised Applicable Percentages of the respective Lenders effective as of such date, and the Administrative Agent shall administer any necessary reallocation of the Revolving Credit Exposures (without regard to any minimum borrowing, pro rata borrowing and/or pro rata payment requirements contained elsewhere in this Agreement).

(h) Conflicting Provisions. This Section shall supersede any provisions in Section 2.18 or Section 9.02 to the contrary.

### ARTICLE III

#### Representations and Warranties

Each Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers; Subsidiaries. Each of the Company and its Significant Subsidiaries is duly organized, validly existing and in good standing (to the extent such concept is applicable in the relevant jurisdiction) under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing (to the extent such concept is applicable) in, every jurisdiction where such qualification is required. Schedule 3.01 hereto (as supplemented from time to time) identifies each Subsidiary, noting whether such Subsidiary is a Significant Subsidiary, the jurisdiction of its incorporation or organization, as the case may be, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by the Company and the other Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class issued and outstanding. With respect to any Foreign Subsidiary Borrower organized under the laws of Luxembourg, (i) the "centre of main interests" (as that term is used in the Council Regulation (EC) n°1346/2000 of May 29, 2000 on insolvency proceedings) of such Foreign Subsidiary Borrower is in Luxembourg and (ii) such Foreign Subsidiary Borrower has no "establishment" (as that term is used in the Council Regulation (EC) n°1346/2000 of May 29, 2000 on insolvency proceedings) outside Luxembourg.

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party's organizational powers and have been duly authorized by all necessary organizational actions and, if required, actions by equity holders. Each Loan Document has been duly executed and delivered by each Loan Party which is a party thereto and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its 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.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture or any material agreement or other material instrument binding upon the Company or any of its Subsidiaries or its assets and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the Fiscal Year ended July 2, 2011, reported on by Deloitte & Touche, LLP, independent public accountants, and (ii) as of and for the Fiscal Quarter and the portion of the Fiscal Year ended March 31, 2012, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since July 2, 2011, there has been no material adverse change in the business, operations, property or financial condition of the Company and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Except as set forth on Schedule 3.05, each of the Company and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to the operation of its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes or such other defects as, in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(b) Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation. Except as set forth on Schedule 3.06, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the best knowledge of any Borrower, threatened against or affecting the Company or any of its Subsidiaries (i) which would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (except for litigation disclosed prior to the Effective Date in reports publicly filed by the Company under the Securities Exchange Act of 1934, as amended) or (ii) that involve this Agreement or the Transactions.

SECTION 3.07. Investment Company Status. Neither the Company nor any of its Subsidiaries an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.08. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Company or such Subsidiary, as applicable, has set aside on its books adequate reserves to the extent required by GAAP or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.09. ERISA. (i) Except as would not reasonably be expected to result in a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA and the provisions of the Code relating to Plans and the regulations and published interpretations thereunder, and each Foreign Plan is in compliance with applicable non-United States law and regulations thereunder, and (ii) no ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. Disclosure. All of the reports, financial statements and certificates furnished by or on behalf of any Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or hereafter delivered hereunder or reports filed pursuant to the Securities Exchange Act of 1934, as amended (as modified or supplemented by other information so furnished prior to the date on which this representation and warranty is made or deemed made) do not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company and the other Borrowers represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.11. Federal Reserve Regulations. No part of the proceeds of any Loan have been used or will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 3.12. No Default. No Default or Event of Default has occurred and is continuing.

SECTION 3.13. OFAC. Neither the Company nor any of its Subsidiaries is currently subject to any U.S. sanctions administered by the OFAC; and the Company and its Subsidiaries will not directly or indirectly use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC or for the purpose of financing any activity that is prohibited as to U.S. Persons under U.S. sanctions administered by OFAC.

#### ARTICLE IV

##### Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) duly executed copies of the Loan Documents and such other legal opinions, certificates, documents, instruments and agreements as the Administrative Agent shall reasonably request in connection with the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel and as further described in the list of closing documents attached as Exhibit E.

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the 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 such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the initial Loan Parties, the authorization of the Transactions and any other legal matters relating to such Loan Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel and as further described in the list of closing documents attached as Exhibit E.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received evidence satisfactory to it that the credit facility evidenced by the Existing Credit Agreement shall have been terminated and cancelled and all indebtedness thereunder shall have been fully repaid (except to the extent being so repaid with the initial Revolving Loans).

(f) The Administrative Agent shall have received all fees and expenses and other amounts due and payable, and for which invoices have been presented, on or prior to the Effective Date.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Banks to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrowers set forth in this 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) shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

SECTION 4.03. Designation of a Foreign Subsidiary Borrower. The designation of a Foreign Subsidiary Borrower pursuant to Section 2.23 is subject to the condition precedent that the Company or such proposed Foreign Subsidiary Borrower shall have furnished or caused to be furnished to the Administrative Agent:

(a) Copies, certified by the Secretary or Assistant Secretary of such Subsidiary (or if such Subsidiary has not appointed a Secretary or Assistant Secretary, any officer of such Subsidiary), of its Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for the Administrative Agent) approving the Borrowing Subsidiary Agreement and any other Loan Documents to which such Subsidiary is becoming a party and such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Subsidiary;

(b) An incumbency certificate, executed by the Secretary or Assistant Secretary of such Subsidiary (or if such Subsidiary has not appointed a Secretary or Assistant Secretary, any officer of such Subsidiary), which shall identify by name and title and bear the signature of the officers of such Subsidiary authorized to request Borrowings hereunder and sign the Borrowing Subsidiary Agreement and the other Loan Documents to which such Subsidiary is becoming a party, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Company or such Subsidiary;

(c) Opinions of counsel to such Subsidiary, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, with respect to the laws of its jurisdiction of organization and such other matters as are reasonably requested by counsel to the Administrative Agent and addressed to the Administrative Agent and the Lenders; and

(d) Any promissory notes requested by any Lender, and any other instruments and documents reasonably requested by the Administrative Agent.

## ARTICLE V

### Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Company will furnish to the Administrative Agent and each Lender through the Administrative Agent:

(a) within ninety (90) days after the end of each Fiscal Year of the Company (or, if earlier, by the date that the Annual Report on Form 10-K of the Company for such Fiscal Year would be required to be filed under the rules and regulations of the SEC, giving effect to any automatic extension available thereunder for the filing of such form), its audited consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by Deloitte & Touche, LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Company (or, if earlier, by the date that the Quarterly Report on Form 10-Q of the Company for such Fiscal Quarter would be required to be filed under the rules and regulations of the SEC, giving effect to any automatic extension available thereunder for the filing of such form), its consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such Fiscal Quarter and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) stating that he or she has obtained no knowledge that a Default has occurred (except as set forth in such certificate) and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.07 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of said Commission, as the case may be; and

(e) promptly following any request therefor, such other information regarding the financial condition of the Company or any Subsidiary as the Administrative Agent may reasonably request.

Documents required to be delivered pursuant to clauses (a), (b) and (d) of this Section 5.01 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such documents are filed for public availability on the SEC's Electronic Data Gathering and Retrieval System. Notwithstanding anything contained herein, in every instance the Company shall be required to provide paper copies of the compliance certificates required by clause (c) of this Section 5.01 to the Administrative Agent.

SECTION 5.02. Notices of Material Events. The Company will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Affiliate thereof that, if adversely determined, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect; and

(d) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Company will, and will cause each of its Subsidiaries to, do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business except, in each case (other than the case of the foregoing requirements insofar as they relate to the legal existence of the Borrowers and the Subsidiary Guarantors), to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Company will, and will cause each of its Subsidiaries to, pay its Tax liabilities that, if not paid, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. Except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect, the Company will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted and except for surplus and obsolete properties, and (b) maintain, with financially sound and reputable insurance companies, insurance on such of its property and in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Company will, and will cause each of its Subsidiaries to, keep proper books of record and account in which entries in conformity in all material respects with all applicable laws, rules and regulations of any Governmental Authority are made of all dealings and transactions in relation to its business and activities. The Company will, and will cause each of its Subsidiaries to, on an annual basis at the request of the Administrative Agent (or at any time after the occurrence and during the continuance of a Default), permit any representatives designated by the Administrative Agent or any Lender (prior to the occurrence or continuation of a Default or an Event of Default, at the Administrative Agent's or such Lender's expense, as applicable, unless otherwise agreed to by the Administrative Agent or such Lender, as applicable, and the Company, and following the occurrence or continuation of a Default or an Event of Default, at the Company's expense), upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records (other than materials protected by the attorney-client privilege and materials which the Company or such Subsidiary, as applicable, may not disclose without violation of a confidentiality obligation binding upon it), and to discuss its affairs, finances and condition with its officers and independent accountants, so long as afforded opportunity to be present, all during reasonable business hours. It is understood that so long as no Event of Default has occurred and is continuing, such visits and inspections shall be coordinated through the Administrative Agent.



SECTION 5.07. Compliance with Laws and Material Contractual Obligations. The Company will, and will cause each of its Subsidiaries to, (i) comply with all laws, rules, regulations and orders of any Governmental Authority, including the Luxembourg Domiciliation Law, applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and (ii) perform in all material respects its obligations under material agreements to which it is a party, in each case except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only to finance the working capital needs, capital expenditures, Permitted Acquisitions, Investments permitted under Section 6.04, Restricted Payments permitted under Section 6.06 and other general corporate purposes of the Company and its Subsidiaries. No part of the proceeds of any Loan will be used, whether directly or indirectly, for the purpose of purchasing or carrying, or to extend credit to others for the purpose of purchasing or carrying any “margin stock” as defined in Regulation T, U or X of the Board or for any other purpose that entails a violation of any such regulations. The Commercial Letters of Credit shall be used solely to finance purchases of goods by the Company and its Subsidiaries in the ordinary course of their business, and the Standby Letters of Credit shall be used solely for the purposes described in the definition of such term in Section 1.01.

SECTION 5.09. Subsidiary Guaranty. Each Domestic Subsidiary that becomes a Significant Subsidiary (other than any Excluded Subsidiary) subsequent to the Effective Date shall promptly (and in any event within 60 days of becoming a Significant Subsidiary) execute and deliver to the Administrative Agent (with a counterpart for each Lender) a supplement to the Subsidiary Guaranty pursuant to which such Subsidiary shall become a party thereto as a Subsidiary Guarantor, together with such other documents and legal opinions with respect thereto as the Administrative Agent shall reasonably request (which documents and opinions shall be in form and substance reasonably satisfactory to the Administrative Agent).

#### ARTICLE VI Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

- (a) the Obligations;
- (b) Indebtedness existing on the Effective Date and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or shorten the final maturity or weighted average life to maturity thereof;
- (c) Indebtedness of the Company to any Subsidiary and of any Subsidiary to the Company or any other Subsidiary;

(d) Guarantees by (i) the Company of Indebtedness of any Subsidiary, (ii) any Subsidiary of Indebtedness of the Company or any other Subsidiary, (iii) by the Company or any Subsidiary of Indebtedness incurred in connection with the ownership, development, leasing, acquisition, construction or improvement of the Corporate Headquarters and (iv) the Company of Indebtedness of any joint venture; provided that the aggregate amount of such Guarantees incurred pursuant to clause (iv) shall not exceed \$100,000,000 in the aggregate;

(e) Indebtedness of the Company or any Subsidiary incurred to finance or refinance the acquisition, ownership, development, construction, improvement or leasing of any real property (including the Corporate Headquarters), fixed or capital assets, including Capital Lease Obligations, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred no more than 90 days prior to or within 90 days after such ownership, development, leasing, acquisition or the completion of such construction or improvement;

(f) Indebtedness acquired or assumed in Permitted Acquisitions and extensions, renewals and replacements of any such indebtedness that do not increase the outstanding principal amount thereof or shorten the final maturity or weighted average life to maturity thereof or have different obligors;

(g) Priority Indebtedness (excluding any Indebtedness permitted by Sections 6.01(e) and (f)) in an aggregate principal amount at any one time outstanding not to exceed 10% of the Company's then Consolidated Net Worth;

(h) endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(i) Indebtedness in respect of letters of credit in the ordinary course of business (other than Letters of Credit);

(j) Indebtedness under Swap Agreements not entered into for speculative purposes;

(k) unsecured Indebtedness (excluding any Indebtedness permitted by Section 6.01(f)), not otherwise permitted by this Section, of any Borrower or any Subsidiary Guarantor so long as on a pro forma basis after giving effect to the incurrence of such Indebtedness, the Leverage Ratio is not greater than 4.00 to 1.00;

(l) Indebtedness under any interest rate protection agreements or foreign exchange hedges (regardless of whether such hedging obligations are subject to hedge accounting) incurred in the ordinary course of business and not for speculative purposes;

(m) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(n) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds, performance and completion guarantees, import and export custom and duty guaranties and similar obligations, or obligations in respect of letters of credit, bank acceptances or guarantees or similar instruments related thereto, in each case provided in the ordinary course of business;

(o) (i) contingent liabilities in respect of any indemnification, adjustment of purchase price, earn-out, non-compete, consulting, deferred compensation and similar obligations of the Company and its Subsidiaries incurred in connection with Permitted Acquisitions and (ii) Indebtedness incurred by the Company or its Subsidiaries in a Permitted Acquisition under agreements providing for earn-outs or the adjustment of the purchase price or similar adjustments;

(p) Indebtedness owed to any Person providing property, casualty or liability insurance to the Company or any of its Subsidiary, so long as such Indebtedness shall not be in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness shall be outstanding only during such year;

(q) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that (i) such Indebtedness (other than credit or purchase cards) is extinguished within three (3) Business Days of its incurrence and (ii) such Indebtedness in respect of credit or purchase cards is extinguished within 90 days from its incurrence;

(r) Indebtedness representing deferred compensation to employees of the Company and its Subsidiaries; and

(s) Indebtedness incurred in connection with the acquisition of joint ventures in an aggregate amount not to exceed \$100,000,000.

For purposes of this subsection 6.01, any Person becoming a Subsidiary of the Company after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Subsidiary, and any Indebtedness assumed by the Company or any of its Subsidiaries shall be deemed to have been incurred on the date of assumption.

SECTION 6.02. Liens. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) Liens existing on the Effective Date and set forth on Schedule 6.02;

(c) any Lien on any property or asset of the Company or any Subsidiary securing Indebtedness permitted by Section 6.01(e) incurred to own, develop, lease, acquire, construct or improve such property or asset;

(d) Liens solely constituting the right of any other Person to a share of any licensing royalties (pursuant to a licensing agreement or other related agreement entered into by the Company or any of its Subsidiaries with such Person in the ordinary course of the Company's or such Subsidiary's business) otherwise payable to the Company or any of its Subsidiaries, provided that such right shall have been conveyed to such Person for consideration received by the Company or such Subsidiary on an arm's-length basis;

(e) Liens arising from precautionary Uniform Commercial Code financing statement filings with respect to operating leases entered into by the Company or any of its Subsidiaries in the ordinary course of business;

(f) Liens securing Indebtedness described in clause (a) of the definition of Priority Indebtedness;

(g) Liens securing Indebtedness permitted under Section 6.01(c);

(h) bankers' liens and rights of setoff with respect to customary depository arrangements entered into in the ordinary course of business;

(i) Liens attaching solely to cash earnest money or similar deposits in connection with any letter of intent or purchase agreement in connection with a Permitted Acquisition;

(j) Liens arising from precautionary Uniform Commercial Code financing statement filings with respect to consignments, provided that such Liens extend solely to the assets subject to such consignments;

(k) Liens securing interest rate or foreign exchange hedging obligations (regardless of whether such hedging obligations are subject to hedge accounting), incurred in the ordinary course of business and not for speculative purposes;

(l) Liens, if any, in respect of leases that have been, or should be, in accordance with GAAP as in effect on the date hereof, classified as Capital Lease Obligations;

(m) Liens pursuant to supply or consignment contracts or otherwise for the receipt of goods or services, encumbering only the goods covered thereby, where the contracts are not overdue by more than 90 days or are being contested in good faith by appropriate proceedings and for which reasonable reserves are being maintained; and

(n) extensions, renewals and replacements of the Liens described above, so long as there is no increase in the Indebtedness or other amounts secured thereby (other than amounts incurred to pay costs of renewal and replacement) and no additional property (other than accessions, improvements, and replacements in respect of such property) is subject to such Lien.

SECTION 6.03. **Fundamental Changes and Asset Sales.** (a) The Company will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Subsidiary may merge into the Company in a transaction in which the Company is the surviving corporation, (ii) any Subsidiary (including a Subsidiary Guarantor) may merge into any other Subsidiary in a transaction in which the surviving entity is a Subsidiary (provided that, in the case of a merger of a Subsidiary that is not a Foreign Subsidiary Borrower into a Foreign Subsidiary Borrower in which the surviving Subsidiary is not the Foreign Subsidiary Borrower, the surviving Subsidiary shall execute and deliver to the Administrative Agent a Borrowing Subsidiary Agreement executed by such Subsidiary and the Company and shall satisfy the other conditions precedent set forth in Section 4.03), and (iii) any Subsidiary (other than a Foreign Subsidiary Borrower) may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and its Subsidiaries and is not materially disadvantageous to the Lenders and except that the Company or any Subsidiary may effect any acquisition permitted by Section 6.04 by means of a merger of the Person that is the subject of such acquisition with the Company or any of its Subsidiaries (provided that, in the case of a merger with the Company, the Company is the survivor).

(b) The Company will not, nor will it permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of (in one transaction or a series of transactions) all or substantially all of the assets of the Company and its Subsidiaries taken as a whole.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Company will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger or consolidation with any Person that was not a wholly owned Subsidiary prior to such merger or consolidation) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any Person or any assets of any other Person constituting a business unit or the rights of any licensee under a trademark license to such licensee from the Company or any of its Affiliates, except:

- (a) Permitted Investments;
- (b) investments by the Company or a Subsidiary in the capital stock of its Subsidiaries;
- (c) loans or advances made by the Company to, and Guarantees by the Company of obligations of, any Subsidiary, and loans or advances made by any Subsidiary to, and Guarantees by any Subsidiary of obligations of, the Company or any other Subsidiary;
- (d) Guarantees constituting Indebtedness permitted by Section 6.01;
- (e) advances or loans made in the ordinary course of business to employees of the Company and its Subsidiaries;
- (f) Investments existing on the Effective Date not otherwise permitted under this Agreement and described in Schedule 6.04 hereto;
- (g) Investments received in connection with the bona fide settlement of any defaulted Indebtedness or other liability owed to the Company or any Subsidiary;
- (h) Permitted Acquisitions; provided that if, as a result of a Permitted Acquisition, (i) a new Domestic Subsidiary shall be created and such Domestic Subsidiary is a Significant Subsidiary or (ii) any then existing Domestic Subsidiary shall become a Significant Subsidiary, in each case such Domestic Subsidiary shall thereafter become party to the Subsidiary Guaranty Agreement as a Subsidiary Guarantor in accordance with Section 5.09;
- (i) Swap Agreements not entered into for speculative purposes;
- (j) Investments in connection with the ownership, development, leasing, acquisition, construction or improvement of the Corporate Headquarters;
- (k) Investments in joint ventures in an amount not to exceed \$100,000,000 in the aggregate; and

(l) Investments, in addition to Investments permitted under clauses (a) through (j) of this Section 6.04 made after the date hereof in an aggregate amount not to exceed \$500,000,000 in any Person or Persons.

SECTION 6.05. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Company and its wholly owned Subsidiaries not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.06.

SECTION 6.06. Restricted Payments. The Company will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Company may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its common stock, (b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (c) the Company may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Company and its Subsidiaries and (d) the Company and its Subsidiaries may make any other Restricted Payment so long as prior to making such Restricted Payment and after giving effect (including giving effect on a pro forma basis) thereto (i) no Default or Event of Default has occurred and is continuing or would occur and (ii) the Company is in compliance with Section 6.07.

SECTION 6.07. Leverage Ratio. The Company will not permit the ratio (the "Leverage Ratio"), determined as of the end of each of its Fiscal Quarters ending on and after June 30, 2012, of (i) Consolidated Total Indebtedness plus 800% of Consolidated Lease Expense to (ii) Consolidated EBITDAR for the period of four (4) consecutive Fiscal Quarters ending with the end of such Fiscal Quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be greater than 4.00 to 1.00.

## ARTICLE VII

### Events of Default

If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of any Borrower or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect when made or deemed made;

(d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to any Borrower's existence), 5.08 or 5.09, in Article VI or in Article X;

(e) any Borrower or any Subsidiary Guarantor, as applicable, shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or any other Loan Document, and such failure shall continue unremedied for a period of thirty (30) days after notice thereof from the Administrative Agent to the Company (which notice will be given at the request of any Lender);

(f) the Company or any Subsidiary shall fail to make any payment of principal or interest, regardless of amount, in respect of any Material Indebtedness, when and as the same shall become due and payable beyond the period (without giving effect to any extensions, waivers, amendments or other modifications of or to such period) of grace, if any, provided in the instrument or agreement under which such Material Indebtedness was created, and, prior to any termination of Commitments or the acceleration of payment of Loans pursuant to this Article VII, such failure is not waived in writing by the holders of such Material Indebtedness;

(g) any event or condition occurs (after giving effect to any applicable grace periods and after giving effect to any extensions, waivers, amendments or other modifications of any applicable provision or agreement) that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause, with the giving of an acceleration or similar notice if required, any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness to the extent such Indebtedness is paid when due;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; provided, however, that the occurrence of any of the events specified in this paragraph (h) with respect to any Person other than the Company shall not be deemed to be an Event of Default unless (x) the net assets of such Person, determined in accordance with GAAP, shall have exceeded \$20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (h) and in paragraphs (i) and (j) of this Article VII shall have occurred shall have exceeded \$50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event;

(i) (1) the Company or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; provided, however, that the occurrence of any of the events specified in this paragraph (i) with respect to any Person other than any Borrower shall not be deemed to be an Event of Default unless (x) the net assets of such Person, determined in accordance with GAAP, shall have exceeded \$20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (i) and in paragraphs (h) and (j) of this Article VII shall have occurred shall have exceeded \$50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event or (2) a Luxembourg Borrower Insolvency Event shall occur;

(j) the Company or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due; provided, however, that the occurrence of any of the events specified in this paragraph (j) with respect to any Person other than any Borrower shall not be deemed to be an Event of Default unless (x) the net assets of such Person, determined in accordance with GAAP, shall have exceeded \$20,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event and/or (y) the aggregate net assets of all Loan Parties and other Subsidiaries in respect of which any of the events specified in this paragraph (j) and in paragraphs (h) and (i) of this Article VII shall have occurred shall have exceeded \$50,000,000 as of the date of the most recent audited financial statements delivered to the Lenders pursuant to Section 5.01 or on the date of occurrence of any such event;

(k) one or more judgments for the payment of money in an aggregate amount (not paid or covered by insurance) in excess of \$50,000,000 shall be rendered against the Company, any Subsidiary or any combination thereof and (i) the same shall remain undischarged for a period of 60 consecutive days from the entry thereof during which execution shall not be effectively stayed or bonded, or (ii) any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur; or

(n) any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or the Company or any Subsidiary shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms);

then, and in every such event (other than an event with respect to any Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Company, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Borrowers accrued hereunder and under the other Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and in case of any event with respect to any Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations accrued hereunder and under the other Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity.



ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence, bad faith or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by giving thirty (30) days' prior written notice thereof to the Lenders, the Issuing Banks and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by any Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between such Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

None of the Lenders, if any, identified in this Agreement as a Syndication Agent or Co-Documentation Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to the relevant Lenders in their respective capacities as Syndication Agent or Co-Documentation Agents, as applicable, as it makes with respect to the Administrative Agent in the preceding paragraph.

The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Administrative Agent) authorized to act for, any other Lender. The Administrative Agent shall have the exclusive right on behalf of the Lenders to enforce the payment of the principal of and interest on any Loan after the date such principal or interest has become due and payable pursuant to the terms of this Agreement.

## ARTICLE IX

### Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or teletype, as follows:

(i) if to any Borrower, to it c/o Coach, Inc., 516 West 34<sup>th</sup> Street, New York, New York 10001 Attention of Nancy Walsh, Senior Vice President and Treasurer (Teletype No. (212) 615-2121; Telephone No. (212) 629-2615), with a copy (in the case of a notice of Default) to General Counsel (Teletype No. (212) 615-2541; Telephone No. (212) 615-2002);

(ii) if to the Administrative Agent, (A) in the case of Borrowings denominated in Dollars, to JPMorgan Chase Bank, N.A., 10 South Dearborn Street, Chicago, Illinois 60603, Attention of Margaret Seweryn (Teletype No. (888) 292-9533) and (B) in the case of Borrowings denominated in Foreign Currencies, to J.P. Morgan Europe Limited, 125 London Wall, London EC2Y 5AJ, Attention of The Manager, Loan & Agency Services (Teletype No. 44 207 777 2360), and in each case with a copy to JPMorgan Chase Bank, N.A., 277 Park Avenue, 22<sup>nd</sup> Floor, New York, New York 10172, Attention of James A. Knight (Teletype No. (646) 534-3081);

(iii) if to JPMorgan Chase Bank, N.A. in its capacity as an Issuing Bank, to it at JPMorgan Chase Bank, N.A., Attention of GTS Client Servicing (Teletype No. (312) 288-8950);

(iv) if to the Swingline Lender, to it at JPMorgan Chase Bank, N.A., Attention of Margaret Seweryn (Teletype No. (888) 292-9533);  
and

(v) if to any other Lender or Issuing Bank, to it at its address (or teletype number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Except as provided in Section 2.20 with respect to an Incremental Term Loan Amendment or as provided in Section 2.25 with respect to the extension of the Maturity Date, neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender directly affected thereby, provided that (x) any amendment to the financial covenant definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (ii) even if the effect of such amendment would be to reduce the rate of interest on any Loan or any LC Disbursement or to reduce any fee payable hereunder and (y) that only the consent of the Required Lenders shall be necessary to reduce or waive any obligation of the Borrowers to pay interest or fees at the applicable default rate set forth in Section 2.13(c), (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender directly affected thereby, (iv) change Section 2.18(b) or (d) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (it being understood that, solely with the consent of the parties prescribed by Section 2.20 to be parties to an Incremental Term Loan Amendment, Incremental Term Loans may be included in the determination of Required Lenders on substantially the same basis as the Commitments and the Revolving Loans are included on the Effective Date), or (vi) release the Company or all or substantially all of the Subsidiary Guarantors from their obligations under Article X or the Subsidiary Guaranty without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, any Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Bank or the Swingline Lender, as the case may be.

(c) Notwithstanding the foregoing, this Agreement and any other Loan Document may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrowers to each relevant Loan Document (x) to add one or more credit facilities (in addition to the Incremental Term Loans pursuant to an Incremental Term Loan Amendment) to this Agreement and to permit extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Loans, Incremental Term Loans and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Lenders.

(d) If, in connection with any proposed amendment, waiver or consent requiring the consent of “each Lender” or “each Lender directly affected thereby,” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a “Non-Consenting Lender”), then the Company may elect to replace a Non-Consenting Lender as a Lender party to this Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Company and the Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 9.04, and (ii) each Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by such Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 2.15 and 2.17, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.16 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender.

(e) Notwithstanding anything to the contrary herein the Administrative Agent may, with the consent of the Borrowers only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency.

**SECTION 9.03. Expenses; Indemnity; Damage Waiver.** (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of one primary counsel for the Administrative Agent and one local counsel in each applicable jurisdiction, in connection with the syndication and distribution (including, without limitation, via the internet or through a service such as Intralinks) of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Banks in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of one primary counsel and of any special and local counsel for the Administrative Agent and the Issuing Banks and one additional counsel for all Lenders other than the Administrative Agent and additional counsel in light of actual or potential conflicts of interest or the availability of different claims or defenses, in connection with the enforcement or protection of its rights in connection with this Agreement and any other Loan Document, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall indemnify the Administrative Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent, any Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Bank or the Swingline Lender, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (it being understood that the Company’s failure to pay any such amount shall not relieve the Company of any default in the payment thereof); provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than fifteen (15) days after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that (i) no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Company; provided, further, that no consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Company and the Administrative Agent otherwise consent, provided that no such consent of the Company shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500, such fee to be paid by either the assigning Lender or the assignee Lender or shared between such Lenders;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Company and its affiliates and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws; and

(E) no assignment shall be made to the Company or any of its Subsidiaries or Affiliates or to a natural person.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of each Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Banks and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(e) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.



(c) Any Lender may, without the consent of any Borrower, the Administrative Agent, the Issuing Banks or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged; (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (C) the Borrowers, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(d) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any other Loan Document or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and in whatever currency denominated) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower or any Subsidiary Guarantor against any of and all of the Obligations held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Each Foreign Subsidiary Borrower irrevocably designates and appoints the Company, as its authorized agent, to accept and acknowledge on its behalf, service of any and all process which may be served in any suit, action or proceeding of the nature referred to in Section 9.09(b) in any federal or New York State court sitting in New York City. The Company hereby represents, warrants and confirms that the Company has agreed to accept such appointment (and any similar appointment by a Subsidiary Guarantor which is a Foreign Subsidiary). Said designation and appointment shall be irrevocable by each such Foreign Subsidiary Borrower until all Loans, all reimbursement obligations, interest thereon and all other amounts payable by such Foreign Subsidiary Borrower hereunder and under the other Loan Documents shall have been paid in full in accordance with the provisions hereof and thereof and such Foreign Subsidiary Borrower shall have been terminated as a Borrower hereunder pursuant to Section 2.23. Each Foreign Subsidiary Borrower hereby consents to process being served in any suit, action or proceeding of the nature referred to in Section 9.09(b) in any federal or New York State court sitting in New York City by service of process upon the Company as provided in this Section 9.09(d); provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Company and (if applicable to) such Foreign Subsidiary Borrower at its address set forth in the Borrowing Subsidiary Agreement to which it is a party or to any other address of which such Foreign Subsidiary Borrower shall have given written notice to the Administrative Agent (with a copy thereof to the Company). Each Foreign Subsidiary Borrower irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon such Foreign Subsidiary Borrower in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to such Foreign Subsidiary Borrower. To the extent any Foreign Subsidiary Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of a judgment, execution or otherwise), each Foreign Subsidiary Borrower hereby irrevocably waives such immunity in respect of its obligations under the Loan Documents. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, including any self-regulatory authority, such as the National Association of Insurance Commissioners (provided that, except with respect to any audit or examination by bank accountants or by any governmental bank regulatory authority exercising examination or regulatory authority, each of the Administrative Agent, the Issuing Banks and the Lenders shall, to the extent practicable and not prohibited by applicable law, use reasonable efforts to promptly notify the Company of such disclosure), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Company. For the purposes of this Section, "Information" means all information received from the Company relating to the Company or its business, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Company. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies each Loan Party that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies such Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the Act.

SECTION 9.14. Releases of Subsidiary Guarantors.

(a) A Subsidiary Guarantor shall automatically be released from its obligations under the Subsidiary Guaranty upon the consummation of any transaction permitted by this Agreement as a result of which such Subsidiary Guarantor ceases to be a Subsidiary; provided that, if so required by this Agreement, the Required Lenders shall have consented to such transaction and the terms of such consent shall not have provided otherwise. In connection with any termination or release pursuant to this Section, the Administrative Agent shall (and is hereby irrevocably authorized by each Lender to) execute and deliver to any Loan Party, at such Loan Party's expense, all documents that such Loan Party shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section shall be without recourse to or warranty by the Administrative Agent.

(b) Further, the Administrative Agent may (and is hereby irrevocably authorized by each Lender to), upon the request of the Company, release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty if such Subsidiary Guarantor is no longer a Significant Subsidiary.

(c) At such time as the principal and interest on the Loans, all LC Disbursements, the fees, expenses and other amounts payable under the Loan Documents and the other Obligations (other than Obligations expressly stated to survive such payment and termination) shall have been paid in full in cash, the Commitments shall have been terminated and no Letters of Credit shall be outstanding, the Subsidiary Guaranty and all obligations (other than those expressly stated to survive such termination) of each Subsidiary Guarantor thereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any Person.

SECTION 9.15. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.16. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Lenders are arm's-length commercial transactions between such Borrower and its Affiliates, on the one hand, and the Lenders and their Affiliates, on the other hand, (B) such Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) such Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Lenders and their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for such Borrower or any of its Affiliates, or any other Person and (B) no Lender or any of its Affiliates has any obligation to such Borrower or any of its Affiliates with respect to the transactions contemplated hereby except, in the case of a Lender, those obligations expressly set forth herein and in the other Loan Documents; and (iii) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of such Borrower and its Affiliates, and no Lender or any of its Affiliates has any obligation to disclose any of such interests to such Borrower or its Affiliates. To the fullest extent permitted by law, each Borrower hereby waives and releases any claims that it may have against each of the Lenders and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

ARTICLE X

Company Guarantee

SECTION 10.01. Guarantee. (a) The Company hereby unconditionally and irrevocably guarantees to the Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Foreign Subsidiary Borrowers when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations of the Foreign Subsidiary Borrowers (the “Subsidiary Obligations”).

(b) The Company agrees that the Subsidiary Obligations may at any time and from time to time exceed the amount of the liability of the Company hereunder that would exist in the absence of this Article X without impairing this Guarantee or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(c) This Guarantee shall remain in full force and effect until all the Subsidiary Obligations shall have been satisfied by payment in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of this Guarantee the Foreign Subsidiary Borrowers may be free from any Subsidiary Obligations.

(d) No payment made by any Borrower, any Subsidiary Guarantor, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from any Borrower, any Subsidiary Guarantor, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Subsidiary Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Company hereunder which shall, notwithstanding any such payment (other than any payment made by the Company in respect of the Subsidiary Obligations or any payment received or collected from the Company in respect of the Subsidiary Obligations), remain liable for the Subsidiary Obligations until the Subsidiary Obligations are paid in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments are terminated.

SECTION 10.02. No Subrogation. Notwithstanding any payment made by the Company hereunder or any set-off or application of funds of the Company by the Administrative Agent or any Lender, the Company shall not be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Foreign Subsidiary Borrowers, any Subsidiary Guarantor or any other guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Subsidiary Obligations nor shall the Company seek or be entitled to seek any contribution or reimbursement from the Foreign Subsidiary Borrowers, any Subsidiary Guarantor or any other guarantor in respect of payments made by the Company under this Guarantee, until all amounts owing to the Administrative Agent and the Lenders by the Foreign Subsidiary Borrowers on account of the Subsidiary Obligations are paid in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to the Company on account of such subrogation rights at any time when all of the Subsidiary Obligations shall not have been paid in full in immediately available funds, such amount shall be held by the Company for the benefit of the Administrative Agent and the Lenders, and shall, forthwith upon receipt by the Company, be turned over to the Administrative Agent in the exact form received by the Company (duly indorsed by the Company to the Administrative Agent, if required), to be applied against the Subsidiary Obligations whether matured or unmatured, in such order as the Administrative Agent may determine.

SECTION 10.03. Amendments, etc. with respect to the Subsidiary Obligations. The Company shall remain obligated under this Guarantee notwithstanding that, without any reservation of rights against the Company and without notice to or further assent by the Company, any demand for payment of any of the Subsidiary Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Subsidiary Obligations continued, and the Subsidiary Obligations or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and this Agreement and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, in accordance with Section 9.02, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Subsidiary Obligations may be sold, exchanged, waived, surrendered or released without affecting the Company's obligations under this Article X. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Subsidiary Obligations or for this Guarantee.

SECTION 10.04. Guarantee Absolute and Unconditional. The Company waives any and all notice of the creation, renewal, extension or accrual of any of the Subsidiary Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon this Guarantee or acceptance of this Guarantee; the Subsidiary Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Article X; and all dealings between the Company and any of the Subsidiary Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Article X. The Company waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Foreign Subsidiary Borrowers or any of the Subsidiary Guarantors with respect to the Subsidiary Obligations. The Company understands and agrees that this Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of this Agreement, any of the Subsidiary Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Foreign Subsidiary Borrower or any other Person against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of any Borrower or any Subsidiary Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Foreign Subsidiary Borrowers for the Subsidiary Obligations, or of the Company under this Article X, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against the Company, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Foreign Subsidiary Borrowers, any Subsidiary Guarantor or any other guarantor or any other Person or against any collateral security or guarantee for the Subsidiary Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from any Foreign Subsidiary Borrower, any Subsidiary Guarantor, any other guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of any Foreign Subsidiary Borrower, any Subsidiary Guarantor, any other guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve the Company of any obligation or liability under this Article X, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against the Company under this Article X. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

SECTION 10.05. Reinstatement. This Article X shall continue to be effective, or shall be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Subsidiary Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or any Subsidiary Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any Subsidiary Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

SECTION 10.06. Payments. The Company hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in dollars or the applicable Agreed Currency in accordance with Section 2.18.

[Signature Pages Follow]



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

COACH, INC.,  
as the Company

By \_\_\_\_\_  
Name:  
Title:

JPMORGAN CHASE BANK, N.A., individually as a Lender, as the Swingline Lender, as an Issuing Bank  
and as Administrative Agent

By \_\_\_\_\_  
Name:  
Title:

HSBC BANK USA, NATIONAL ASSOCIATION, individually as a Lender and as Syndication Agent

By \_\_\_\_\_  
Name:  
Title:

[OTHER AGENTS AND LENDERS],

## SCHEDULE 2.01

## COMMITMENTS

| <u>LENDER</u>                          | <u>COMMITMENT</u>    |
|--|----------------------|
| JPMORGAN CHASE BANK, N.A.              | \$65,000,000.00      |
| HSBC BANK USA, NATIONAL ASSOCIATION    | \$65,000,000.00      |
| TD BANK, N.A.                          | \$50,000,000.00      |
| U.S. BANK NATIONAL ASSOCIATION         | \$50,000,000.00      |
| WELLS FARGO BANK, NATIONAL ASSOCIATION | \$50,000,000.00      |
| BANK OF AMERICA, N.A.                  | \$30,000,000.00      |
| THE NORTHERN TRUST COMPANY             | \$30,000,000.00      |
| PNC BANK, NATIONAL ASSOCIATION         | \$30,000,000.00      |
| THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. | \$30,000,000.00      |
| <b>AGGREGATE COMMITMENT</b>            | <b>\$400,000,000</b> |

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SCHEDULE 2.02

MANDATORY COST

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the “Associated Costs Rate”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Administrative Agent as a weighted average of the Lenders’ Associated Costs Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
3. The Associated Costs Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
4. The Associated Costs Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Administrative Agent as follows:

- (a) in relation to a Loan in Pounds Sterling:

$$\frac{AB + C(B - D) + E \times 0.01}{100 - (A + C)} \text{ per cent. per annum}$$

- (b) in relation to a Loan in any currency other than Pounds Sterling:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum.}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
  - B is the percentage rate of interest (excluding the Applicable Rate and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in Section 2.13(c)) payable for the relevant Interest Period on the Loan.
  - C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
-

- D is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.
- E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
5. For the purposes of this Schedule:
- (a) “**Eligible Liabilities**” and “**Special Deposits**” have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
  - (b) “**Facility Office**” means the office or offices notified by a Lender to the Administrative Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement;
  - (c) “**Fees Rules**” means the rules on periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
  - (d) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);
  - (e) “**Participating Member State**” means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union;
  - (f) “**Reference Banks**” means, in relation to Mandatory Cost, the principal London offices of JPMorgan Chase Bank, N.A.;
  - (g) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules; and
  - (h) “**Unpaid Sum**” means any sum due and payable but unpaid by any Borrower under the Loan Documents.
6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Associated Costs Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:
- (a) the jurisdiction of its Facility Office; and
  - (b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.
10. The Administrative Agent shall have no liability to any person if such determination results in an Associated Costs Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Associated Costs Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.
12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Associated Costs Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.
13. The Administrative Agent may from time to time, after consultation with the Company and the relevant Lenders, determine and notify to all parties hereto any amendments which are required to be made to this Schedule 2.02 in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

SCHEDULE 2.06

EXISTING LETTER OF CREDIT

| <u>Legal Entity</u> | <u>LC Obligation Number</u> | <u>Maturity Date</u> | <u>Beneficiary</u>   | <u>Amount</u>  |
|---------------------|-----------------------------|----------------------|----------------------|----------------|
| Coach, Inc.         | 1260461                     | 07/01/2012           | Sara Lee Corporation | \$7,626,474.00 |

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SCHEDULE 3.01

SUBSIDIARIES

| Entity Name                             | Domestic Jurisdiction | Share holder                       | Security Name                 | Shares Authorized | Shares Outstanding | Percent Owned |
|---|-----------------------|------------------------------------|-------------------------------|-------------------|--------------------|---------------|
| 504-514 West 34th Street Corp.          | Maryland (US)         | Coach, Inc.                        | Common Stock                  | 100               | 100                | 100%          |
| 516 West 34th Street LLC                | Delaware (US)         | Coach, Inc.                        | Percentage Ownership Interest | US\$100           | LLC - No shares    | 100           |
| Coach (Gloratta) Limited                | Gloratta r            | Coach International Holdings, Sarl | Ordinary shares               | 4,000             | 1,000,000          | 100           |
| Coach Consulting Donoquan Co. Ltd.      | Donoquan              | Coach International Limited        | Registered Capital            | US\$454,800       | US\$454,800        | 100           |
| Coach France S.A.S.                     | France                | Coach, Inc.                        | Common Stock                  | 341,000,000       | 341,000,000        | 100           |
| Coach Hong Kong Limited                 | Hong Kong             | Coach Netherlands B.V.             | Ordinary shares               | 1,000,000         | 1,000,000          | 100           |
| Coach International Holdings, Inc.      | Cayman Islands        | Coach Netherlands B.V.             | Ordinary shares               | 50,000            | 50,000             | 100           |
| Coach International Holdings, Sarl      | Luxembourg            | Coach, Inc. Luxembourg Branch      | Ordinary shares               | 1,000             | 100                | 100           |
| Coach International Limited             | Hong Kong             | Coach International Holdings, Inc. | Ordinary shares               | 100,000           | 100,000            | 100           |
| Coach Italy Services S.r.l.             | Italy                 | Coach, Inc.                        | Quotes                        | € 10,000          | N/A                | 100           |
| Coach Japan LLC                         | Japan                 | Coach Netherlands B.V.             | Registered Capital            | ¥100,000,000      | N/A                | 100           |
| Coach Korea Limited                     | Korea                 | Coach Netherlands B.V.             | Shares                        | 5,000             | 5,000              | 100           |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Coach Japan Investments, LLC       | Shares                        | 6,200             | 31                 | 0.5           |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Coach Services, Inc.               | Shares                        | 6,200             | 31                 | 0.5           |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Coach Thailand Holdings, LLC       | Shares                        | 6,200             | 6,134              | 98.935494     |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | de Rooy, Caroline                  | Shares                        | 6,200             | 1                  | 0.016129      |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Kahn, Todd                         | Shares                        | 6,200             | 1                  | 0.016129      |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Ross, Daniel                       | Shares                        | 6,200             | 1                  | 0.016129      |
| Coach Leatherware (Thailand) Ltd.       | Thailand              | Torchapensuth Phoi, Kanachana      | Shares                        | 6,200             | 1                  | 0.016129      |
| Coach Leatherware India Private Limited | India                 | Coach International Holdings, Inc. | Equity Shares                 | 50,000            | 500                | 1             |
| Coach Leatherware India Private Limited | India                 | Coach International Limited        | Equity Shares                 | 50,000            | 49,500             | 99            |
| Coach Malaysia SDN. BHD.                | Malaysia              | Coach Netherlands B.V.             | Ordinary shares               | 10,000,000        | 10,000,000         | 100           |
| Coach Management (Shanghai) Co. Ltd.    | Shanghai              | Coach Manufacturing Limited        | Registered Capital            | US\$3,000,000     | US\$3,000,000      | 100           |
| Coach Manufacturing Limited             | Hong Kong             | Coach International Holdings, Inc. | Ordinary shares               | 50,000            | 50,000             | 100           |
| Coach Netherlands B.V.                  | Netherlands           | Coach International Holdings, Sarl | Shares                        | 90,000            | 18,000             | 100           |
| Coach Services, Inc. (1)                | Maryland (US)         | Coach, Inc.                        | Common Stock                  | 1,000             | 100                | 100           |
| Coach Shanghai Limited                  | Shanghai              | Coach Hong Kong Limited            | Registered Capital            | US\$56,960,000    | N/A                | 100           |
| Coach Singapore Pte. Ltd.               | Singapore             | Coach Netherlands B.V.             | Ordinary shares               | 500               | 500                | 100           |
| Coach Spain, S.L.                       | Spain                 | Coach Stores Limited               | Shares                        | 100,000           | 100,000            | 100           |
| Coach Stores Canada, Inc.               | Ontario               | Coach, Inc.                        | Common Stock                  | Unlimited         | 100                | 100           |
| Coach Stores France SAS                 | France                | Coach Stores Limited               | Shares                        | 1,000             | 1,000              | 100           |
| Coach Stores Ireland Limited            | Ireland               | Coach Stores Limited               | Ordinary shares               | 1,000,000         | 1                  | 100           |
| Coach Stores Limited                    | UK                    | Coach Manufacturing Limited        | Percentage Ownership Interest | 12,000            | 6,000              | 50            |
| Coach Stores Limited                    | UK                    | Hackett Limited                    | Percentage Ownership Interest | 12,000            | 6,000              | 50            |
| Coach Stores Puerto Rico, Inc.          | Delaware (US)         | Coach, Inc.                        | Common Stock                  | N/A               | N/A                | 100           |
| Coach Stores Unipessoal LDA             | Portugal              | Coach Spain, S.L.                  | Registered Capital            | € 5,000           | N/A                | 100           |
| Coach Taiwan Co., Ltd.                  | Taipei                | Coach Netherlands B.V.             | Shares                        | 7,500,000         | 7,500,000          | 100           |
| Coach Vietnam Company Limited           | Vietnam               | Coach Netherlands B.V.             | Percentage Ownership Interest | US\$400,000       | US\$400,000        | 100           |
| IP Recoveries LLC                       | Delaware (US)         | Coach, Inc.                        | Percentage Ownership Interest | \$100             | LLC - No shares    | 100           |
| Luxury Brands Management Co., Ltd.      | Taipei                | Coach Taiwan Co., Ltd.             | Ordinary shares               | 3,000,000         | 3,000,000          | 100           |
| Reed Krakoff LLC                        | Delaware (US)         | Coach, Inc.                        | Percentage Ownership Interest | \$100             | LLC - No shares    | 100           |

(1) Significant Subsidiary as defined in the Credit Agreement

SCHEDULE 3.05  
PROPERTIES

None.



SCHEDULE 3.06

LITIGATION

None.

SCHEDULE 6.01

EXISTING INDEBTNESS

1. Indebtedness in respect of that certain Development Agreement between the City of Jacksonville and Coach, Inc. (as successor by merger to Coach Services, Inc.) dated as of October 10, 1994, in an aggregate principal amount outstanding as of the Closing Date of not greater than \$1,440,000
2. Other indebtedness is in the form of Letters of Credit listed below:

Bank of America Standby Letters of Credit (Issued under existing \$100MM Credit Facility)

| <u>Standby LC#</u> | <u>Beneficiary</u>   | <u>Explanation Date</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------------|---------------|
| 1260461            | SARA LEE CORPORATION | 7/1/12                  | \$7,626,474   |
|                    |                      | Total Standby L/C's     | \$7,626,474   |

3. 516 West 34<sup>th</sup> Street, New York, NY Mortgage in an aggregate principal amount outstanding as of the Closing Date of not greater than \$22,000,000

SCHEDULE 6.02

EXISTING LIENS

Note - UCCs that were terminated or expired are not included on this lien search chart.

| Debtor                              | Jurisdiction | Scope of Search  | Type of filing found   | Secured Party   | Collateral   | Original File Date | Original File Number | Amdt. File Date | Amdt. File Number |
|-------------------------------------|--------------|------------------|--|---|--|--------------------|----------------------|-----------------|-------------------|
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | Pearland Town Center Limited Partnership/CBL & Associates Limited Partnership | Liens for rent, taxes, and other sums granted under law and equity | 08/10/2009         | 181376628            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | Shared Technologies Inc.  | Equipment  | 03/18/2010         | 181391253            |                 |                   |
| Coach, Inc.                         | MD SOS       | A thru 05/31/12  | UCC-1  | United Rentals (North America), Inc.  | Equipment  | 04/19/2010         | 181393440            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | US Bancorp  | Equipment  | 10/15/2010         | 181406129            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | U.S. Bancorp Business Equipment Finance Group                                 | Equipment  | 11/12/2010         | 181407973            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | U.S. Bancorp Business Equipment Finance Group                                 | Equipment  | 02/14/2011         | 181413897            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | United Rentals (North America), Inc.  | Equipment  | 11/16/2011         | 181433215            |                 |                   |
| Coach, Inc.                         | MD SOS       | through 05/31/12 | UCC-1  | U.S. Bank Equipment Finance   | Equipment  | 04/20/2012         | 181444344            |                 |                   |
| Coach, Inc.                         | NY County    | through 05/21/12 | State Tax Lien   | State of New York   | \$24,384.14  | 03/24/2011         | 2814433-01           |                 |                   |
| Coach, Inc.                         | NY County    | through 05/21/12 | State Tax Lien   | State of New York   | \$56,654.32  | 12/14/2011         | 2922435-01           |                 |                   |
| 516West 34 <sup>th</sup> Street LLC | DE SOS       | through 05/15/12 | UCC-1<br>UCC-3 assignment<br>UCC-3 continuation<br>UCC-3 amendment | Bear Stearns Commercial Mortgage, Inc.<br>LaSalle Bank National Association   | Fixture filing   | 06/03/2003         | 31405730             | 10/27/2003      | 32814096          |
|                                     |              |                  |  |   |  |                    |                      | 12/10/2007      | 74787593          |
|                                     |              |                  |  |   |  |                    |                      | 12/16/2008      | 84176556          |
| 516West 34 <sup>th</sup> Street LLC | DE SOS       | through 05/15/12 | UCC-1  | Bank of America, National Association   | Fixture filing   | 12/16/2008         | 84175913             |                 |                   |

516 West 34<sup>th</sup> Street, New York, NY, mortgage in an aggregate principal amount outstanding as of the Closing Date of not greater than \$22,000,000.

SCHEDULE 6.04  
EXISTING INVESTMENTS

| <u>Investment</u>                                   | <u>Amount</u> |
|---|---------------|
| River Lake Insurance Company II Series 2004-2 (ARS) | \$8,700,000   |

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “Assignor”) and [*Insert name of Assignee*] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- |    |                       |   |
|----|-----------------------|---|
| 1. | Assignor:             | _____   |
| 2. | Assignee:             | _____   |
|    |                       | [and is an Affiliate of [identify Lender] <sup>1</sup> ]  |
| 3. | Borrowers:            | <u>Coach, Inc. and certain Foreign Subsidiary Borrowers</u>   |
| 4. | Administrative Agent: | JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement   |
| 5. | Credit Agreement:     | The Credit Agreement dated as of June 18, 2012 among Coach, Inc., the Foreign Subsidiary Borrowers from time to time parties thereto, the Lenders parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents parties thereto |

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<sup>1</sup> Select as applicable.

6. Assigned Interest:

| Aggregate Amount of Commitment/Loans for all Lenders | Amount of Commitment/Loans Assigned | Percentage Assigned of Commitment/Loans <sup>2</sup> |
|--|-------------------------------------|--|
| \$   | \$                                  | %  |
| \$   | \$                                  | %  |
| \$   | \$                                  | %  |

Effective Date: \_\_\_\_\_, 20\_\_ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Title:

Consented to and Accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: \_\_\_\_\_  
Title:

[Consented to:]<sup>3</sup>

COACH, INC.

By: \_\_\_\_\_  
Title:

<sup>2</sup> Set forth, so at least 9 decimals, as percentage of the Commitment/Loans of all Lenders thereunder.

<sup>3</sup> To be added only if the consent of the Company is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby 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 acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (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 Assignment and Assumption and to purchase the Assigned Interest 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 (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor 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 Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B

[Intentionally Omitted]



EXHIBIT C

FORM OF INCREASING LENDER SUPPLEMENT

INCREASING LENDER SUPPLEMENT, dated \_\_\_\_\_, 20\_\_ (this "Supplement"), by and among each of the signatories hereto, to the Credit Agreement, dated as of June 18, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

WITNESSETH

WHEREAS, pursuant to Section 2.20 of the Credit Agreement, the Company has the right, subject to the terms and conditions thereof, to effectuate from time to time an increase in the Aggregate Commitment and/or one or more tranches of Incremental Term Loans under the Credit Agreement by requesting one or more Lenders to increase the amount of its Commitment and/or to participate in such a tranche;

WHEREAS, the Company has given notice to the Administrative Agent of its intention to [increase the Aggregate Commitment] [and] [enter into a tranche of Incremental Term Loans] pursuant to such Section 2.20; and

WHEREAS, pursuant to Section 2.20 of the Credit Agreement, the undersigned Increasing Lender now desires to [increase the amount of its Commitment] [and] [participate in a tranche of Incremental Term Loans] under the Credit Agreement by executing and delivering to the Company and the Administrative Agent this Supplement;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Increasing Lender agrees, subject to the terms and conditions of the Credit Agreement, that on the date of this Supplement it shall [have its Commitment increased by \$[\_\_\_\_\_]], thereby making the aggregate amount of its total Commitments equal to \$[\_\_\_\_\_]] [and] [participate in a tranche of Incremental Term Loans with a commitment amount equal to \$[\_\_\_\_\_]] with respect thereto].

2. The Company hereby represents and warrants that no Default or Event of Default has occurred and is continuing on and as of the date hereof.

3. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

4. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

5. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF INCREASING LENDER]

By: \_\_\_\_\_  
Name:  
Title:

Accepted and agreed to as of the date first written above:

COACH, INC.

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged as of the date first written above:

JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT D

FORM OF AUGMENTING LENDER SUPPLEMENT

AUGMENTING LENDER SUPPLEMENT, dated \_\_\_\_\_, 20\_\_ (this "Supplement"), to the Credit Agreement, dated as of June 18, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

WITNESSETH

WHEREAS, the Credit Agreement provides in Section 2.20 thereof that any bank, financial institution or other entity may [extend Commitments] [and] [participate in tranches of Incremental Term Loans] under the Credit Agreement subject to the approval of the Company and the Administrative Agent, by executing and delivering to the Company and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned Augmenting Lender was not an original party to the Credit Agreement but now desires to become a party thereto;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Augmenting Lender agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the date of this Supplement, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with a [Commitment with respect to Revolving Loans of \$[\_\_\_\_\_]] [and] [a commitment with respect to Incremental Term Loans of \$[\_\_\_\_\_]].

2. The undersigned Augmenting Lender (a) represents and warrants that it is legally authorized to enter into this Supplement; (b) confirms that 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 has reviewed such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (c) agrees that it will, independently and without reliance upon 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 or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

3. The undersigned's address for notices for the purposes of the Credit Agreement is as follows:

[\_\_\_\_\_]

4. The Company hereby represents and warrants that no Default or Event of Default has occurred and is continuing on and as of the date hereof.

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5. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

6. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF AUGMENTING LENDER]

By: \_\_\_\_\_  
Name:  
Title:

Accepted and agreed to as of the date first written above:

COACH, INC.

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged as of the date first written above:

JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT E

LIST OF CLOSING DOCUMENTS

**COACH, INC.  
CERTAIN FOREIGN SUBSIDIARY BORROWERS**

**CREDIT FACILITIES**

June 18, 2012

LIST OF CLOSING DOCUMENTS<sup>1</sup>

**A. LOAN DOCUMENTS**

1. Credit Agreement (the "Credit Agreement") by and among Coach, Inc., a Maryland corporation (the "Company"), the Foreign Subsidiary Borrowers from time to time parties thereto (collectively with the Company, the "Borrowers"), the institutions from time to time parties thereto as Lenders (the "Lenders") and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for itself and the other Lenders (the "Administrative Agent"), evidencing a revolving credit facility to the Borrowers from the Lenders in an initial aggregate principal amount of \$400,000,000.

SCHEDULES

|                      |    |                                  |
|----------------------|----|----------------------------------|
| Schedule 2.01        | -- | Commitments                      |
| Schedule 2.02        | -- | Mandatory Cost                   |
| <i>Schedule 2.06</i> | -- | <i>Existing Letter of Credit</i> |
| <i>Schedule 3.01</i> | -- | <i>Subsidiaries</i>              |
| <i>Schedule 3.05</i> | -- | <i>Properties</i>                |
| <i>Schedule 3.06</i> | -- | <i>Litigation</i>                |
| <i>Schedule 6.01</i> | -- | <i>Existing Indebtedness</i>     |
| <i>Schedule 6.02</i> | -- | <i>Existing Liens</i>            |
| <i>Schedule 6.04</i> | -- | <i>Existing Investments</i>      |

EXHIBITS

|             |    |   |
|-------------|----|---|
| Exhibit A   | -- | Form of Assignment and Assumption   |
| Exhibit B   | -- | [Intentionally Omitted]   |
| Exhibit C   | -- | Form of Increasing Lender Supplement  |
| Exhibit D   | -- | Form of Augmenting Lender Supplement  |
| Exhibit E   | -- | List of Closing Documents   |
| Exhibit F-1 | -- | Form of Borrowing Subsidiary Agreement  |
| Exhibit F-2 | -- | Form of Borrowing Subsidiary Termination                                      |
| Exhibit G   | -- | Form of Subsidiary Guaranty   |
| Exhibit H-1 | -- | Form of U.S. Tax Certificate (Foreign Lenders That Are Not Partnerships)      |
| Exhibit H-2 | -- | Form of U.S. Tax Certificate (Foreign Participants That Are Not Partnerships) |
| Exhibit H-3 | -- | Form of U.S. Tax Certificate (Foreign Participants That Are Partnerships)     |
| Exhibit H-4 | -- | Form of U.S. Tax Certificate (Foreign Lenders That Are Partnerships)          |

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<sup>1</sup> Each capitalized term used herein and not defined herein shall have the meaning assigned to such term in the above-defined Credit Agreement. Items appearing in **bold** and *italics* shall be prepared and/or provided by the Company and/or Company's counsel.

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2. Notes executed by the initial Borrowers in favor of each of the Lenders, if any, which has requested a note pursuant to Section 2.10(e) of the Credit Agreement.
3. Guaranty executed by the initial Subsidiary Guarantors (collectively with the Borrowers, the "Loan Parties") in favor of the Administrative Agent

#### B. CORPORATE DOCUMENTS

4. *Certificate of the Secretary or an Assistant Secretary of each Loan Party certifying (i) that there have been no changes in the Certificate of Incorporation or other charter document of such Loan Party, as attached thereto and as certified as of a recent date by the Secretary of State (or analogous governmental entity) of the jurisdiction of its organization, since the date of the certification thereof by such governmental entity, (ii) the By-Laws or other applicable organizational document, as attached thereto, of such Loan Party as in effect on the date of such certification, (iii) resolutions of the Board of Directors or other governing body of such Loan Party authorizing the execution, delivery and performance of each Loan Document to which it is a party, and (iv) the names and true signatures of the incumbent officers of each Loan Party authorized to sign the Loan Documents to which it is a party, and (in the case of each Borrower) authorized to request a Borrowing or the issuance of a Letter of Credit under the Credit Agreement.*
5. *Good Standing Certificate (or analogous documentation if applicable) for each Loan Party from the Secretary of State (or analogous governmental entity) of the jurisdiction of its organization, to the extent generally available in such jurisdiction.*

#### C. OPINIONS

6. *Opinion of Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Loan Parties.*
7. *Opinion of Venable LLP, special Maryland counsel for the Loan Parties.*

#### D. CLOSING CERTIFICATES AND MISCELLANEOUS

8. *A Certificate signed by the President, a Vice President or a Financial Officer of the Company certifying the following: (i) all of the representations and warranties of the Company set forth in the Credit Agreement are true and correct and (ii) no Default or Event of Default has occurred and is then continuing.*
9. *Termination and payoff documentation providing evidence satisfactory to the Administrative Agent that the credit facility evidenced by the Existing Credit Agreement has been terminated and cancelled (along with all of the agreements, documents and instruments delivered in connection therewith) and all Indebtedness owing thereunder has been repaid and any.*

EXHIBIT F-1

[FORM OF]

BORROWING SUBSIDIARY AGREEMENT

BORROWING SUBSIDIARY AGREEMENT dated as of [\_\_\_\_], among Coach, Inc., a Maryland corporation (the “Company”), [Name of Foreign Subsidiary Borrower], a [\_\_\_\_\_] (the “New Borrowing Subsidiary”), and JPMorgan Chase Bank, N.A. as Administrative Agent (the “Administrative Agent”).

Reference is hereby made to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among the Company, the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. Under the Credit Agreement, the Lenders have agreed, upon the terms and subject to the conditions therein set forth, to make Loans to certain Foreign Subsidiary Borrowers (collectively with the Company, the “Borrowers”), and the Company and the New Borrowing Subsidiary desire that the New Borrowing Subsidiary become a Foreign Subsidiary Borrower. In addition, the New Borrowing Subsidiary hereby authorizes the Company to act on its behalf as and to the extent provided for in Article II of the Credit Agreement. [Notwithstanding the preceding sentence, the New Borrowing Subsidiary hereby designates the following officers as being authorized to request Borrowings under the Credit Agreement on behalf of the New Subsidiary Borrower and sign this Borrowing Subsidiary Agreement and the other Loan Documents to which the New Borrowing Subsidiary is, or may from time to time become, a party: [\_\_\_\_\_].]

Each of the Company and the New Borrowing Subsidiary represents and warrants that the representations and warranties of the Company in the Credit Agreement relating to the New Borrowing Subsidiary and this Agreement are true and correct on and as of the date hereof, other than representations given as of a particular date, in which case they shall be true and correct as of that date. [The Company and the New Borrowing Subsidiary further represent and warrant that the execution, delivery and performance by the New Borrowing Subsidiary of the transactions contemplated under this Agreement and the use of any of the proceeds raised in connection with this Agreement will not contravene or conflict with, or otherwise constitute unlawful financial assistance under, Sections 677 to 683 (inclusive) of the United Kingdom Companies Act 2006 of England and Wales (as amended).] [INSERT OTHER PROVISIONS REASONABLY REQUESTED BY ADMINISTRATIVE AGENT OR ITS COUNSELS]<sup>1</sup> The Company agrees that the Guarantee of the Company contained in the Credit Agreement will apply to the Obligations of the New Borrowing Subsidiary. Upon execution of this Agreement by each of the Company, the New Borrowing Subsidiary and the Administrative Agent, the New Borrowing Subsidiary shall be a party to the Credit Agreement and shall constitute a “Foreign Subsidiary Borrower” for all purposes thereof, and the New Borrowing Subsidiary hereby agrees to be bound by all provisions of the Credit Agreement.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

[Signature Page Follows]

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<sup>1</sup> To be included only if a New Borrowing Subsidiary will be a Borrower organized under the laws of England and Wales.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers as of the date first appearing above.

COACH, INC.

By: \_\_\_\_\_  
Name:  
Title:

[NAME OF NEW BORROWING SUBSIDIARY]

By: \_\_\_\_\_  
Name:  
Title:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

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EXHIBIT F-2

[FORM OF]

BORROWING SUBSIDIARY TERMINATION

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
for the Lenders referred to below  
10 South Dearborn Street  
Chicago, Illinois 60603  
Attention: [\_\_\_\_\_]

[Date]

Ladies and Gentlemen:

The undersigned, Coach, Inc. (the "Company"), refers to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Company, the Foreign Subsidiary Borrowers from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Company hereby terminates the status of [\_\_\_\_\_] (the "Terminated Borrowing Subsidiary") as a Foreign Subsidiary Borrower under the Credit Agreement. [The Company represents and warrants that no Loans made to the Terminated Borrowing Subsidiary are outstanding as of the date hereof and that all amounts payable by the Terminated Borrowing Subsidiary in respect of interest and/or fees (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement) pursuant to the Credit Agreement have been paid in full on or prior to the date hereof.] [The Company acknowledges that the Terminated Borrowing Subsidiary shall continue to be a Borrower until such time as all Loans made to the Terminated Borrowing Subsidiary shall have been prepaid and all amounts payable by the Terminated Borrowing Subsidiary in respect of interest and/or fees (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement) pursuant to the Credit Agreement shall have been paid in full, provided that the Terminated Borrowing Subsidiary shall not have the right to make further Borrowings under the Credit Agreement.]

[Signature Page Follows]

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This instrument shall be construed in accordance with and governed by the laws of the State of New York.

Very truly yours,

COACH, INC.

By: \_\_\_\_\_  
Name:  
Title:

Copy to: JPMorgan Chase Bank, N.A.  
10 South Dearborn Street  
Chicago, Illinois 60603

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EXHIBIT G

[FORM OF]

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated as of June 18, 2012 (this "Guarantee"), made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Guarantors"), in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions or entities (the "Lenders") from time to time party to the Credit Agreement, dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc., a Maryland corporation (the "Company"), the Foreign Subsidiary Borrowers parties thereto (the "Foreign Subsidiary Borrowers" and, together with the Company, the "Borrowers"), the Lenders and the Administrative Agent.

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, each Borrower is a member of an affiliated group of companies that includes each Guarantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrowers to make valuable transfers to one or more of the Guarantors in connection with the operation of their respective businesses;

WHEREAS, the Borrowers and the Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrowers under the Credit Agreement that the Guarantors shall have executed and delivered this Guarantee to the Administrative Agent for the ratable benefit of the Lenders;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrowers thereunder, each Guarantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(b) The following terms shall have the following meanings:

"Borrower Obligations" means the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other Obligations and liabilities of each Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement and this Guarantee, any Letter of Credit or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by any Borrower pursuant to the terms of any of the foregoing agreements).

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“Reimbursement Obligation” means the obligation of each Borrower to reimburse the applicable Issuing Bank pursuant to Section 2.06(e) of the Credit Agreement for amounts drawn under Letters of Credit.

1.2 Other Definitional Provisions. (a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Guarantee shall refer to this Guarantee as a whole and not to any particular provision of this Guarantee, and Section and Schedule references are to this Guarantee unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

## SECTION 2. GUARANTEE

2.1 Guarantee. (a) Each Guarantor hereby, jointly and severally, unconditionally and irrevocably guarantees to the Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by each Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein to the contrary notwithstanding, the maximum liability of each Guarantor hereunder shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing this Guarantee or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) This Guarantee shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under this Guarantee shall have been satisfied by payment in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrowers may be free from any Borrower Obligations.

(e) No payment made by any Borrower, any Guarantor, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from any Borrower, any Guarantor, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments are terminated.

2.2 Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than the amount which otherwise would have been paid by or attributable to such Guarantor if each Guarantor had paid the aggregate Borrower Obligations satisfied by such payment in the same proportion as such Guarantor's "Allocable Amount" (as defined below) (as determined immediately prior to such payment) bore to the aggregate Allocable Amounts of each of the Guarantors as determined immediately prior to the making of such payment, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder. As of any date of determination, the "Allocable Amount" of any Guarantor shall be equal to the excess of the fair saleable value of the property of such Guarantor over the total liabilities of such Guarantor (including the maximum amount reasonably expected to become due in respect of contingent liabilities, calculated, without duplication, assuming each other Guarantor that is also liable for such contingent liability pays its ratable share thereof), giving effect to all payments made by other Guarantors as of such date in a manner to maximize the amount of such contributions.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrowers or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrowers or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrowers on account of the Borrower Obligations are paid in full in immediately available funds, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full in immediately available funds, such amount shall be held by such Guarantor for the benefit of the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, etc. with respect to the Borrower Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for this Guarantee.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon this Guarantee or acceptance of this Guarantee; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guarantee; and all dealings between any Borrower and any Guarantor, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrowers or any Guarantor with respect to the Borrower Obligations. Each Guarantor understands and agrees that this Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Borrower or any other Person against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of any Borrower for the Borrower Obligations, or of such Guarantor under this Guarantee, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrowers, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from any Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of any Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement. This Guarantee shall continue to be effective, or shall be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in dollars or the applicable Alternative Currency in accordance with Section 2.18 of the Credit Agreement.

2.8 Limitation of Guarantee. Notwithstanding any other provision of this Guarantee, the amount guaranteed by each Guarantor hereunder shall be limited to the extent, if any, required so that its obligations hereunder shall not be subject to avoidance under Section 548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law. In determining the limitations, if any, on the amount of any Guarantor's obligations hereunder pursuant to the preceding sentence, it is the intention of the parties hereto that any rights of subrogation, indemnification or contribution which such Guarantor may have under this Guarantee, any other agreement or applicable law shall be taken into account.

### SECTION 3. THE ADMINISTRATIVE AGENT

Each Guarantor acknowledges that the rights and responsibilities of the Administrative Agent under this Guarantee with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any right or remedy provided for herein or resulting or arising out of this Guarantee shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Guarantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Guarantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

### SECTION 4. MISCELLANEOUS

4.1 Amendments in Writing. None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except in accordance with Section 9.02(b) of the Credit Agreement.

4.2 Notices. All notices, requests and demands to or upon the Administrative Agent, any Lender or any Guarantor to be effective shall be in writing, shall be given in the manner and at the addresses specified in Section 9.01 of the Credit Agreement (or, in the case of any Guarantor, to such Guarantor c/o the Company at the address of the Company set forth in said Section or at such other address as the Company may provide in accordance with Section 9.01(c) of the Credit Agreement) and shall be deemed to have been duly given or made when received.

4.3 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 4.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.



4.4 Enforcement Expenses; Indemnification. (a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its out-of-pocket expenses incurred in collecting against such Guarantor under this Guarantee or otherwise enforcing or preserving its rights under this Guarantee, including, without limitation, the reasonable fees, charges and disbursements of one primary counsel and of any special and local counsel for the Administrative Agent and one additional counsel for all Lenders other than the Administrative Agent and additional counsel in light of actual or potential conflicts of interest or the availability of different claims or defenses.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or similar taxes which may be payable or determined to be payable in connection with any of the transactions contemplated by this Guarantee.

(c) Each Guarantor agrees to indemnify, and to hold the Administrative Agent and the Lenders harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any the Administrative Agent and the Lenders, incurred by or asserted against the Administrative Agent or any Lender arising out of, in connection with, or as a result of the execution, delivery, enforcement, performance and administration of this Guarantee to the extent the Company would be required to do so pursuant to Section 9.03 of the Credit Agreement.

(d) The agreements in this Section 4.4 shall survive repayment of the Borrower Obligations and all other amounts payable under the Credit Agreement.

4.5 Successors and Assigns. This Guarantee shall be binding upon the successors and assigns of each Guarantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; provided that no Guarantor may assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Administrative Agent.

4.6 Set-Off. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Guarantor against any of and all the obligations of such Guarantor now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand for payment under this Guarantee and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

4.7 Counterparts. This Guarantee may be executed by one or more of the parties to this Guarantee on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

4.8 Severability. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.9 Section Headings. The Section headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

4.10 Integration. This Guarantee represents the agreement of each Guarantor with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

4.11 GOVERNING LAW. THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

4.12 Submission To Jurisdiction; Waivers. (a) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guarantee, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Guarantee against any Guarantor or its properties in the courts of any jurisdiction.

(b) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Guarantee irrevocably consents to service of process in the manner provided for notices in Section 4.2. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) Each Guarantor waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

4.13 Additional Guarantors. Each Subsidiary of the Company that is required to become a party to this Guarantee pursuant to Section 5.09 of the Credit Agreement or is designated by the Company to be a Guarantor pursuant to the definition of "Subsidiary Guarantor" in Section 1.01 of the Credit Agreement shall execute and deliver to the Administrative Agent an Assumption Agreement in the form of Annex 1 hereto and thereupon shall become a Guarantor under this Guarantee.

4.14 Releases. The obligations of any Guarantor under this Guarantee shall automatically terminate in accordance with Section 9.14 of the Credit Agreement.

4.15 WAIVER OF JURY TRIAL. EACH GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTEE OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH GUARANTOR (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee Agreement to be duly executed and delivered as of the date first above written.

[GUARANTORS]

By: \_\_\_\_\_  
Name:  
Title:

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Signature Page to Guarantee

Acknowledged and Agreed  
as of the date first written above:

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

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Signature Page to Guarantee

ASSUMPTION AGREEMENT, dated as of [\_\_\_\_], made by [\_\_\_\_], a [\_\_\_\_] (the “Additional Guarantor”), in favor of JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the “Administrative Agent”) for the banks and other financial institutions or entities (the “Lenders”) parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

WITNESSETH :

WHEREAS, Coach, Inc., a Maryland corporation (the “Company”), the Foreign Subsidiary Borrowers parties thereto, the Lenders and the Administrative Agent have entered into the Credit Agreement, dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”);

WHEREAS, in connection with the Credit Agreement, certain of the Company’s Subsidiaries (other than the Additional Guarantor) have entered into the Guarantee Agreement, dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the “Guarantee Agreement”) in favor of the Administrative Agent for the benefit of the Lenders;

WHEREAS, the Credit Agreement requires or permits the Additional Guarantor to become a party to the Guarantee Agreement; and

WHEREAS, the Additional Guarantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee Agreement. By executing and delivering this Assumption Agreement, as provided in Section 4.13 of the Guarantee Agreement, the Additional Guarantor hereby becomes a party to the Guarantee Agreement as a Guarantor thereunder with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor thereunder.

2. Governing Law. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR]

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT H-1

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE  
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto (collectively with the Company, the "Borrowers") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of any Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to any Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrowers with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 20[ ]

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EXHIBIT H-2

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE  
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto (collectively with the Company, the "Borrowers") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of any Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to any Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 20[ ]

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EXHIBIT H-3

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE  
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto (collectively with the Company, the "Borrowers") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of any Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to any Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 20[ ]

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EXHIBIT H-4

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE  
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 18, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Coach, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto (collectively with the Company, the "Borrowers") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of any Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to any Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrowers with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_, 20[ ]

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**LIST OF SUBSIDIARIES OF COACH, INC.**

1. 504-514 West 34<sup>th</sup> Street Corp. (Maryland)
2. 516 West 34<sup>th</sup> Street LLC (Delaware)
3. Coach (Gibraltar) Limited (Gibraltar)
4. Coach Consulting Dongguan Co. Ltd. (China)
5. Coach France S.A.S. (France)
6. Coach Hong Kong Limited (Hong Kong)
7. Coach International Holdings, Inc. (Cayman Islands)
8. Coach International Holdings, Sàrl (Luxembourg)
9. Coach International Limited (Hong Kong)
10. Coach Italy Services S.r.l. (Italy)
11. Coach Japan Investments, LLC (Delaware)
12. Coach Japan LLC (Japan)
13. Coach Korea Limited (Korea)
14. Coach Leatherware (Thailand) Ltd. (Thailand)
15. Coach Leatherware India Private Limited (India)
16. Coach Malaysia SDN. BHD. (Malaysia)
17. Coach Management (Shanghai) Co., Ltd. (China)
18. Coach Manufacturing Limited (Hong Kong)
19. Coach Netherlands B.V. (Netherlands)
20. Coach Services, Inc. (Maryland)
21. Coach Shanghai Limited (China)
22. Coach Singapore Pte. Ltd. (Singapore)
23. Coach Spain, S.L. (Spain)
24. Coach Stores Canada, Inc. (Canada)
25. Coach Stores France, SAS (France)
26. Coach Stores Germany GmbH (Germany)
27. Coach Stores Ireland Limited (Ireland)
28. Coach Stores Limited (UK)
29. Coach Stores Puerto Rico, Inc. (Delaware)
30. Coach Stores, Unipessoal LDA (Portugal)
31. Coach Taiwan Co., Ltd. (Taiwan)
32. Coach Thailand Holdings, LLC (Delaware)
33. Coach Vietnam Company Limited (Vietnam)
34. IP Recoveries LLC (Delaware)
35. Reed Krakoff LLC (Delaware)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-172699, 333-82102, 333-131750, 333-64610, and 333-51706 on Form S-8 and 333-162454 and 333-162502 on Form S-3 of our reports dated August 22, 2012, relating to the consolidated financial statements and consolidated financial statement schedule of Coach, Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2012.

/s/ Deloitte & Touche LLP  
New York, New York

August 22, 2012

I, Lew Frankfort, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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 fiscal 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 the 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 control 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: August 22, 2012

By: /s/ Lew Frankfort

Name: Lew Frankfort

Title: Chairman and Chief Executive Officer

I, Jane Nielsen, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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 fiscal 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 the 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 control 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: August 22, 2012

By: /s/ Jane Nielsen

Name: Jane Nielsen

Title: Executive Vice President and 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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2012 (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: August 22, 2012

By: /s/ Lew Frankfort

\_\_\_\_\_  
Name: Lew Frankfort

Title: Chairman and 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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2012 (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: August 22, 2012

By: /s/ Jane Nielsen

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Name: Jane Nielsen

Title: Executive Vice President and Chief Financial Officer