

COACH

MICHAEL F. DEVINE III SENIOR VICE PRESIDENT, CHIEF FINANCIAL OFFICER

August 16, 2005

Mr. Robert Herz
Chairman, Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 8
File Reference: 1102-SCU
Date Received:

Dear Mr. Robert Herz:

I was surprised to read in the financial press Wednesday morning that the Financial Accounting Standards Board has held closed door meetings with representatives of the Big Four accounting firms, and without the benefit of public review and discussion, has agreed that the implementation of FAS 123R should include a literal interpretation of when a Company has communicated stock option grants to its' employees.

The "grant date" interpretation was surprising to us. Besides the impractical nature of implementing the interpretation, we would make the following points:

- Most option grants aren't, as a practical matter, negotiable by the employee-optionees (some, of course, are - e.g., new hires for senior positions), so the "mutual understanding" point does not, as a practical matter, mean much. (The employee can't say: "I don't want the options; give me cash instead.")
- Regardless of when the "mutual understanding" point occurs, the actual exercise price will still be (or be based on) the stock price as of the date of the board meeting; and that date is really when the employer and the employee have a "contract."
- There will now be a discrepancy between "grant date" for accounting purposes (date of communication) and "grant date" for tax purposes (usually, date of board meeting).
- Form 8-K has to be filed within four days of board authorization; the FASB staff interpretation muddies the waters on this issue, too.
- The FAS 123(R) definition of "grant date" can be interpreted in alternative ways.
- The staff interpretation represents a major shift from prior understandings and accounting practice.

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From a practical standpoint, Coach has historically calculated the value of a stock option grant on the date the Compensation Committee of the Board of Directors has authorized the grant, and then managers communicate the details to each one of the over 500 world-wide employees during their annual performance review over the next 5 to 10 business days. It is our experience as well, that most companies operate in the same way Coach has. It would be terribly impractical to value each employee's grant on the (various) dates that our many employees are notified of their specific grant details (i.e., number of options, exercise price, vesting period, life of grant).

The timing of the interpretation is also problematic for Coach and all other June Year End companies who are early filers under FAS123R. Our Annual Broad Based Award Grants were approved by our Board's Human Resources and Governance Committee on August 10, 2005.

I believe that the newspaper article may very well have been an inaccurate report, and if so, I would appreciate it if the FASB would confirm that fact. I am certain that a number of medium to large corporations, such as Coach, that utilize various stock based payments as part of their overall compensation strategy, will be looking for such confirmation or additional clarifying guidance.

Please do not hesitate to call me directly at any time.

Sincerely,

Michael F. Devine, III
SVP & CFO
Coach, Inc.

CC: Mr. Donald Nicolaisen - SEC
Mr. Lawrence Smith - FASB

MFD/dd