GREEN MOUNTAIN COFFEE ROASTERS INC

FORM 10-K
(Annual Report)

Filed 12/08/05 for the Period Ending 09/24/05

Address	33 COFFEE LANE WATERBURY, VT 05676
Telephone	8022445621
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Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	09/29

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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 24, 2005

OR

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

Commission File No.: 1-12340

GREEN MOUNTAIN COFFEE ROASTERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**03-0339228**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
33 Coffee Lane, Waterbury, Vermont	**05676**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (802) 244-5621

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

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $0.10 par value per share
(Title of class)

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

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 [X]

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 [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 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. Yes [_] No [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes [X] No [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [_] No [X]

The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on November 30, 2005 was approximately $204,000,000 based upon the closing price of such stock on that date. As of November 30, 2005, 7,493,309 shares of common stock of the registrant were outstanding. See "Market for the Registrant's Common Equity and Related Stockholder Matters."

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2006 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

GREEN MOUNTAIN COFFEE ROASTERS, INC.

Annual Report on Form 10-K

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PART I

Item 1. Business

Overview

Green Mountain Coffee Roasters, Inc. (*the "Company"* or *"Green Mountain Coffee")* is a leader in the specialty coffee industry. We sell over 100 coffee selections through a coordinated multi-channel distribution network in our wholesale and consumer direct operations. This distribution network is designed to maximize brand recognition and product availability.

The majority of Green Mountain Coffee's revenue is derived from over 8,000 wholesale customer accounts located primarily in the Eastern United States. The wholesale operation serves supermarket, specialty food store, convenience store, food service, hotel, restaurant, university, travel and office coffee service customers. Wholesale customers resell the coffee in whole bean or ground form for home consumption and/or brew and sell coffee beverages at their place of business.

The Company

Green Mountain Coffee is a Delaware corporation formed in July 1993. Our corporate offices are located at 33 Coffee Lane, Waterbury, Vermont 05676. The main telephone number is (802) 244-5621, our fax number is (802) 244-5436, and our e-mail address for investor information is *investor.services@gmcr.com* . The address of our Company's website is *www.GreenMountainCoffee.com* .

The Product

Green Mountain Coffee roasts high-quality arabica coffees and offers over 100 coffee selections including single-origins, estates, certified organics, Fair Trade Certified™, proprietary blends, and flavored coffees sold under the Green Mountain Coffee Roasters ® and Newman's Own ® Organics brands. We carefully select our coffee beans and then *appropriately roast* the coffees to maximize their taste and flavor differences.

Green Mountain coffee comes in a variety of packages including whole bean, fractional packages, premium one-cup coffee pods and single-cup Keurig ® K-Cup ® portions. The packaging equipment for Keurig K-Cup portion packs is owned by Green Mountain Coffee. Green Mountain Coffee pays a royalty to Keurig, Incorporated for each K-Cup sold.

Corporate Objective and Philosophy

Our Company's objective is to be the leading specialty coffee company by providing the highest quality coffee and having the largest market share in our targeted markets while maximizing Company value. We intend to achieve this objective by differentiating and reinforcing the Green Mountain Coffee brand and engendering a high degree of customer and consumer loyalty. Essential elements of this unique approach include:

High Quality Coffee. We buy some of the highest quality arabica beans available from the world's coffee-producing regions and use a roasting process that maximizes each coffee's individual taste and aroma. We have a passion for coffee and believe our coffees are among the highest quality coffees sold in the world.

As evidence of our commitment to coffee quality, in November of 2005 several of our coffees received high praise from external sources, including Ken David's *The Coffee Review. The Coffee Review* evaluates coffee quality on a 100-point scale. Among other highly rated coffees, Green Mountain Coffee's "Guatemalan Finca Dos Marias™" received a score of 90, and our "Fair Trade Organic Mexican Select" was awarded an 88, as was our "Fair Trade Organic Peruvian Select."

Customer Service and Distribution. Green Mountain Coffee seeks to create customers for life. We believe that coffee is a convenience purchase, and we utilize our multi-channel distribution network of wholesale customers to make our coffee widely and easily available to consumers for home or away-from-home consumption.

Our operations are coordinated from our headquarters in Waterbury, Vermont and supplemented by regional distribution centers in geographic locations where the density of customer accounts so warrants. Regional distribution centers are located in Biddeford, Maine; Latham, New York; Woburn, Massachusetts; and Southington, Connecticut. Distribution facilities are located within a two-hour radius of most customers to expedite delivery. We use third party carriers including Federal Express, for shipping to customers not supported by a regional distribution center.

Green Mountain Coffee has an online inventory system for our central and regional distribution centers which helps to better serve our customers and to improve our direct-store-delivery process and capability. We attempt to maintain at all times adequate levels of inventory to satisfy customer demand. Our online ordering application on our website (www.GreenMountainCoffee.com) is fully integrated with our PeopleSoft ® Enterprise Resource Planning ("ERP") system and customers receive instantaneous, electronic shipping confirmations for all online orders.

Green Mountain Coffee generally provides wholesale customers with brewing, grinding and related equipment and product displays ("loaner equipment") at no charge, which are usually installed on the customer's premises by our personnel or contracted service personnel. A customer is also assigned a service technician who services, repairs and provides preventive maintenance and emergency service on such equipment. Additionally, for directly delivered supermarket customers, we employ a team of merchandisers who ensures that supermarket displays are clean, appropriately stocked, and have promotional items to maximize sales. We believe most competitors of Green Mountain Coffee in the wholesale segment do not provide such high levels of sales and equipment service support.

Corporate Governance and Employee Development. Green Mountain Coffee has a Code of Ethics, a Purpose Statement, and a set of operating Principles. These were created with input and collaboration from cross-functional teams and are posted on our website. The Purpose Statement, set of Principles, and Code of Ethics were written to facilitate the continued growth of our organization and maintain a positive culture. We believe Green Mountain Coffee is a highly inclusive and collaborative work environment that encourages employees' individual growth and personal awareness through a culture of personal accountability and continuous learning. This is supported by the Society for Human Resource Management and the Great Place to Work ® Institute, Inc., naming Green Mountain Coffee Roasters one of the *Best Medium Companies to Work for in America* for the second year in a row.

Socially Responsible Business Practices. Green Mountain Coffee Roasters allocates at least 5% of our pretax income towards social and environmental projects. These projects typically involve direct or indirect financial support, donations of products or equipment, and paid employee time.

In fiscal year 2005, highlights include donations to:

- Coffee Kids, an international non-profit organization established to improve the quality of life for coffee-growing families;
- Vermont-based Native Energy, LLC to purchase offsets based on an estimate of our Company's direct greenhouse gas emissions;
- EcoLogic Finance, a non-profit organization offering affordable financial services to community-based businesses operating in environmentally sensitive areas of Latin America, Africa and Asia;
- support relief efforts related to the East Asian tsunami and Hurricanes Katrina and Rita; and
- Heifer International, a non-profit organization devoted to ending world hunger, providing a sustainable source of income through grants of livestock and training.

Growth Strategy

In recent years, the primary growth in the coffee industry has come from the specialty coffee category, driven by the wider availability of high quality coffee, the emergence of upscale coffee shops throughout the country, and the general level of consumer knowledge of, and appreciation for, coffee quality. Green Mountain Coffee has been benefiting from the overall market trend plus what we believe to be some carefully developed and distinctive advantages over our competitors.

We are focused on building our brand and profitably growing our business. We believe we can continue to grow sales by increasing market share in existing markets, expanding into new geographic markets, expanding into new, high-growth market segments such as single-cup coffee and tea, and selectively pursuing other opportunities, including opportunistic acquisitions. This statement is forward-looking and subject to the risks and uncertainties outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Green Mountain coffee is available in many different distribution channels and customer categories, as best seen in our primary geographic market, the Eastern United States. This multi-channel strategy provides widespread exposure to the brand in a variety of settings, ease of access to the products, and many tasting opportunities for consumer trial. Green Mountain coffee is widely available throughout the day: at home in the morning, in hotels, travel destinations and entertainment venues, at convenience stores on the way to work, at the office, in restaurants, in supermarkets, and at home again at the end of the day. Our Company also participates in many special event activities, providing great sampling opportunities and visibility to the brand.

We believe that consumer trial of our products in convenience stores, foodservice establishments and office coffee services (OCS) is a significant advantage and a key component of our growth strategy. As brand awareness increases through trial by consumers of our coffee "by the cup," demand for the Green Mountain coffee for home consumption also increases. As brand equity is built in "by the cup" venues, expansion typically continues through customer channels such as supermarkets and specialty food stores who, in turn, sell our "by the pound" coffee to consumers. This expansion process capitalizes upon this "by the cup" / "by the pound" interrelationship. This strategy is designed to further increase our market share in geographic areas in which we already operate in order to increase sales density and drive operational and brand-equity efficiencies. In addition to our efforts to boost sales in our core geographic markets in the Eastern United States, our Company also seeks to introduce Green Mountain coffee in additional markets within the United States, leveraging distribution through either a select few or multiple classes of trade simultaneously, depending upon the market.

Our Consumer Direct channel provides us the opportunity to position Green Mountain Coffee Roasters as a lifestyle brand by informing consumers, building one-on-one relationships, and illuminating Green Mountain Coffee's points of difference. We publish catalogs and maintain a website to market and sell over 100 coffees, coffee-related equipment and accessories, gift assortments, hand-crafted items from coffee-source countries and Vermont, and gourmet food items covering a wide range of price points. Both the website and catalog allow us to describe in greater detail each of our coffees, explaining their unique attributes and quality aspects. We encourage customers to become members of our "Café EXPRESS" service, a continuity program with customized standing orders for automatic re-shipment. Over the past couple of years, a large portion of our efforts in the consumer direct channel has been directed towards increasing traffic on our website www.GreenMountainCoffee.com and marketing of the Keurig ® Single-Cup Brewers. These efforts, along with the catalog and direct mail programs, are intended to build brand awareness nationwide and boost direct sales to consumers in our less mature geographic markets.

Recent Developments

New Products. Green Mountain Coffee has had a licensing agreement with Newman's Own ® Organics, Inc. since 2002, allowing us to produce a line of several co-branded Newman's Own ® Organics coffees under the Newman's Own ® Organics and Green Mountain Coffee Roasters ® brand names. In fiscal 2005, the Newman's Own ® Organics product line, as well as Green Mountain Coffee's organic and Fair Trade product line, have enabled us to grow at a faster rate outside our core geographic market through the acquisition of new foodservice and supermarket accounts. Our shipments of Fair Trade Certified™ and organic coffees, including sales of co-branded Newman's Own ® Organics coffees, grew by 51% in 2005 over prior year levels.

In fiscal 2005, our Seasonal Coffee Promotions were converted to feature all Fair Trade Certified™ coffees, and expanded to include several new varieties, including Golden French Toast ® and Island Coconut™.

During the second quarter of fiscal 2005, we expanded our single-cup coffee offerings to include "Extra Bold" K-Cups® for use with the Keurig® Single-Cup Brewing System. These "Extra Bold" K-Cups deliver a richer, more full-bodied cup of coffee, and are expanding as a percentage of our single-cup offerings.

During the fourth quarter of fiscal 2005, we introduced a newly expanded line of flavored coffees. Changes to the flavored coffee line include new product formulations for our Hazelnut and French Vanilla varieties, introduction of Wild Mountain Blueberry™ as an ongoing offering, and a number of new flavor varieties with differentiated branding and merchandising. Additional new flavored coffee varieties include Mocha Nut Fudge, Caramel Vanilla Cream, Cinnamon Cream Swirl™ (and their respective decafs) and Vanilla Cream Fair Trade Organic.

Customers. Our Company continues to experience solid growth across each of our business channels. Total growth for all channels in fiscal 2005 was 12% for pounds shipped, while net sales grew by over 17.5%. Managing growth through acquisition of new customers and maintaining base business of existing customers is our ongoing goal. We will continue to explore selling opportunities within our core markets as well as expand to new geographic markets.

Coffee pounds shipped in the OCS channel grew by 18% over the prior year. Contributing to the sales growth in this channel is the broader acceptance and success of Keurig ® in-office, single-cup brewers. Sales of the Keurig ® B-100 brewers to small offices has continued to fuel significant growth in K-Cups ® shipments. We continue to see strong acceptance of Celestial Seasonings ® Teas through increased sales and acceptance of Keurig brewers.

Coffee pounds shipped in various foodservice venues grew at an aggregate rate of 20% in fiscal 2005 compared to the prior fiscal year. Bruegger's, a customer acquired in late fiscal 2004, was a major contributor to this channel's growth in fiscal 2005. Sodexho (a provider of food service products and services to business and industry, universities and health care facilities) continues to be a significant source of growth driven by new distribution of Green Mountain Coffee's Fair Trade and organic coffees at dozens of colleges, hospitals and business locations in 2005. These national foodservice customers offer great potential to build brand trial and awareness nationally. And, as announced in October 2005, we are sourcing, roasting and packaging Fair Trade Certified™ Newman's Own ® Organics coffee exclusively for more than 650 McDonald's ® restaurants in New England and Upstate New York for fiscal 2006.

In the convenience store channel, our pounds shipped increased by over 10%. Growth in this channel was driven by improved business with current customers and new relationships with several large regional customers. Green Mountain Coffee's relationship with Exxon Mobil Corporation ("ExxonMobil") continues to be a strong driver for growth in this convenience store channel.

In Fiscal 2005, the supermarket channel grew by 2.5% in coffee pounds. Growth in this channel has been largely driven by expansion of Fair Trade Certified™ coffees. Green Mountain Coffee Roasters continues to offer many unique benefits in an increasingly price and promotion sensitive business. Offering Fair Trade Newman's Own® Organics and seasonal varieties, we continue to target customer preferences through unique selections.

In the consumer direct channel, net sales grew by 54% in fiscal 2005 over the prior year. This growth resulted from K-Cups ® sold for our single cup at-home brewers, the launch of our newly updated website, and an increased emphasis on our Café EXPRESS coffee club program.

Coffee pounds shipped (in thousands) in fiscal 2005 and fiscal 2004, broken down by sales channel, are as follows:

Channel	**52 weeks ended 9/24/05**	**52 weeks ended 9/25/04**	**Full Year Y/Y lb. Increase**	**Full Year % Y/Y lb. Increase**
Supermarkets	5,771	5,632	139	2.5%
Convenience Stores	5,393	4,887	506	10.4%
Office Coffee Service Distributors	4,871	4,119	752	18.3%
Food Service	3,071	2,559	512	20.0%
Consumer Direct	773	537	236	43.9%
Totals	**19,879**	**17,734**	**2,145**	**12.1%**

Note: Certain prior year customer channel classifications were reclassified to conform to current year classifications.

Coffee pounds shipped by geographic region (in thousands) are as follows:

Region	**52 weeks ended 9/24/05**	**52 weeks ended 9/25/04**	**Full Year Y/Y lb. Increase**	**Full Year % Y/Y lb. Increase**
New England	8,315	7,691	624	8.1%
Mid-Atlantic	5,898	5,404	494	9.1%
South	3,330	2,756	574	20.8%
Midwest	1,045	794	251	31.6%
West	1,134	943	191	20.3%
International	157	146	11	7.5%
Totals	**19,879**	**17,734**	**2,145**	**12.1%**

Note: Certain prior year customer channel classifications were reclassified to conform to current year classifications.

Keurig Equity Investment

In fiscal 2002, Green Mountain Coffee acquired a 42% ownership interest in Keurig, Incorporated ("Keurig") by acquiring shares from early investors in Keurig for a price of approximately $15 million. Keurig manufactures brewing equipment that allows users to brew high-quality specialty coffee one cup at a time. Our Company has been involved with Keurig since 1994 supporting the development of a single-cup brewing system and as an early investor. Green Mountain Coffee was also the first licensed roaster/distributor partner with Keurig. Keurig seeks to license office coffee service ("OCS") distributors to sell and distribute K-Cups ® and brewers to offices both nationally and internationally. In addition, over the past two years, Keurig has started to launch a line of single-cup brewers for the home market. We are one of four coffee roasters that manufactures and distributes the K-Cups used to brew coffee by the cup in the Keurig system throughout North America, and continue to sell more K-Cups than all other domestic licensed coffee roasters combined. Through this investment, we have established a stronger relationship with Keurig and its management team.

Keurig is effectively controlled by MD Co. (controlled by MDT Advisers, an institutional investment company) which owns approximately 23% of Keurig's capital stock. As a result of contractual limitations and restrictions agreed to by Green Mountain Coffee and certain other stockholders of Keurig, MD Co. has the ability to elect a majority of Keurig's Board of Directors, cause certain types of amendments to Keurig's Certificate of Incorporation, and approve or reject a sale of Keurig's business.

Competition

The specialty coffee market is highly competitive and fragmented. Green Mountain Coffee competes against all sellers of specialty coffee, including Dunkin' Donuts, New England Coffee, Peet's, Starbucks, Seattle's Best and other competitors. In the supermarket channel, we also compete with "commercial" coffee roasters, to the extent that we are also trying to "upsell" consumers to the specialty coffee segment. A number of large consumer goods multinationals have divisions or subsidiaries selling specialty coffees. For example, Procter & Gamble distributes the premium coffee products Millstone® and Brothers™ in many supermarkets nationwide, which compete with Green Mountain's coffee. In the consumer direct channel, we compete with established roasters such as Gevalia®, a division of Kraft Foods, as well as with other direct mail companies.

Our Company was the first roaster to sell coffee in Keurig's innovative single-cup brewing system, used primarily in the office coffee service market, and we have established a dominant position in the sale of single-cup Keurig portions. We do, however, now compete for Keurig sales with three other North American roasters: Diedrich Coffee, Timothy's and Van Houtte, a vertically integrated roaster and office coffee service distributor operating in Canada and the United States. FLAVIA ® Beverage Systems, an affiliate company of Masterfoods USA (part of Mars, Incorporated), is the manufacturer of a single-cup machine that also competes in the OCS market.

Beginning in 2004, Procter & Gamble, Sara Lee, Kraft and Nestlé each introduced new single-cup coffee brewing systems. These machines are positioned for use in the home market and are currently being offered by supermarkets and mass-merchandiser retailers.

We expect intense competition, both within our primary geographic territory, the Eastern United States, and in other regions of the United States, as we expand from our current territories. The specialty coffee market is expected to become even more competitive as regional companies expand and attempt to build brand awareness in new markets. Green Mountain Coffee competes primarily by providing high quality coffee, easy access to our products and superior customer service. We believe that our ability to provide a convenient network of outlets from which to purchase coffee is an important factor in our ability to compete. Through our multi-channel distribution network of wholesale and consumer direct operations and our "by the cup" / "by the pound" strategy, we believe we differentiate ourselves from many of our larger competitors, who specialize in one primary channel of distribution. We also believe that our product offering is distinctive because we offer a wide array of coffees, including flavored, Fair Trade, and organic coffees. We also seek to differentiate ourselves by being socially and environmentally responsible. Finally, we believe that being an independent roaster allows us to be better focused and in tune with our wholesale customers' needs than our larger, multi-product competitors. While our Company believes we currently compete favorably with respect to these factors, there can be no assurance that we will be able to compete successfully in the future.

Green Coffee Cost and Supply

Green Mountain Coffee utilizes a combination of outside brokers and direct relationships with farms, estates, cooperatives and cooperative groups for our supply of green coffees. Outside brokers provide the largest supply of our green coffee. Coffee is the world's second largest traded commodity and its supply and price are subject to high volatility. Although most coffee trades in the commodity market, coffee of the quality we are seeking tends to trade on a negotiated basis at a substantial premium or "differential" above commodity coffee pricing, depending upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors, such as weather, politics and economics in the producing countries.

Cyclical swings in commodity markets, based upon supply and demand, are common and it is expected that coffee prices and differentials will remain volatile in the coming years. In addition, a number of factors, such as pest damage and weather-related crop failure could cause coffee prices to climb. In recent years, green coffee prices have been under considerable downward pressures due to oversupply, but have increased significantly in 2005. While production of commercial grade coffee is on the rise, many industry experts anticipate a drop in production of top grade specialty coffees. With the growth of the specialty coffee segment, it is important that prices remain high enough to support world production of the top grades of coffees.

For coffees that Green Mountain Coffee continues to purchase with differentials against the commodity market, we generally fix the price of our coffee contracts two to six months prior to delivery so that we can adjust our sales prices to the market. Green Mountain Coffee believes this approach is the best way to provide our customers with a fair price for our coffee. Approximately 39% of our Company's estimated coffee requirements through September 30, 2006, the end of our 2006 fiscal year, had been contracted for as of September 24, 2005. Of these fiscal 2006 coffee purchase commitments, approximately 84% had a fixed price. In addition, we do from time to time purchase coffee futures contracts and coffee options to provide additional protection when we are not able to enter into coffee purchase commitments or when the price of a significant portion of committed contracts has not been fixed.

Green Mountain Coffee Roasters generally tries to pass on coffee price increases and decreases to our customers. Since coffee has come down from its 1997 highs, we have decreased our prices several times. We had price increases in January and March of 2005, when coffee prices rose significantly. In general, there can be no assurance that we will be successful in passing on green coffee price increases to customers without losses in sales volume or gross margin. Similarly, rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory and purchase commitments. Green Mountain Coffee roasts over 40 different types of green coffee beans to produce more than 100 coffee selections. If one type of green coffee bean were to become unavailable or prohibitively expensive, we believe we could substitute another type of coffee of equal or better quality meeting a similar taste profile. However, a worldwide supply shortage of the high-quality arabica coffees we purchase could have an adverse impact on our Company.

In fiscal 2005, 47% of our purchases were from farm-identified sources, as compared to 49% in fiscal 2004. We believe our "farm identified" strategy will continue to result in improved product quality, product differentiation, long-term supply and pricing stability. In addition, we believe that our efforts will have a positive impact on the living and working environment of coffee farm workers and their families.

Intellectual Property

Green Mountain Coffee Roasters is the owner of certain United States trademarks and service marks that have been registered with the United States Patent and Trademark Office. We anticipate maintaining our trademark and service mark registrations with the United States Patent and Trademark Office. We are also the owners of other trademarks and service marks for which we have applications for U.S. registration. Green Mountain Coffee Roasters has further registered or applied for registration of certain of its trademarks and service marks in the United Kingdom, the European Union, Canada, the People's Republic of China, South Korea and Taiwan. Other foreign trademark and service mark applications are also pending.

Green Mountain Coffee Roasters has licenses to use other marks, all subject to the terms of the agreements under which such licenses are granted.

Employees

As of September 24, 2005, Green Mountain Coffee had 618 full-time employees and 58 part-time employees. We supplement our workforce with temporary workers from time to time, especially in the first quarter of each fiscal year to service increased customer and consumer demand during the peak November-December holiday season.

Available information

Our Company files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"). The public may read and copy any materials that Green Mountain Coffee files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Green Mountain Coffee, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

Our Company maintains a website at *www.GreenMountainCoffee.com* . Our filings with the SEC, including without limitation, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, are available through a link maintained on our website under the heading "Investor Services -- SEC Filings & Reports." Information contained on our website is not incorporated by reference into this report.

Item 2. Propert ies

Green Mountain Coffee Roasters leases one principal manufacturing and warehousing facility located at Pilgrim Park in Waterbury, Vermont. The facility has in total approximately 98,000 square feet of usable space including a mezzanine area. The lease on this building expires in 2014.

In fiscal 2004, we built a new 72,000 square foot warehousing and distribution facility (including a 20,000 square foot mezzanine) adjacent to our manufacturing plant in Waterbury, Vermont. The land underneath this facility is leased from Pilgrim Partnership, LLC.

Our other facilities, all of which are leased, are as follows:

Type	Location	Approximate Square Feet	Expiration of Lease
	Woburn, MA Southington, CT	10,580 11,200	2006 2006

Warehouse/ Distribution/ Service Space	Demeritt Place, Waterbury, VT Waterbury, VT Waterbury, VT (Factory Outlet) Biddeford, ME Latham, NY Lakeland, FL *	12,000 3,000 1,100 10,000 7,500 7,200	2006 2006 month-to-month 2011 2007 2006
Administrative Offices	Coffee Lane, Waterbury, VT Demeritt Place, Waterbury, VT Main Street, Waterbury, VT Pilgrim Park II, Waterbury, VT	4,000 10,000 10,900 22,900	month-to-month 2006 2006 2006

* Use of the Lakeland, Florida, warehouse was discontinued in October 2004. Green Mountain Coffee Roasters is currently sub-leasing this space.

We believe that our facilities are generally adequate for our current needs and for the remainder of fiscal 2006.

Item 3. Legal Proceedings

We are not currently party to any material pending legal proceedings.

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

No matters were submitted to a vote of security holders during the fiscal quarter ended September 24, 2005.

Executive Officers of the Registrant

Certain biographical information regarding each executive officer of our Company is set forth below:

Name	Age	Position	Officer since
Kathryn S. Brooks	50	Vice President and Director	2001
Paul Comey	55	Vice President	1993
Michael Dupee	37	Vice President	2004
Richard Scott McCreary	46	Chief Operating Officer	2004
James K. Prevo	52	Chief Information Officer	1997
Frances G. Rathke	45	Vice President, Chief Financial Officer, Secretary and Treasurer	2003
Stephen J. Sabol	44	Vice President	1993
Robert P. Stiller	62	Chairman of the Board, President and Chief Executive Officer	1993
James E. Travis	42	Vice President	2005
Jonathan C. Wettstein	57	Vice President	1993
Thomas J. Whalen	34	Vice President	2005

Kathryn S. Brooks has served as Vice President of Human Resources and Organizational Development since April 2001. From April 1998 to April 2001, Ms. Brooks was Senior Vice President of Human Resources at Webster Bank, a financial services company. Prior to that, Ms. Brooks served as Vice President of Human Resources at Bombardier Capital from May 1992 to May 1997.

Paul Comey has served as Vice President of Environmental Affairs since June 2004. Between May 1993 and June 2004, Mr. Comey was Vice President of Facilities and Process Engineering of Green Mountain Coffee.

Michael Dupee was hired as Vice President of Corporate Social Responsibility in June 2004. Between July 2000 and May 2004, Mr. Dupee was

Vice President at Goldman Sachs & Co.

Richard Scott McCreary was hired as Chief Operating Officer of Green Mountain Coffee in September 2004. Prior to this and since 1993, Mr. McCreary was employed by Unilever North America and its subsidiaries. Most recently, Mr. McCreary served as the Senior Director of Operations at Unilever's subsidiary, Ben & Jerry's Homemade, Inc. Prior to joining Unilever, McCreary's previous experience included positions with Kraft General Foods, M&M Mars and Pillsbury in operations, new product development, and research and development.

James K. Prevo has served as Chief Information Officer of Green Mountain Coffee since March 1993. Mr. Prevo worked for Digital Equipment Corporation from November 1979 through March 1993.

Frances G. Rathke has served as Chief Financial Officer of Green Mountain Coffee since October 2003, and as Interim Chief Financial Officer of our Company since April 2003. Prior to that, Ms. Rathke worked as a financial consultant with various food manufacturers and food retailers from July 2001 to April 2003. One of these consulting assignments included the position of Interim Chief Financial Officer for Wild Oats Markets, Inc., a supermarket chain, from July 2001 to December 2001. Prior to this, Ms. Rathke served as Chief Financial Officer for Ben & Jerry's Homemade, Inc., an ice cream manufacturer, from April 1989 to August 2000. From September 1982 to March 1989, Ms. Rathke practiced public accounting and auditing with Coopers & Lybrand LLC, and is a certified public accountant.

Stephen J. Sabol has served as Vice President of Development of Green Mountain Coffee since October 2001. Mr. Sabol was Vice President of Sales of our Company from September 1996 to September 2001. Prior to that, Mr. Sabol served as Vice President of Branded Sales of Green Mountain Coffee from August 1992 to September 1996.

Robert P. Stiller, founder of Green Mountain Coffee, has served as its President and Chief Executive Officer since its inception in July 1981. In September 1971, Mr. Stiller co-founded Robert Burton Associates, a company engaged in the development and sale of E-Z Wider products and served as its President and director until June 1980, when Robert Burton Associates was sold.

James E. Travis joined Green Mountain Coffee Roasters as Vice President of Sales in August of 2005. Prior to joining our Company, from July 1995 to July 2005, Mr. Travis was employed by Ocean Spray Cranberries, Inc., where he held management positions in Sales, Trade Marketing and International Development. His most recent assignment was that of National Sales Manager - Domestic. Prior to joining Ocean Spray Cranberries, Inc., from 1986 to 1995, Mr. Travis served in a variety of sales roles at Del Monte Foods USA.

Jonathan C. Wettstein has served as Vice President of Operations of Green Mountain Coffee since April 1993. Mr. Wettstein worked for Digital Equipment Corporation from June 1974 to April 1993.

Thomas J. Whalen has served as our Company's Vice President of Marketing since March 2005. Previously, Mr. Whalen served as Green Mountain Coffee Roasters' Vice President of National Foodservice from October 2003 to March 2005 and as Director of Brand and Market Development from December 2001 to October 2003. Prior to joining Green Mountain Coffee, Mr. Whalen worked as an independent consultant for our Company from June 2001 to December 2001. Mr. Whalen was also employed at Adventurous Traveler, a direct marketer of adventure travel services, from December 1999 to June 2001; Patagonia, a leading apparel and outdoor gear manufacturer; and Leo Burnett, a global advertising and marketing services agency.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Securities

(a) Price Range of Securities

The Company's common stock trades on the NASDAQ National Market under the symbol GMCR. The following table sets forth the high and low closing prices as reported by NASDAQ for the periods indicated.

		High	Low
Fiscal 2004	16 weeks ended January 17, 2004 12 weeks ended April 10, 2004 12 weeks ended July 3, 2004 12 weeks ended September 25, 2004	$ 24.00 $ 23.95 $ 21.56 $ 20.70	$ 19.80 $ 19.90 $ 18.20 $ 18.17
Fiscal 2005	16 weeks ended January 15, 2005 12 weeks ended April 9, 2005 12 weeks ended July 2, 2005 12 weeks ended September 24, 2005	$ 26.09 $ 26.16 $ 35.50 $ 39.61	$ 20.48 $ 23.92 $ 24.57 $ 32.44
Fiscal 2006	September 25, 2005 to November 30, 2005	$ 42.60	$ 32.80

(b) Number of Equity Security Holders

As of November 30, 2005, the number of record holders of the Company's common stock was 632.

(c) Dividends

The Company has never paid a cash dividend on its common stock and anticipates that for the foreseeable future any earnings will be retained for use in its business and, accordingly, does not anticipate the payment of cash dividends.

D. Securities Authorized for Issuance Under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders	856,130	$14.52	411,648
Equity compensation plans not approved by security holders	-	-	-
Total	856,130	$14.52	411,648

Item 6. Selected Financial Data

The table below shows selected financial data for our last five fiscal years. Our fiscal year is based on a 52-week year for all years presented. There were no cash dividends paid during the past five fiscal years.

	Fiscal Years Ended				
	Sept. 24, 2005	Sept. 25, 2004	Sept. 27, 2003	Sept. 28, 2002	Sept. 29, 2001
(In thousands, except per share data)					
Coffee pounds shipped	19,879	17,734	15,570	13,504	12,408
Net sales	$161,536	$137,444	$ 116,727	$ 100,000	$ 95,576
Income before equity in loss of Keurig, Incorporated	$ 9,448	$ 8,901	$ 7,393	$ 6,232	$ 5,782
Income from continuing operations (1)	$ 8,956	$ 7,825	$ 6,266	$ 5,970	$ 5,782
Income per share from continuing operations - diluted (1)	$1.17	$1.06	$ 0.86	$ 0.82	$ 0.80
Total assets	$89,852	$78,332	$ 59,014	$ 54,687	$ 34,496
Long-term obligations	$5,218	$14,039	$ 8,908	$ 15,209	$ 6,256
Stockholders' equity	$60,392	$44,415	$ 35,148	$27,065	$18,600

[1] Excludes results of our discontinued company-owned retail stores operation, which was closed in fiscal year 1998.

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

You should read the following discussion and analysis in conjunction with our consolidated financial statements and related notes included elsewhere in this report. Except for historical information, the discussion below contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as "anticipate," "believe," "expect," "will," "feel," "estimate," "intend," "plan," "project," "forecast," and similar expressions, may identify such forward-looking statements. Forward-looking statements are inherently uncertain and actual results could differ materially from those set forth in forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, fluctuations in availability and cost of high-quality green coffee, pricing pressures and competition in general, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, the impact of the loss of one or more major customers, delays in the timing of adding new locations with existing customers, our level of success in continuing to attract new customers, variances from budgeted sales mix and growth rate, and weather and special or unusual events, as well as other risks described in this report and other factors described from time to time in the Company's filings with the Securities and Exchange Commission.

In addition, the Company has an equity investment in Keurig, Incorporated, a small private company. Keurig, Incorporated can have significant quarterly operating income fluctuations and its results can differ materially from expectations set forth in forward-looking statements, which could affect our financial results. Keurig is currently operating at a loss. Such operating losses and the related tax benefits may affect the valuation of our equity investment in Keurig. Further, there is uncertainty around Keurig's marketing expenditures supporting the Keurig Single-Cup Brewer for the home and Keurig results could vary materially depending on Keurig, Incorporated's success in the home brewer market. Forward-looking statements reflect our analysis as of the date of this report. We do not undertake to revise these statements to reflect subsequent developments, other than in our regular, quarterly earnings releases and related disclosures.

Overview

Green Mountain Coffee Roasters, Inc. ("the Company" or "Green Mountain Coffee") is a leader in the specialty coffee industry. We roast high-quality arabica coffees and offer over 100 coffee selections, including single-origins, estates, certified organics, Fair Trade Certified™, proprietary blends, and flavored coffees that we sell under the Green Mountain Coffee Roasters ® and Newman's Own® Organics brands. We sell coffee to retailers including supermarkets, convenience stores, specialty food stores; food service enterprises including restaurants, hotels, universities and business offices; and directly to individual consumers.

Cost of sales consists of the cost of raw materials including coffee beans, flavorings and packaging materials; a portion of our rental expense; the salaries and related expenses of production; distribution and merchandising personnel; depreciation on production equipment; and freight and delivery expenses. Selling and operating expenses consist of expenses that directly support the sales for our wholesale or consumer direct channels, including media and advertising expenses; a portion of the rental expense; and the salaries and related expenses of employees directly supporting sales. General and administrative expenses consist of expenses incurred for corporate support and administration, including a portion of the rental expense and the salaries and related expenses of personnel not elsewhere categorized.

Our fiscal year ends on the last Saturday in September. Our fiscal year normally consists of 13 four-week periods with the first, second and third "quarters" ending 16 weeks, 28 weeks and 40 weeks, respectively, into the fiscal year. Fiscal 2005, fiscal 2004, and fiscal 2003 represent the 52 week-periods ended September 24, 2005, September 25, 2004, and September 27, 2003, respectively.

Green Mountain Coffee is a Delaware company formed in July 1993.

Results from Operations

The following discussion on results of operations should be read in conjunction with "Item 6. Selected Financial Data," the financial statements and accompanying notes and the other financial data included elsewhere in this report.

The following table presents certain financial data of the Company expressed as a percentage of net sales for the periods denoted below:

	Fiscal years ended		
	Sept. 24, 2005	Sept. 25, 2004	Sept. 27, 2003
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	64.7 %	60.7 %	58.0 %
Gross profit	35.3 %	39.3 %	42.0 %
Selling and operating expenses	19.5 %	21.6 %	23.7 %
General and administrative expenses	6.0 %	6.9 %	7.0 %
Operating income	9.8 %	10.8 %	11.3 %
Other income	0.1 %	0.0 %	0.0 %
Interest expense	(0.3)%	(0.2)%	(0.5)%
Income before income taxes	9.6 %	10.6 %	10.8 %
Income tax expense	(3.8)%	(4.1)%	(4.5)%
Income before equity in losses of Keurig, Incorporated, net of tax benefit	5.8 %	6.5 %	6.3 %
Equity in losses of Keurig, Incorporated, net of tax benefit	(0.3)%	(0.8)%	(0.9)%
Net income	5.5 %	5.7 %	5.4 %

Fiscal 2005 versus Fiscal 2004

Net sales increased by $24,092,000 or 17.5%, to $161,536,000 in fiscal 2005 as compared to fiscal 2004. Coffee pounds shipped increased by approximately 2,145,000 pounds, or 12.1%, to approximately 19,879,000 pounds in fiscal 2005. The difference in growth rates between sales and pounds primarily reflects the increase in coffee K-Cups ® as a percentage of sales, which sell at a higher price per pound than our other products, as well as the growth of the Company's Celestial Seasonings ® Teas in K-Cups which are not part of the coffee pounds shipped data. The difference in net sales and pounds growth also reflects the two price increases in January and March 2005 which represents approximately 3.6% of the 17.5% increase in net sales. Our sales growth was driven by sales of K-Cups in the Office Coffee Service ("OCS") channel and the Consumer Direct channel, with OCS coffee contributing over 45% of the increase in net sales. In addition, the Food Service and Convenience Store channels experienced strong coffee sales. The pounds increase was strongest in the OCS channel, up 752,000 pounds or 18.3% due to strong K-Cup sales to our key customers driven by continued penetration of the Keurig ® B-100 Single-Cup Brewers in small offices and the continued success of teas in K-Cups. The Consumer Direct channel grew over 54% in dollar sales and 43.9% in coffee pounds shipped or 236,000 pounds, due primarily to increased sales of the Keurig ® Single-Cup Brewers for the home and associated K-Cups as well as K-Cup sales to Keurig, Inc. for its new Keurig Single-Cup Brewer sales to the retail channel, and to new Café Express members and overall improvements in website and catalog performance. In the Food Service channel, coffee pounds shipped increased 512,000 pounds, or 20% over the 2004 period, as a result of new customer acquisitions including approximately 244 Bruegger's Bakery casual restaurants throughout the United States. The Convenience Store channel increased pounds shipped by 506,000 pounds, or 10.4% over the 2004 period led by sales to McLane Company, Inc. ("McLane"), the distributor for ExxonMobil. The Supermarkets channel increased their pounds shipped by 140,000 pounds, or 2.5% over the 2004 period, due primarily to the increase in sales of our Fair Trade and Organic product line including our co-branded Newman's Own ® Organics products. Supermarket shipments slowed in the last two quarters of 2005, showing a decline of 2.6% over the comparable period in fiscal 2004. The softness in shipments in the second half of 2005 was mainly due to increased promotional levels by coffee competitors and the impact of our price increases in January and March of 2005.

Gross profit increased by $2,891,000, or 5.3%, to $56,975,000 in fiscal 2005. As a percentage of net sales, gross profit decreased 4.0 percentage points to 35.3% in fiscal 2005. The principal reasons for this decrease were higher green coffee costs, changes to the sales mix (mostly related to the higher percentage of sales of K-Cups which have a lower gross margin), increased costs associated with the new distribution center, as well as higher delivery expenses and higher costs associated with bringing new K-Cup capacity on-line.

Selling and operating expenses increased by $1,779,000, or 6.0%, to $31,517,000 in fiscal 2005, primarily due to compensation and benefits increases and higher marketing and promotional expenses. General and administrative expenses increased by $61,000, or 0.6%, to $9,554,000 in fiscal 2005. This increase was primarily due to higher salaries and compliance costs associated with the federal Sarbanes-Oxley legislation, and was partially offset by decreases in performance-based bonuses and employee benefits costs. Total selling, general and administrative expenses decreased to 25.5% of net sales from 28.5% of net sales in fiscal 2004. This improvement was primarily the result of leveraging selling and organizational resources on a higher sales base.

Interest expense increased by $216,000 to $498,000 in fiscal 2005. This increase is mainly due to a higher average debt balance in fiscal year 2005. The average effective interest rate was approximately 5.4% in fiscal 2005 as compared to 4.0% in fiscal 2004. In fiscal 2005 and fiscal 2004, Green Mountain Coffee capitalized $226,000 and $282,000 of interest expense, respectively. Income tax expense increased $390,000, or 6.8%, to $6,121,000 in fiscal 2005. The effective tax rate in 2005 was 39.3%, essentially unchanged from 39.2% in 2004.

We adopted the equity method of accounting for our investment in Keurig, Incorporated ("Keurig") in the third quarter of fiscal 2002 as our common stock ownership percentage grew from under 10% to 49.93% during that quarter. As of September 24, 2005 and September 25, 2004, the shares of common stock owned by the Company represent approximately 48.6% and 49.7% of Keurig's outstanding common stock, respectively. As of September 24, 2005, the total acquired shares (preferred stock and common stock) represent approximately 41.3% of Keurig's common equivalent shares and approximately 34.1% of Keurig's total shares on a fully diluted basis. Keurig is effectively controlled by MD Co. (controlled by MDT Advisers, an institutional investment company), which owns approximately 23% of Keurig's capital stock. As a result of contractual limitations and restrictions agreed to by us and certain other stockholders, MD Co. has the ability to elect a majority of Keurig's Board of Directors, cause certain types of amendments to Keurig's Certificate of Incorporation, and approve or reject a sale of Keurig's business.

The equity in the net earnings/loss of Keurig in fiscal 2005 was a loss of $492,000 or $0.06 per diluted share. This loss includes a $0.04 unrealized gain (net of tax) related to a valuation increase of Green Mountain Coffee's preferred shares of Keurig, which are carried at accreted redemption value. The loss also includes Green Mountain Coffee's share of the accretion of Keurig, Inc.'s estimated redemption value of its preferred stock owned by other shareholders of ($468,000) or ($0.06) per share (net of tax). The redemption value is based on Keurig's estimate of the amount the holders of the preferred shares will receive upon redemption. The Board of Directors of Keurig reviews its estimate periodically and may change it prior to the February 4, 2007 earliest possible redemption date. The balance of the Keurig loss is primarily due to increased expenditures by Keurig related to the launch of the Keurig® Single-Cup Brewers for the home. We recognize our equity portion of Keurig's losses net of related tax benefits. This accounting treatment assumes that the deferred tax asset from the Keurig losses will ultimately be realizable. The valuation of the Keurig investment at September 24, 2005 and the related deferred tax asset is supported by a recent valuation analysis prepared by an independent investment-banking firm.

Net income increased by $1,131,000, or 14.5%, to $8,956,000 in fiscal 2005. Earnings per diluted share increased $0.11 to $1.17.

Fiscal 2004 versus Fiscal 2003

Net sales increased by $20,717,000 or 17.7%, to $137,444,000 in fiscal 2004 as compared to fiscal 2003. Coffee pounds shipped increased by approximately 2,165,000 pounds, or 13.9%, to approximately 17,734,000 pounds in fiscal 2004. The difference in growth rates between sales and pounds primarily reflects the increase in coffee K-Cups ® as a percentage of sales, which sell at a higher price per pound than the Company's other products, as well as the growth of our Celestial Seasonings ® Teas in K-Cups which do not enter the coffee pounds shipped data. The sales growth was driven by sales of K-Cups to the office coffee channel and the consumer direct channel, as well as strong coffee sales to the supermarkets channel. The pounds increase was strongest in the supermarkets channel, up 842,000 pounds or 17.3% due primarily to the addition of new customers, including Publix Supermarkets, Stop & Shop ® , and the continued growth of sales to Costco. A key growth driver in the supermarkets channel is the increase in sales of the Company's Fair Trade and Organic product line including our co-branded Newman's Own ®

Organics products. The pound sales in the office coffee service ("OCS") channel increased 733,000 pounds, or 21.6%, due to strong K-Cup sales driven by increased penetration of the Keurig B-100 Single-Cup Brewers in small offices. The convenience store channel grew 258,000 pounds, or 5.6%, largely due to the sales to McLane Company, Inc. ("McLane"), the distributor for ExxonMobil.

Gross profit increased by $5,073,000, or 10.4%, to $54,084,000 in fiscal 2004. As a percentage of net sales, gross profit decreased 2.7 percentage points to 39.3% in fiscal 2004. The principal reasons for this decrease were changes to the sales mix, mostly related to the higher percentage of sales of K-Cups which have a lower gross margin, as well as higher delivery expenses and higher green coffee costs.

Selling and operating expenses increased by $2,089,000, or 7.6%, to $29,738,000 in fiscal 2004, primarily due to compensation and benefits increases totaling $1,777,000. General and administrative expenses increased by $1,252,000, or 15.2%, to $9,493,000 in fiscal 2004, primarily due to increases in compensation and employee benefits expenses of $890,000. Total selling, general and administrative expenses decreased to 28.5% of net sales from 30.7% of net sales in fiscal 2003. This improvement was primarily the result of leveraging selling and organizational resources on a higher sales base.

Interest expense decreased by $257,000 to $282,000 in fiscal 2004. This decrease is mainly due to the capitalization of interest expense associated with the construction of our new distribution center. The average effective interest rate was approximately 4% in fiscal 2004. In fiscal 2004 and fiscal 2003, we capitalized $282,000 and $127,000 of interest expense, respectively.

Income tax expense increased $486,000, or 9.3%, to $5,731,000 in fiscal 2004. The effective tax rate in 2004 was 39.2%, down from 41.5% in 2003. The decrease is due mainly to the favorable impact of the state tax incentives of $397,000, after federal effect, awarded under the Vermont Economic Advancement Tax Incentive Program. The total incentives awarded are $2,090,500 over the associated 5-year period. The ultimate amount of this credit is dependent on actual capital expenditures and employees added to the payroll over the 5-year period of the authorization. We reduced the valuation allowance on our Vermont Manufacturer's tax credit by $59,000 and $145,000 in fiscal 2004 and fiscal 2003, respectively. This credit expired at the end of fiscal year 2004.

The equity in the net earnings/loss of Keurig in fiscal 2004 was a loss of $1,076,000 or $0.15 per diluted share, down $51,000 or 4.5% from a loss of $1,127,000 in fiscal 2003 The Keurig losses are primarily due to marketing expenditures by Keurig related to the launch of the Keurig® Single-Cup Brewer for the home. Our percentage ownership of the total common stock equivalent outstanding shares of Keurig was 41.8% and 41.9% at September 25, 2004 and September 27, 2003, respectively. We recognize our equity portion of Keurig's losses net of related tax benefits. This accounting treatment assumes that the deferred tax asset from the Keurig losses will ultimately be realizable. The valuation of the Keurig investment at September 25, 2004 and the related deferred tax asset is supported by a valuation analysis prepared by an independent investment-banking firm.

Net income increased by $1,559,000, or 24.9%, to $7,825,000 in fiscal 2004. Earnings per diluted share increased $0.20 to $1.06.

Liquidity and Capital Resources

Our working capital increased $5,449,000 to $17,172,000 at September 24, 2005. This increase is primarily due to increased inventory, and, to a lesser extent, increased cash and accounts receivable, and was partially offset by an increase in accounts payable and accrued expenses.

Net cash provided by operating activities decreased by $953,000, or 6.0%, to $14,874,000 in fiscal 2005 from fiscal 2004 levels. In fiscal 2005, cash flows from operations were used to fund capital expenditures and repay debt.

In fiscal 2005, we had capital expenditures of $9,442,000, including $3,870,000 for production and distribution equipment; $2,720,000 for computer equipment and software; $2,031,000 for coffee service equipment loaned to customers; $705,000 for building, leasehold improvements and fixtures; and $116,000 for vehicles.

In fiscal 2004, we had capital expenditures of $18,500,000, including $6,657,000 for building, leasehold improvements and fixtures; $8,304,000 for production equipment; $1,663,000 for loaner equipment; $1,720,000 for computer equipment and software; and $156,000 for vehicles. The construction of the new distribution center in Waterbury accounted for $9,973,000 of the total 2004 capital expenditures. Other significant production projects, primarily upgrades to the Keurig packaging lines and projects in the roasting area, accounted for $4,286,000 of the 2004 expenditures.

At September 24, 2005, the balance of fixed assets classified as construction in progress, and therefore not being depreciated in the current period, amounted to $1,684,000. The assets included in this amount are expected to be ready for production use before the end of fiscal 2006.

In fiscal 2005, cash flows from financing activities included $4,341,000 generated from the exercise of employee stock options and issuance of shares under the employee stock purchase plan, up from $930,000 in the 2004 fiscal year. In addition, cash flows from operating activities included a $2,262,000 tax benefit from the exercise of non-qualified options and disqualifying dispositions of incentive stock options, up from $301,000 in 2004. As options granted under our stock option plans are exercised, we will continue to receive proceeds and a tax deduction for disqualifying dispositions; however, we cannot predict either the amounts or the timing of these disqualifying dispositions.

We maintain a credit facility with Bank of America N.A. ("Bank of America"). On June 30, 2004 we modified our existing credit facility with Bank of America. The second participating lender in this modified facility is Citizens Bank New Hampshire ("Citizens"). The modified facility provides for the previously existing term loan to be increased from $15 million to $17 million and to be amortized over 5 years. The availability under our revolving line of credit (which expires in March 2006) decreased from $12.5 million to $10 million and the availability under our equipment line of credit remains at $5 million with a term out of 5 years per amount drawn. The modified credit facility was used to finance our new distribution center in fiscal 2004, to purchase needed equipment, as well as for working capital purposes. The credit facility is secured by all the assets of the Company, and includes a negative pledge on our new distribution center. The terms of the credit agreement also restrict certain transactions without prior bank approval.

On May 31, 2005, we used excess cash to pay down $5,000,000 of our term loan debt with Bank of America. This prepayment shortened the maturity date of the loan from June 2009 to December 2007. All other terms of the debt remained unchanged.

At September 24, 2005 and September 25, 2004, the balance outstanding under the term loan was $8,450,000 and $16,500,000, respectively. No amount was outstanding under the revolving line of credit at September 24, 2005 or September 25, 2004. No amount was outstanding under the equipment line of credit at September 24, 2005. At September 25, 2004, $500,000 was outstanding under the equipment line of credit.

The credit agreement contains minimum quarterly profitability, maximum funded debt to EBITDA, and minimum fixed charge coverage ratio covenants. On September 12, 2005, Green Mountain Coffee and Bank of America entered into an amendment to the credit facility to replace the fixed charge coverage ratio with a debt service coverage ratio and amend the definition of EBITDA by expressly including in non-cash charges added back to our consolidated net income charges for stock options, restricted stock, or other stock-based awards which we have expensed. We were in compliance with the credit agreement's covenants at September 24, 2005 and September 25, 2004.

The interest paid on the credit facility varies with prime, LIBOR and Banker's Acceptance rates, plus a margin based on a performance price structure. On June 29, 2004, we entered into a $17,000,000 amortizing interest rate swap agreement in order to fix the interest rate on our term loan. The effect of the swap is to limit the interest rate exposure to a fixed rate of 3.94% versus the 30-day LIBOR rate. The notional amount of the swap at September 24, 2005, was $8,450,000. We believe that our cash flows from operating activities, existing cash and the modified credit facility will provide sufficient liquidity to pay all liabilities in the normal course of business, fund anticipated capital expenditures and service debt requirements through the next twelve months. We anticipate renewing the revolving line of credit expiring in March 2006. In addition, we may decide to seek additional borrowings or an equity offering as additional sources of funding in order to position our Company for strategic opportunities as they occur.

A summary of our cash requirements related to our outstanding long-term debt, future minimum lease payments and green coffee purchase commitments is as follows:

Fiscal Year	**Long-Term Debt**	**Capital Lease Obligations**	**Operating Lease Obligations**	**Purchase Obligations**	**Total**
2006	$ 3,492,000	$ 38,000	$ 1,735,000	$ 16,378,000	$21,643,000
2007	3,459,000	40,000	1,184,000	113,000	4,796,000
2008	1,662,000	37,000	1,000,000	113,000	2,812,000
2009	-	20,000	889,000	112,000	1,021,000
2010	-	-	793,000	-	793,000
Thereafter	-	-	3,460,000	-	3,460,000
Total	**$ 8,613,000**	**$135,000**	**$ 9,061,000**	**$16,716,000**	**$34,525,000**

In addition, we expect to spend $11,000,000 to $13,000,000 in capital expenditures in fiscal 2006.

Factors Affecting Quarterly Performance

Historically, we have experienced variations in sales from quarter-to-quarter due to the holiday season and a variety of other factors, including, but not limited to, general economic trends, the cost of green coffee, competition, marketing programs, and weather. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (see Note 2 to our Consolidated Financial Statements included in this Annual Report on Form 10-K). Actual results could differ from those estimates.

In December 2001, the Securities and Exchange Commission ("SEC") requested that all registrants list their critical accounting policies in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of their Form 10-K. The SEC defined a critical accounting policy as one that is important to the portrayal of the company's financial condition and results of operations and requires management's subjective or complex judgments. In accordance with this request, we are describing our critical accounting policies below.

Provision for Doubtful Accounts:
Periodically, we review the adequacy of our provision for doubtful accounts based on historical bad debt expense results and current economic conditions using factors based on the aging of our accounts receivable. In addition, from time-to-time we estimate specific additional allowances based on indications that a specific customer may be experiencing financial difficulties. Actual bad debt results could differ materially from these estimates.

Impairment of Long-Lived Assets:
When facts and circumstances indicate that the carrying values of long-lived assets, including fixed assets, investments in other companies and intangibles, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. Upon indication that the carrying value of such assets may not be recoverable, we recognize an impairment loss as a charge against current operations. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell. Judgments we make related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, and changes in operating performance. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, these factors could cause us to realize a material impairment charge.

Hedge Accounting:
We use coffee futures to hedge price increases in price-to-be-fixed coffee purchase commitments and anticipated coffee purchases. These derivative instruments qualify for hedge accounting under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Hedge accounting is permitted if the hedging relationship is expected to be highly effective. Effectiveness is determined by how closely the changes in the fair value of the derivative instrument offset the changes in the fair value of the hedged item. If the derivative is determined to qualify for hedge accounting, the effective portion of the change in the fair value of the derivative instrument is recorded in other comprehensive income and recognized in earnings when the related hedged item is sold. The ineffective portion of the change in the fair value of the derivative instrument is recorded directly to earnings. If these derivative instruments do not qualify for hedge accounting, we would have to record the changes in the fair value of the derivative instruments directly to earnings. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" and Note 10 in the "Notes to Condensed Consolidated Financial Statements," included elsewhere in this report.

Income Tax:
We utilize the asset and liability method of accounting for income taxes, as set forth in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Inventories:
Inventories are stated at the lower of cost or market, with cost being determined by the first-in, first-out method. Inventories consist primarily of green and roasted coffee, packaging materials and purchased finished goods.

Revenue recognition:
Revenue from wholesale and consumer direct sales is recognized upon product delivery.

Stock based compensation:
We have chosen to continue to account for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees." Accordingly, except for two grants to outside consultants in fiscal 2003 and a grant issued to an officer below market price in fiscal 2004, no compensation expense has been recognized for our stock option awards and our stock purchase plan because the exercise price of our stock options equals or exceeds the market price of the underlying stock on the date of the grant. The Company has adopted the disclosure-only provision of Statement of Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("SFAS 123").

Recent Accounting pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004) *Share-Based Payments* [FAS123(R)]. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement requires the Company to measure the cost of employee services received in exchange for an award of equity instruments (usually stock options) based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). The grant-date fair value of employee share options and similar instruments will be estimated using an option pricing model adjusted for the unique characteristics of those instruments. This statement is effective as of the beginning of the first annual reporting period that begins after June 15, 2005, which is the fiscal year beginning on September 25, 2005 for Green Mountain Coffee. The Company is currently in the process of implementing this Statement which is expected to have a material impact on its results from operations. See Note No. 2 for the disclosure of share-based compensation required by FAS 123. The standard provides for three alternative transition methods including (i) a modified prospective application ("MPA"), without restatement of prior interim periods in the year of adoption, (ii) MPA with restatement of prior interim periods in the year of adoption and (iii) a modified retrospective application. The Company anticipates using the modified prospective application transition method without restatement of prior interim periods.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 (SAB 107) which provides guidance regarding the interaction of FAS123(R) and certain SEC rules and regulations. The new guidance includes the SEC's view on the valuation of share-based payment arrangements for public companies and may simplify some of FAS 123(R)'s implementation challenges for registrants and enhance the information that investors receive.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs* ("SFAS 151"), an amendment of Accounting Research Bulletin No. 43, Chapter 4, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and waste material. This statement requires that abnormal expenses be recognized in the current period and that fixed production overhead be allocated to inventory based on the normal capacity of the production facilities. This statement is effective for fiscal periods beginning after June 15, 2005. The Company is in the process of evaluating the impact of this new Standard and will make any necessary adjustment in its first quarter. The Company does not believe that the adoption of SFAS 151 will have a significant effect on its financial statements.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations* , which clarifies that the term 'conditional asset retirement obligation' as used in SFAS No. 143, *Accounting for Asset Retirement Obligations* , refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. FIN 47 is effective no later than the end of the fiscal year ending after December 15, 2005. The Company does not believe that FIN 47 will have a material impact on its financial position or results from operations.

In August 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections ("SFAS No. 154"). This statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions, and it changes the requirements for accounting for and reporting them. Unless it is impractical, the statement requires retrospective application of the changes to prior periods' financial statements. This statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

Off-Balance Sheet Arrangements

Under SEC regulations, in certain circumstances, the Company is required to make certain disclosures regarding the following off-balance sheet arrangements, if material:

- Any obligation under certain guarantee contracts;
- Any retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- Any obligation under certain derivative instruments; and
- Any obligation arising out of a material variable interest held by the Company in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or engages in leasing, hedging or research and development services with the Company.

We do not have any off-balance sheet arrangements that are required to be disclosed pursuant to these regulations. We do not have, nor do we engage in, transactions with any special purpose entities. Except as specifically discussed in Notes 8 and 10 to the Consolidated Financial Statements, we are not engaged in hedging activities. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles, and are more fully discussed above.

Risks Related to the Company's Business

Green Mountain Coffee's business, its future performance and forward-looking statements are affected by general industry and market conditions and growth rates, general U.S. and non-U.S. economic and political conditions (including the global economy), competition, interest rate and currency exchange rate fluctuations and other events. The following items are representative of the risks, uncertainties and other conditions that may impact our business, future performance and the forward-looking statements that we make in this report or that we may make in the future.

Because our Company has only one roasting facility, a significant interruption in the operation of this facility could potentially disrupt our operations.

We have only one coffee roasting facility. A significant interruption in the operation of this facility, whether as a result of a natural disaster or other causes, could significantly impair our ability to operate our business on a day-to-day basis. Similarly, any disruption in our new distribution facility adjacent to our roasting facility in Vermont could significantly impair our ability to operate our business. As this new distribution center continues to undergo hardware and software changes and refinements in order to run more efficiently, there is a risk that the distribution center may not consistently operate at optimal performance levels throughout the year. In addition, because our coffee roasting and primary distribution facility is located in Vermont, our ability to ship coffee and receive shipments or raw materials could be adversely affected during winter months as a result of severe winter conditions and storms.

Our substantial equity investment in Keurig, Incorporated, a privately-held company, could have a material ongoing negative effect on our net income.

Green Mountain Coffee has a substantial equity investment in Keurig, Incorporated, a private company. Keurig can have significant quarterly operating income/loss fluctuations and its results can differ materially from expectations set forth in forward-looking statements. Keurig is currently operating at a loss and its negative earnings have a direct effect on Green Mountain Coffee's net income because our investment in Keurig is accounted for under the equity method of accounting. We recognize our equity portion of Keurig's losses net of related tax benefits. This accounting treatment assumes that the deferred tax asset from the Keurig losses will ultimately be realizable. The valuation of the Keurig investment at September 24, 2005 and the related deferred tax asset is supported by a valuation analysis prepared by an independent investment-banking firm. Further, there is a high degree of uncertainty with respect to Keurig's spending for the marketing support of the Keurig ® Single-Cup Brewers for the home and results could materially vary depending on Keurig's success in continuing to penetrate the home brewer market and its ability to secure adequate financing to support its marketing activities . Due to contractual agreements between Green Mountain Coffee and the other stockholders of Keurig, Incorporated, we have very limited control over the management, operation or strategic direction of Keurig, Incorporated.

Increases in the cost of high quality arabica coffee beans could reduce Green Mountain Coffee's gross margin and profit .

Green coffee commodity prices are subject to substantial price fluctuations, generally caused by multiple factors including weather, political and economic conditions in certain coffee-producing countries and other supply-related concerns. In recent years, green coffee prices have been under considerable downward pressures due to oversupply, but have increased significantly in fiscal 2005. Management believes that the "C" price of coffee (the price per pound quoted by the Coffee, Sugar and Cocoa Exchange) will remain highly volatile in future fiscal years. In addition to the "C" price, coffee of the quality sought by Green Mountain Coffee tends to trade on a negotiated basis at a substantial premium or "differential" above the "C" price. These differentials also are subject to significant variations. In recent years, while the "C" price has been at or near historic lows, differentials have generally been on the rise.

In the past, we generally have been able to pass increases in green coffee costs to our customers. We increased prices for certain products twice in fiscal 2005 due to rising coffee costs. There can be no assurance that we will be successful in passing such fluctuations on to the customers without losses in sales volume or gross margin in the future. Additionally, if higher green coffee costs can be offset on a dollar for dollar basis by price increases, this trend still lowers our gross margin on a percentage of sales basis.

Similarly, rapid sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Furthermore, a worldwide supply shortage of the high-quality arabica coffees we purchase could have an adverse impact on our operations and profitability.

Decreased availability of high quality arabica coffee beans could result in a decrease in revenue and jeopardize our Company's ability to maintain or expand our business.

Arabica coffee beans of the quality we purchase are not readily available on the commodity markets. We depend on our relationships with coffee brokers, exporters and growers for the supply of our primary raw material, high quality arabica coffee beans. In particular, the supply of Fair Trade Certified™ coffees is limited. We may not be able to purchase enough Fair Trade coffees to satisfy the rapidly increasing demand for such coffees, which could impact our revenue growth.

Because an increasing amount of our supply of Arabica coffee beans comes from specialty farms, we are more dependent upon a limited amount of suppliers, which increases the risk of inventory shortage.

We purchase an increasing amount of green coffee from specifically identified farms, estates, cooperatives and cooperative groups. In fiscal 2005, 47% of green coffee purchases were "farm-identified," slightly down from 49% in fiscal 2004. The timing of these purchases is dictated by when the coffee becomes available (after the annual crop), which does not always coincide with the period we need this green coffee to fulfill customer demand. This can lead to higher and more variable inventory levels.

If our relationships with coffee brokers, exporters and growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans. In such case, we may not be able to fulfill the demand of its existing customers, supply new customers or expand other channels of distribution. A raw material shortage could result in decreased revenue or could impair our ability to maintain or expand our business.

Competition in the specialty coffee market is intense and could affect Green Mountain Coffee's profitability.

The specialty coffee market is highly fragmented. Competition in the specialty coffee market is becoming increasingly intense as relatively low barriers to entry encourage new competitors to enter the specialty coffee market. Many of our current and potential competitors have substantially greater financial, marketing and operating resources. Our primary competitors in specialty coffee sales include Gevalia Kaffe (Kraft Foods), Dunkin' Donuts, Peet's Coffee & Tea, Millstone ® (Procter & Gamble), New England Coffee Company and Starbucks. There are numerous smaller, regional brands that also compete in this category. In addition, we compete indirectly against all other coffee brands on the market. A number of nationwide coffee marketers, such as Kraft Foods, Procter & Gamble, Sara Lee and Nestlé, are distributing premium coffee brands in supermarkets. These premium coffee brands may serve as substitutes for our coffee. If we do not succeed in effectively differentiating ourselves from our competitors or our competitors adopt our strategies, then our competitive position may be weakened.

Because a substantial portion of Green Mountain Coffee's revenue is related to sales to certain major customers, the loss of one or more of these customers could materially harm our business.

Our Company receives a significant portion of revenue in each fiscal period from a relatively limited number of customers, and that trend is likely to continue. Coffee pounds shipped to our ten largest customers accounted for approximately 36% of our total coffee pounds shipped in fiscal 2005. The loss of one or more of these major customers or a decrease in orders from one of these customers could materially affect our business. In addition, a significant percentage of our total revenue in fiscal 2005 came from sales of K-Cups ® . If Green Mountain Coffee was no longer permitted to manufacture K-Cups ® or if competitive, business or economic factors had a material negative impact on sales of the Keurig brewing system, our business would be adversely affected.

Because Green Mountain Coffee's business is focused almost entirely on the sale of specialty coffee, if the demand for specialty coffee decreased, our Company's business could suffer.

Sales of specialty coffee constituted nearly 100% of our Company's 2005 net revenue.

Demand for specialty coffee is affected by many factors, including:
- Consumer tastes and preferences;
- International, national, regional and local economic conditions; and
- Demographic trends

Because Green Mountain Coffee is highly dependent on consumer demand for specialty coffee, a shift in consumer preferences away from specialty coffee would harm our business more than if we had more diversified product offerings. If customer demand for specialty coffee decreases, our sales would decrease accordingly.

Because Green Mountain Coffee relies heavily on common carriers to deliver our coffee any disruption in their services or increase in shipping costs could adversely affect our business.

Green Mountain Coffee relies on a number of common carriers to deliver coffee to our customers and distribution centers. We have no control over these common carriers and the services provided by them may be interrupted as a result of labor shortages, contract disputes or other factors. If we experience an interruption in these services, we may be unable to ship our coffee in a timely manner. A delay in shipping could:

- Have an adverse impact on the quality of the coffee shipped, and thereby adversely affect our brand and reputation;
- Result in the disposal of an amount of coffee that could not be shipped in a timely manner; and
- Require us to contract with alternative, and possibly more expensive, common carriers.

Any significant increase in shipping costs could lower our profit margins or force us to raise prices, which could cause the Company's revenue and profits to suffer.

Green Mountain Coffee depends on the expertise of key personnel. If these individuals leave or change their role within the Company without effective replacements, our operations could suffer.

The success of our Company's business is dependent to a large degree on our management and our coffee roasters and purchasers. If members of the Company's management leave without effective replacements, our ability to implement our business strategy could be impaired. If we lost the services of our coffee roasters and purchasers, our ability to source and purchase a sufficient supply of specialty coffee beans and roast coffee beans consistent with our quality standards could suffer. In either case, the Company's business and operations could be adversely affected.

Green Mountain Coffee's roasting methods are not proprietary, so competitors may be able to duplicate them, which could harm our competitive position.

We consider our roasting methods essential to the flavor and richness of our coffee and, therefore, essential to our brand. Because our roasting methods cannot be patented, we would be unable to prevent competitors from copying our roasting methods if such methods became known. If the Company's competitors copy our roasting methods, the value of our brand could be diminished, and we could lose customers to our competitors. In addition, competitors could be able to develop roasting methods that are more advanced than Green Mountain Coffee's roasting methods, which could also harm our competitive position.

Because a substantial portion of our business is based in New England, a worsening of the regional New England economy, a decrease in consumer spending or a change in the competitive conditions in this market could substantially decrease Green Mountain Coffee's revenue and could adversely impact our ability to implement our business strategy.

Coffee pounds shipped to customers in New England accounted for 42% of our total pounds shipped in fiscal 2005. We expect that our New England operations will continue to generate a substantial portion of our revenue. In addition, our market share and visibility in New England provides us with a means for increasing brand awareness, building customer loyalty and strengthening our premium specialty coffee brand. As a result, an economic downturn or other decrease in consumer spending in New England may not only lead to a substantial decrease in revenue, but may also adversely impact our ability to market our brand, build customer loyalty, or otherwise implement our business strategy and further diversify the geographical concentration of our operations.

Political instability in coffee growing regions could result in a decrease in the availability of high quality arabica coffee beans needed for the continued operation and growth of our business and an increase in our operating costs.

Our Company roasts arabica coffee beans from many different regions to produce over 100 types and blends of coffee. The political situation in many of those regions, including Africa, Indonesia, and Central and South America, can be unstable, and such instability could affect our ability to purchase coffee from those regions. If arabica coffee beans from a region become unavailable or prohibitively expensive, we could be forced to discontinue particular coffee types and blends or substitute coffee beans from other regions in our blends. Frequent substitutions and changes in our coffee product lines could lead to cost increases, customer alienation and fluctuations in our gross margins. Furthermore, a worldwide supply shortage of the high quality arabica coffee beans we purchase could have a material adverse effect on our business.

Item 7A - Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to our operations result primarily from changes in interest rates and commodity prices (the "C" price of coffee). To address these risks, we enter into hedging transactions as described below. We do not use financial instruments for trading purposes.

For purposes of specific risk analysis, we use sensitivity analysis to determine the impacts that market risk exposures may have on our financial position or earnings.

Interest rate risks

The table below provides information about our debt obligations that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates.

Expected maturity dates	2006	2007	2008	2009	2010	Total
Long-term debt:						
Variable rate	-	-	-	-	-	-
Average interest rate	-	-	-	-	-	-
Fixed rate (in thousands)	$3,530	$3,499	$1,699	$ 19	$1	$ 8,748
Average interest rate	5.05%	5.10%	5.14%	4.76%	4.76%	$ 5.09%

At September 24, 2005, we had no debt subject to variable interest rates. We entered into an amortizing interest rate swap agreement in June 2004, in order to fix the interest rate on our entire term loan. The effect of the swap is to limit the interest rate exposure to a fixed rate of 3.94% versus the 30-day LIBOR.

In fiscal 2005 and fiscal 2004, we paid $201,000 and $167,000, respectively, in additional interest expense pursuant to the swap agreement. We are exposed to credit loss in the event of nonperformance by the other party to the swap agreement; however, nonperformance is not anticipated. The fair market value of the interest rate swap is the estimated amount that we would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the credit worthiness of the counterparty. At September 24, 2005, we estimate that we would have received $28,000 (gross of tax) if we terminated the agreement. We designate the swap agreement as a cash flow hedge and the fair value of the swap is classified in accumulated other comprehensive income.

Commodity price risks

Green coffee prices are subject to substantial price fluctuations, generally caused by multiple factors including weather, and political and economic conditions in certain coffee-producing countries. Our gross profit margins can be significantly impacted by changes in the price of green coffee. We enter into fixed coffee purchase commitments in an attempt to secure an adequate supply of coffee. These agreements are tied to specific market prices (defined by both the origin of the coffee and the time of delivery) but we have significant flexibility in selecting the date of the market price to be used in each contract. We generally fix the price of our coffee contracts two to six months prior to delivery, so that we can adjust our sales prices to the market. In addition, we maintain an on-hand inventory of approximately 1.5 to 2 months' worth of green coffee requirements. At September 24, 2005, we had approximately $16,716,000 in green coffee purchase commitments, of which approximately 84% had a fixed price.

In addition, we regularly use commodity-based financial instruments to hedge price-to-be-established coffee purchase commitments with the objective of minimizing cost risk due to market fluctuations. These hedges generally qualify as cash flow hedges. Gains and losses are deferred in other comprehensive income until the hedged inventory sale is recognized in earnings, at which point they are added to cost of sales. At September 24, 2005 we held outstanding futures contracts covering 1,687,500 pounds of coffee with a fair market value of ($60,000), gross of tax. The average settlement price used to calculate the fair value of the contracts outstanding was $0.93. If the settlement price drops on average by 10%, the loss incurred will be approximately $157,000 gross of tax. However, this loss, if realized, would be offset by lower costs of coffee purchased during fiscal 2006.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements on Page F-1.

In accordance with rule 3-09, we will file audited financial statements of our equity method investee Keurig, Incorporated for the calendar year ending December 31, 2005, which meets the significant subsidiary tests, within 90 days of Keurig's year-end.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 24, 2005. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures [as defined in Exchange Act Rule 13a-15(e)] are effective.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 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 September 24, 2005 and concluded that it is effective.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 24, 2005, as stated in their report included herein.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for the information regarding the Company's executive officers, the information called for by this Item is incorporated by reference in this report to our definitive Proxy Statement for the Company's Annual Meeting of Stockholders to be held on March 16, 2006, which will be filed not later than 120 days after the close of our fiscal year ended September 24, 2005 (the "Definitive Proxy Statement").

For information concerning the executive officers of the Company, see "Executive Officers of the Registrant."

Item 11. Executive Compensation

The information required by this item will be incorporated by reference to the information contained in the Definitive Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item will be incorporated by reference to the information contained in the Definitive Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item will be incorporated by reference to the information contained in the Definitive Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item will be incorporated by reference to the information contained in the Definitive Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Exhibit No.	Exhibit Title
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 in the Quarterly Report on Form 10-Q for the 12 weeks ended April 13, 2002).
3.2	Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 in the Quarterly Report on Form 10-Q for the 12 weeks ended April 13, 2002).
3.3	Certificate of Merger (incorporated by reference to Exhibit 3.3 in the Quarterly Report on Form 10-Q for the 16 weeks ended January 18, 2003).
4.1	Second Amended and Restated Credit Agreement, dated as of June 30, 2004, by and among the Company, as borrower, Fleet National Bank ("Fleet"), as agent, and Fleet and Citizens Bank New Hampshire ("Citizens"), as lenders (incorporated by reference to Exhibit 4.1 in thee Current Report on Form 8-K dated July 2, 2004).
	(a) Revolving Note dated June 30, 2004 by the Company in favor of Fleet (incorporated by reference to Exhibit 4.1(a) in the Current Report on Form 8-K dated July 2, 2004).
	(b) Revolving Note dated June 30, 2004 by the Company in favor of Citizens (incorporated by reference to Exhibit 4.1(b) in the Current Report on Form 8-K dated July 2, 2004).
	(c) Term Note dated June 30, 2004 by the Company in favor of Fleet (incorporated by reference to Exhibit 4.1(c) in thee Current Report on Form 8-K dated July 2, 2004).
	(d) Term Note dated June 30, 2004 by the Company in favor of Citizens (incorporated by reference to Exhibit 4.1(d) in thee Current Report on Form 8-K dated July 2, 2004).
	(e) Equipment Note dated June 30, 2004 by the Company in favor of Fleet (incorporated by reference to Exhibit 4.1(e) in thee Current Report on Form 8-K dated July 2, 2004).
	(f) Equipment Note dated June 30, 2004 by the Company in favor of Citizens (incorporated by reference to Exhibit 4.1(f) in thee Current Report on Form 8-K dated July 2, 2004).
	(g) Swing Line Note dated June 30, 2004 by the Company in favor of Fleet (incorporated by reference to Exhibit 4.1(g) in thee Current Report on Form 8-K dated July 2, 2004).
	(h) Amendment to Leasehold Mortgage dated as of June 30, 2004 among the Company, Fleet and Citizens (incorporated by reference to Exhibit 4.1(h) in thee Current Report on Form 8-K dated July 2, 2004).

(i) Amendment to the Second Amended and Restated Credit Agreement and Loan Documents dated September 12, 2005.

4.2 Amended and Restated Credit Agreement, dated as of August 30, 2002, by and among the Company, as guarantor, Green Mountain Coffee Roasters, Inc. ("GMCR") and Green Mountain Coffee Roasters Franchising Corporation ("GMCRF"), as borrowers, Fleet National Bank, as agent ("Fleet"), and Fleet National Bank and Banknorth, N.A. ("Banknorth"), as lenders (collectively, the "Lenders") (incorporated by reference to Exhibit 4.1 in the Current Report on Form 8-K dated August 30, 2002). **

(a) Revolving Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(a) in the Current Report on Form 8-K dated August 30, 2002). **

(b) Revolving Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(b) in the Current Report on Form 8-K dated August 30, 2002). **

(c) Term Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(c) in the Current Report on Form 8-K dated August 30, 2002). **

(d) Term Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(d) in the Current Report on Form 8-K dated August 30, 2002). **

(e) Equipment Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(e) in the Current Report on Form 8-K dated August 30, 2002). **

(f) Equipment Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(f) in the Current Report on Form 8-K dated August 30, 2002). **

(g) Swing Line Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(g) in the Current Report on Form 8-K dated August 30, 2002). **

(h) Security Agreement dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(h) in the Current Report on Form 8-K dated August 30, 2002).

(i) Security Agreement dated as of August 30, 2002, by and between GMCRF and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(i) in the Current Report on Form 8-K dated August 30, 2002).

(j) Security Agreement (Intellectual Property) dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(j) in the Current Report on Form 8-K dated August 30, 2002).

(k) Pledge Agreement dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(k) in the Current Report on Form 8-K dated August 30, 2002).

(l) Mortgage, Security Agreement and Fixture Filing dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(l) in the Current Report on Form 8-K dated August 30, 2002).

(m) Collateral Assignment of Leasehold Interests dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to Exhibit 4.1(m) in the Current Report on Form 8-K dated August 30, 2002).

10.1 Lease Agreement, dated April 28, 1993, between Pilgrim Partnership and Green Mountain Coffee, Inc., (incorporated by reference to Exhibit 10.33 in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993 and declared effective on September 21, 1993).

(a) Addendum to Lease Agreement dated April 28, 1993 (incorporated by reference to Exhibit 10.33(a) in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993, and declared effective on September 21, 1993).

(b) Lease Amendment dated August 16, 1993 (incorporated by reference to Exhibit 10.33(b) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(c) Letter Agreement dated July 30, 1997 (incorporated by reference to Exhibit 10.33(c) in the Quarterly Report on Form 10-Q for the 16 weeks ended January 17, 1998).

(d) Amendment to Lease Agreement dated July 1, 2002 (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10-Q for the 12 weeks ended July 6, 2002).

(e) Addendum & Amendment to Lease dated October 15, 2003.

10.2 1993 Stock Option Plan of the Company, as revised (incorporated by reference to Exhibit

10.36 in the Annual Report on Form 10-K for the fiscal year ended September 27, 1997).*

(a) Form of Stock Option Agreement.*

10.3 1998 Employee Stock Purchase Plan with Form of Participation Agreement (incorporated by reference to Exhibit 10.37 in the Annual Report on Form 10-K for the fiscal year ended September 26, 1998.)*

10.4 1999 Stock Option Plan of the Company (incorporated by reference to Exhibit 10.38 in the Quarterly Report on Form 10-Q for the 16 weeks ended January 18, 1999).*

(a) Form of Stock Option Agreement.*

10.5 Employment Agreement of Stephen J. Sabol dated as of July 1, 1993 (incorporated by reference to Exhibit 10.41 in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993, and declared effective on September 21, 1993).*

10.6 Employment Agreement of Paul Comey dated as of July 1, 1993 (incorporated by reference to Exhibit 10.42 in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993, and declared effective on September 21, 1993).*

10.7 Employment Agreement of Jonathan C. Wettstein dated as of July 1, 1993 (incorporated by reference to Exhibit 10.44 in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993, and declared effective on September 21, 1993).*

10.8 2000 Stock Option Plan of the Company (incorporated by reference to Exhibit 10.105 in the Annual Report on Form 10-K for the fiscal year ended September 30, 2000).*

(a) Form of Stock Option Agreement*

10.9 Green Mountain Coffee, Inc., Employee Stock Ownership Plan (incorporated by reference to Exhibit 10.113 in the Annual Report on Form 10-K for the fiscal year ended September 30, 2000).

10.10 Green Mountain Coffee, Inc., Employee Stock Ownership Trust (incorporated by reference to Exhibit 10.114 in the Annual Report on Form 10-K for the fiscal year ended September 30, 2000).

10.11 Loan Agreement by and between the Green Mountain Coffee, Inc., Employee Stock Ownership Trust and Green Mountain Coffee, Inc., made and entered into as of April 16, 2001 (incorporated by reference to Exhibit 10.118 in the Quarterly Report on Form 10-Q for the 12 weeks ended April 14, 2001).

10.12 Shareholder Rights Agreement dated April 4, 2002, by and among Green Mountain Coffee Roasters, Inc., Keurig, Incorporated and MD Co. (incorporated by reference to Exhibit 10.1 in the Current Report on Form 8-K dated April 5, 2002).

10.13 Second Amended and Restated First Refusal Agreement dated as of February 4, 2002, by and among Green Mountain Coffee Roasters, Inc., Keurig, Incorporated and certain other holders of the capital stock of Keurig, Incorporated (incorporated by reference to Exhibit 10.2 in the Current Report on Form 8-K dated April 5, 2002).

10.14 Voting Agreement dated as of February 4, 2002, by and among Green Mountain Coffee Roasters, Inc., Keurig, Incorporated and certain other holders of the capital stock of Keurig, Incorporated (incorporated by reference to Exhibit 10.3 in the Current Report on Form 8-K dated April 5, 2002).

10.15 Stock Rights Agreement dated as of February 4, 2002, by and among Keurig, Incorporated, Green Mountain Coffee Roasters, Inc., and other holders of preferred stock of Keurig, Incorporated (incorporated by reference to Exhibit 10.4 in the Current Report on Form 8-K dated April 5, 2002).

10.16 Equipment Purchase Agreement dated as of June 21, 2002, by and between Green Mountain Coffee Roasters, Inc., and Keurig, Incorporated (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10-Q for the 12 weeks ended July 6, 2002).

10.17 2002 Deferred Compensation Plan (incorporated by reference to Appendix A of the Definitive Proxy Statement filed on January 24, 2003).*

10.18 Employment Agreement between Green Mountain Coffee Roasters, Inc. and Frances G. Rathke dated as of October 31, 2003 (incorporated by reference to Exhibit 10.26 in the Annual Report on Form 10-K for the fiscal year ended September 27, 2003).*

10.19 Ground Lease Agreement dated April 14, 2005 between Pilgrim Partnership, LLC and the Company (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended April 9, 2005)

(a) Amendment to Ground Lease Agreement dated November 15, 2005.

10.20 Employment agreement of James Travis dated July 27, 2005*

10.21 Lease Agreement dated November 15, 2005 between Pilgrim Partnership, LLC and the Company.

14. Green Mountain Coffee Roasters Finance Code of Professional Conduct (incorporated by reference to Exhibit 14 in Annual Report on Form 10-K for the fiscal year ended September 27, 2003).

23. Consent of PricewaterhouseCoopers LLP.

24. Powers of Attorney.

31.1 Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Principal Executive Officer Certification Pursuant 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Principal Financial Officer Certification Pursuant 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan

** Superceded and replaced by the agreements included in Exhibit 4.1 and related to a new credit facility

SIGNATURES

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

GREEN MOUNTAIN COFFEE ROASTERS, INC.

By: /s/ Frances G. Rathke
FRANCES G. RATHKE

Chief Financial Officer,
Treasurer and Secretary

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

Signature	Title	Date
/s/ Robert P. Stiller ROBERT P. STILLER	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 8, 2005
/s/ Frances G. Rathke FRANCES G. RATHKE	Chief Financial Officer, Treasurer, and Secretary (Principal Financial and Accounting Officer)	December 8, 2005
KATHRYN S. BROOKS*	Vice President of Human Resources and Organizational Development and Director	December 8, 2005
BARBARA CARLINI*	Director	December 8, 2005
WILLIAM D. DAVIS*	Director	December 8, 2005
JULES A. DEL VECCHIO*	Director	December 8, 2005
DAVID E. MORAN*	Director	December 8, 2005

*By: _ /s/ Robert P. Stiller ______
Robert P. Stiller, Attorney-in-fact

GREEN MOUNTAIN COFFEE ROASTERS, INC.
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Green Mountain Coffee Roasters, Inc.:

We have completed an integrated audit of Green Mountain Coffee Roasters, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of September 24, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Green Mountain Coffee Roasters, Inc. at September 24, 2005 and September 25, 2004, and the results of its operations and its cash flows for each of the three years in the period ended September 24, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated 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 of these statements 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of September 24, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 24, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. 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. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
December 8, 2005

Green Mountain Coffee Roasters, Inc.
Consolidated Balance Sheets
(Dollars in thousands)

	September 24, 2005	September 25, 2004
Assets		
Current assets:		
Cash and cash equivalents	$6,450	$4,514
Receivables, less allowances of $544 and $481 at September 24, 2005, and September 25, 2004, respectively	15,286	13,776
Inventories	14,039	9,580
Other current assets	1,274	983
Deferred income taxes, net	1,346	616
Total current assets	38,395	29,469
Fixed assets, net	39,507	36,502
Investment in Keurig, Incorporated	9,765	10,604
Goodwill and other intangibles	1,446	1,446
Other long-term assets	739	311
	$89,852	$78,332
	=======	=======
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$3,530	$3,259
Accounts payable	10,440	8,382
Accrued compensation costs	1,929	2,737
Accrued expenses	4,547	3,028
Other short-term liabilities	60	317
Income tax payable	717	23
Total current liabilities	21,223	17,746
Long-term debt	5,218	14,039
Deferred income taxes	3,019	2,132
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, $0.10 par value: Authorized - 20,000,000 shares; Issued - 8,638,281 and 8,260,261 shares at September 24, 2005 and September 25, 2004, respectively	864	826
Additional paid-in capital	29,651	22,884
Retained earnings	37,695	28,739
Accumulated other comprehensive (loss)	(72)	(130)
ESOP unallocated shares, at cost - 15,205 and 21,060 shares at September 24, 2005 and September 25, 2004, respectively	(410)	(568)
Treasury shares, at cost - 1,157,554 shares at September 24, 2005 and September 25, 2004	(7,336)	(7,336)
Total stockholders' equity	60,392	44,415
	$89,852	$78,332
	=======	=======

GREEN MOUNTAIN COFFEE ROASTERS, INC.
Consolidated Statements of Operations
(Dollars in thousands except per share data)

	Year Ended		
	September 24, 2005	September 25, 2004	September 27, 2003
Net sales	$ 161,536	$ 137,444	$ 116,727
Cost of sales	104,561	83,360	67,716

Gross profit	56,975	54,084	49,011
Selling and operating expenses	31,517	29,738	27,649
General and administrative expenses	9,554	9,493	8,241
Operating income	15,904	14,853	13,121
Other income	163	61	56
Interest expense	(498)	(282)	(539)
Income before income taxes	15,569	14,632	12,638
Income tax expense	(6,121)	(5,731)	(5,245)
Income before equity in losses of Keurig, Incorporated, net of tax benefit	9,448	8,901	7,393
Equity in losses of Keurig, Incorporated, net of tax benefit	(492)	(1,076)	(1,127)
Net income	$ 8,956	$ 7,825	$ 6,266
	=====	=====	=====
Basic income per share:			
Weighted average shares outstanding	7,192,431	7,004,605	6,859,709
Net income	$1.25	$1.12	$0.91
Diluted income per share:			
Weighted average shares outstanding	7,666,832	7,409,426	7,259,805
Net income	$1.17	$1.06	$0.86

GREEN MOUNTAIN COFFEE ROASTERS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended September 24, 2005, September 25, 2004, and September 27, 2003
(Dollars in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other compre-hensive (loss)	Treasury stock		ESOP unallocated		Stockholders' equity
	Shares	Amount				Shares	Amount	Shares	Amount	
Balance at September 28, 2002	7,956,872	$795	$19,793	$14,648	$ (12)	(1,138,273)	$(7,050)	(40,941)	$(1,109)	$27,065
Issuance of common stock under employee stock purchase plan	41,363	5	528	-	-	-	-	-	-	533
Options exercised	158,256	16	747	-	-	-	-	-	-	763
Deferred compensation and non-employee compensation expense	-	-	53	-	-	-	-	-	-	53
Allocation of ESOP shares	-	-	(69)	-	-	-	-	9,760	263	194
Tax benefit from allocation of ESOP shares	-	-	26	-	-	-	-	-	-	26
Tax benefit from exercise of options	-	-	591	-	-	-	-	-	-	591
Purchase of treasury shares	-	-	-	-	-	(19,281)	(286)	-	-	(286)
Other comprehensive loss, net of tax	-	-	-	-	(57)	-	-	-	-	(57)
Net income	-	-	-	6,266	-	-	-	-	-	6,266
Balance at September 27, 2003	8,156,491	816	21,669	20,914	(69)	(1,157,554)	(7,336)	(31,181)	(846)	35,148
Issuance of common stock under employee stock purchase plan	34,677	3	581	-	-	-	-	-	-	584
Options exercised	69,093	7	332	-	-	-	-	-	-	339
Deferred compensation and stock compensation expense	-	-	46	-	-	-	-	-	-	46
Allocation of ESOP shares	-	-	(73)	-	-	-	-	10,121	278	205
Tax benefit from allocation of ESOP shares	-	-	28	-	-	-	-	-	-	28
Tax benefit from exercise of options	-	-	301	-	-	-	-	-	-	301
Other comprehensive loss, net of tax	-	-	-	-	(61)	-	-	-	-	(61)
Net income	-	-	-	7,825	-	-	-	-	-	7,825
Balance at September 25, 2004	8,260,261	826	22,884	28,739	(130)	(1,157,554)	(7,336)	(21,060)	(568)	44,415
Issuance of common stock under employee stock purchase plan	37,808	4	709	-	-	-	-	-	-	713
Options exercised	340,212	34	3,594	-	-	-	-	-	-	3,628
Deferred compensation and stock compensation expense	-	-	176	-	-	-	-	-	-	176
Allocation of ESOP shares	-	-	42	-	-	-	-	5,855	158	200
Tax expense from allocation of ESOP shares	-	-	(16)	-	-	-	-	-	-	(16)
Tax benefit from exercise of options	-	-	2,262	-	-	-	-	-	-	2,262
Other comprehensive loss, net of tax	-	-	-	-	58	-	-	-	-	58
Net income	-	-	-	8,956	-	-	-	-	-	8,956
Balance at September 24, 2005	8,638,281	$ 864	$ 29,651	$37,695	$ (72)	(1,157,554)	$(7,336)	(15,205)	$(410)	$ 60,392
	====	===	====	====	===	=====	====	====	====	====

GREEN MOUNTAIN COFFEE ROASTERS, INC.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Year Ended		
	September 24, 2005	September 25, 2004	September 27, 2003
Net income	$ 8,956	$ 7,825	$ 6,266
Other comprehensive income (loss), net of tax:			
Deferred gains (losses) on derivatives designated as cash flow hedges	42	(10)	(50)
(Gains) losses on derivatives designated as cash flow hedges included in net income	16	(51)	(7)
Other comprehensive income (loss)	58	(61)	(57)

Comprehensive income	$ 9,014	$ 7,764	$ 6,209
	=======	=======	=======

GREEN MOUNTAIN COFFEE ROASTERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended		
	September 24, 2005	**September 25, 2004**	**September 27, 2003**
Cash flows from operating activities:			
Net income	$8,956	$7,825	$6,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,048	4,674	4,848
Gain on disposal of fixed assets	(49)	(89)	(54)
Provision for doubtful accounts	315	253	397
Change in fair value of interest rate swap	(345)	197	120
Change in fair value of futures derivatives	182	(124)	(11)
Change in accumulated other comprehensive income	58	(61)	(57)
Tax benefit from exercise of non-qualified stock options and disqualified dispositions of incentive stock options	2,262	301	591
Tax benefit (expense) from allocation of ESOP shares	(16)	28	26
Equity in loss of Keurig, Incorporated	839	1,784	1,927
Deferred income taxes	157	788	803
Deferred compensation and stock compensation	176	46	53
Contributions to the ESOP	200	200	200
Changes in assets and liabilities:			
Receivables	(1,825)	(1,321)	(3,973)
Inventories	(4,459)	(2,115)	(1,589)
Other current assets	(413)	44	(116)
Income taxes payable (receivable)	694	299	252
Other long-term assets	(400)	(56)	(29)
Accounts payable	1,783	1,268	877
Accrued compensation costs	(808)	681	1,025
Accrued expenses	1,519	1,205	562
Net cash provided by operating activities	14,874	15,827	12,118
Cash flows from investing activities:			
Expenditures for fixed assets	(9,442)	(18,500)	(7,651)
Proceeds from disposals of fixed assets	713	488	601
Net cash used for investing activities	(8,729)	(18,012)	(7,050)
Cash flows from financing activities:			
Proceeds from issuance of common stock	4,341	930	1,291
Purchase of treasury shares	-	-	(286)
Proceeds from issuance of long-term debt	141	9,010	90
Repayment of long-term debt	(8,691)	(3,393)	(3,681)
Repayment of revolving line of credit	-	(350)	(2,780)
Net cash provided by (used for) financing activities	(4,209)	6,197	(5,366)
Net increase (decrease) in cash and cash equivalents	1,936	4,012	(298)
Cash and cash equivalents at beginning of year	4,514	502	800
Cash and cash equivalents at end of year	$6,450	$4,514	$502
	====	====	====
Supplemental disclosures of cash flow information:			
Cash paid for interest	$753	$513	$511
Cash paid for income taxes	$2,719	$ 3,521	$2,726
Accounts payable include commitments for fixed assets purchases at the end of each year:	$1,456	$ 1,181	$419

Green Mountain Coffee Roasters, Inc.
Notes to Consolidated Financial Statements

1. Nature of Business and Organization

Green Mountain Coffee Roasters, Inc. ("the Company" or "Green Mountain Coffee") purchases high-quality arabica coffee beans for roasting, then packages and distributes the roasted coffee primarily in the Northeastern United States. The majority of the Company's revenue is derived from its wholesale operation which serves supermarket, specialty food store, convenience store, food service, hotel, restaurant, university, travel, and office coffee service customers. The Company also has a consumer direct operation serving customers nationwide.

The Company's fiscal year ends on the last Saturday in September. Fiscal 2005, fiscal 2004 and fiscal 2003 represent the years ended

September 24, 2005, September 25, 2004, and September 27, 2003, respectively. Each of these fiscal years consists of 52 weeks.

Green Mountain Coffee Roasters, Inc., is a Delaware company.

2. Significant Accounting Policies

Cash and cash equivalents
The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include money market funds which are carried at cost, plus accrued interest, which approximates market. The Company does not believe that it is subject to any unusual credit or market risk.

Inventories
Inventories are stated at the lower of cost or market, with cost being determined by the first-in, first-out method. Inventories consist primarily of green and roasted coffee, packaging materials and purchased finished goods.

Hedging
The Company uses futures and options contracts to hedge the effects of fluctuations in the price of green coffee beans and interest rate swaps to hedge the effect of fluctuations on interest payments on its outstanding debt. The Company recognizes derivatives on its balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Stock-based compensation
The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees." Accordingly, except for two grants to outside consultants in fiscal 2003 and a grant issued to an officer below market price in fiscal 2004, no compensation expense has been recognized for its stock option awards and its stock purchase plan because the exercise price of the Company's stock options equals or exceeds the market price of the underlying stock on the date of the grant. The Company has adopted the disclosure-only provision of Statement of Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("SFAS 123"). Had compensation cost for the Company's stock option awards and the stock purchase plan been determined based on the fair value at the grant dates for the awards under those plans, consistent with the provisions of SFAS 123, the Company's net income and net income per share for the years ended September 24, 2005, September 25, 2004 and September 27, 2003, would have decreased to the pro forma amounts indicated below:

In thousands, except per share data	Fiscal 2005	Fiscal 2004	Fiscal 2003
Net income, as reported	$8,956	$7,825	$6,266
Stock-based compensation expense included in reported net income, net of tax	96	23	27
Total stock-based compensation expense determined under fair value based method, net of tax	(1,083)	(1,046)	(968)
Pro forma net income	7,969	6,802	5,325
Basic net income per share, as reported	1.25	1.12	0.91
Basic net income per share, pro forma	1.11	0.97	0.78
Diluted net income per share, as reported	1.17	1.06	0.86
Diluted net income per share, pro forma	1.04	0.92	0.73

The fair value of each stock option under the 1993, 1999 and 2000 Plans are estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions: an expected life averaging 6 years, 5 years, and 4 years in fiscal 2005, 2004, and 2003, respectively; an average volatility of 41%, 57%, and 63%, for fiscal 2005, 2004, and 2003, respectively; no dividend yield; and a risk-free interest rate averaging 4.00%, 3.00%, and 2.88% for fiscal 2005, 2004, and 2003 grants, respectively. The weighted-average fair values of options granted during 2005, 2004, and 2003 are $12.03, $9.90, and $9.04, respectively.

The fair value of the employees' purchase rights under the Purchase Plan was estimated using the Black-Scholes model with the following assumptions for fiscal 2005, 2004, and 2003: an expected life of six months for all periods presented; expected volatility of 37%, 57%, and 65%, respectively; no dividend yield; and an average risk-free interest rate of 3.05%, 1.50%, and 1.00%, respectively. The weighted average fair value of those purchase rights granted in fiscal 2005, 2004, and 2003, was $8.02, $7.00, and $8.81, respectively.

Other long-term assets
Other long-term assets consist of deposits and debt issuance costs. Debt issuance costs are being amortized over the respective life of the applicable debt. Debt issuance costs included in other long-term assets in the accompanying consolidated balance sheet at September 24, 2005 and September 25, 2004 were $99,000 and $132,000, respectively.

Impairment of Long-Lived Asset
When facts and circumstances indicate that the carrying values of long-lived assets, including fixed assets, investments in other companies and intangibles, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to projected

future cash flows in addition to other quantitative and qualitative analyses. Upon indication that the carrying value of such assets may not be recoverable, the Company recognizes an impairment loss as a charge against current operations. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell. Judgments Green Mountain Coffee makes related to the expected useful lives of long-lived assets and its ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, and changes in operating performance. As the Company assesses the ongoing expected cash flows and carrying amounts of its long-lived assets, these factors could cause Green Mountain Coffee to realize a material impairment charge.

Provision for Doubtful Accounts
Periodically, management reviews the adequacy of its provision for doubtful accounts based on historical bad debt expense results and current economic conditions using factors based on the aging of its accounts receivable. In addition, from time-to-time Green Mountain Coffee estimates specific additional allowances based on indications that a specific customer may be experiencing financial difficulties. Actual bad debt results could differ materially from these estimates.

Advertising costs
The Company expenses the costs of advertising the first time the advertising takes place, except for direct mail campaigns targeted directly at consumers, which are expensed over the period during which the catalog is expected to generate sales. At September 24, 2005 and September 25, 2004, prepaid advertising costs of $138,000 and $41,000, respectively, were recorded in other current assets in the accompanying consolidated balance sheet. Advertising expense totaled $5,609,000, $5,194,000, and $4,814,000, for the years ended September 24, 2005, September 25, 2004, and September 27, 2003, respectively.

Fixed assets
Fixed assets are carried at cost, net of accumulated depreciation. Expenditures for maintenance, repairs and renewals of minor items are charged to expense as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The cost and accumulated depreciation for fixed assets sold, retired, or otherwise disposed of are relieved from the accounts, and the resultant gains and losses are reflected in income.

In order to facilitate sales, the Company follows an industry-wide practice of purchasing and loaning coffee brewing and related equipment to wholesale customers. These assets are also carried at cost, net of accumulated depreciation.

Depreciation costs of manufacturing and distribution assets are included in cost of sales. Depreciation costs of other assets are included in selling and operating expenses.

Revenue recognition
Revenue from wholesale and consumer direct sales is recognized upon product delivery.

Cost of Sales
The Company records external shipping and handling expenses in cost of sales.

Income taxes
The Company utilizes the asset and liability method of accounting for income taxes, as set forth in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Financial instruments
The Company enters into various types of financial instruments in the normal course of business. Fair values are estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk. The fair values of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses and debt approximate their carrying value at September 24, 2005. See Note 8 and 10 for disclosures on fair value determinations of hedging instruments.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements. Actual results could differ from those estimates.

Significant customer credit risk and supply risk
Since March 2001, under a new distribution agreement with ExxonMobil Corporation ("ExxonMobil"), all corporate-owned locations as well as a number of franchisee-owned locations must purchase their coffee from McLane Company ("McLane"), an independent distributor, with McLane becoming the direct customer of Green Mountain Coffee. Net sales to McLane comprised less than 10% of the Company's revenues in the years ended September 24, 2005, September 25, 2004, and September 27, 2003. Receivables from McLane represented 22.5% and 15.8% of total receivables as of September 24, 2005, and September 25, 2004, respectively.

The majority of the Company's customers are located in the northeastern part of the United States. Concentration of credit risk with respect to accounts receivable is limited due to the large number of customers in various channels comprising the Company's customer base. The Company does not require collateral from customers as ongoing credit evaluations of customers' payment histories are performed. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

Recent pronouncements
In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004) *Share-Based Payments* (FAS123(R)). This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement requires the Company to measure the cost of employee services received in exchange for an award of equity instruments (usually stock options) based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). The grant-date fair value of employee share options and similar instruments will be estimated using an option pricing model adjusted for the unique characteristics of those instruments. This statement is effective as of the beginning of the first annual reporting period that begins after June 15, 2005, which is the fiscal year beginning on September 25, 2005 for Green Mountain Coffee. The Company is currently in the process of implementing this Statement which is expected to have a material impact on its results from operations. See the disclosure of share-based compensation required by FAS 123 above in this Note. The standard provides for three alternative transition methods including (i) a modified prospective application ("MPA"), without restatement of prior interim periods in the year of adoption, (ii) MPA with restatement of prior interim periods in the year of adoption and (iii) a modified retrospective application. The Company anticipates using the modified prospective application transition method without restatement of prior interim periods.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 (SAB 107) which provides guidance regarding the interaction of FAS 123(R) and certain SEC rules and regulations. The new guidance includes the SEC's view on the valuation of share-based payment arrangements for public companies and may simplify some of FAS 123(R)'s implementation challenges for registrants and enhance the information that investors receive.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs* ("SFAS 151"), an amendment of Accounting Research Bulletin No. 43, Chapter 4, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and waste material. This statement requires that abnormal expenses be recognized in the current period and that fixed production overhead be allocated to inventory based on the normal capacity of the production facilities. This statement is effective for fiscal periods beginning after June 15, 2005. The Company is in the process of evaluating the impact of this new Standard and will make any necessary adjustment in its first quarter. The Company does not believe that the adoption of SFAS 151 will have a significant effect on its financial statements.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations* , which clarifies that the term 'conditional asset retirement obligation' as used in SFAS No. 143, *Accounting for Asset Retirement Obligations* , refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. FIN 47 is effective no later than the end of the fiscal year ending after December 15, 2005. The Company does not believe that FIN 47 will have a material impact on its financial position or results from operations.

In August 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections ("SFAS No. 154"). This statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions, and it changes the requirements for accounting for and reporting them. Unless it is impractical, the statement requires retrospective application of the changes to prior periods' financial statements. This statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

Revised classification
The Company has revised the classification of certain information presented in its fiscal 2004 and fiscal 2003 Consolidated Statements of Cash Flows to conform to the fiscal 2005 presentation.

3. Inventories

Inventories consist of the following:

	September 24, 2005	September 25, 2004
Raw materials and supplies	$ 7,026,000	$ 5,020,000
Finished goods	7,013,000	4,560,000
	$ 14,039,000	$ 9,580,000
	=============	=============

Inventory values above are presented net of $133,000 and $166,000 of obsolescence reserves at September 24, 2005, and September 25, 2004, respectively.

At September 24, 2005, the Company had approximately $16,716,000 in green coffee purchase commitments, of which approximately 84% had a fixed price. These commitments extend through 2009. The value of the variable portion of these commitments was calculated using an average "C" price of coffee of $0.97 per pound and a price of $11.25 per pound for Kona Mountain Estate TM coffee. The Company believes, based on relationships established with its suppliers, that the risk of non-delivery on such purchase commitments is remote.

4. Fixed Assets

Fixed assets consist of the following:

	Useful Life in Years	September 24, 2005	September 25, 2004
Production equipment	2 - 15	$ 28,169,000	$ 21,719,000
Equipment on loan to wholesale customers	2 - 6	11,263,000	10,427,000
Computer equipment and software	2 - 5	11,241,000	8,668,000
Building	30	5,455,000	5,198,000
Furniture and fixtures	2 - 10	3,214,000	2,904,000
Vehicles	4 - 5	898,000	1,018,000
Leasehold improvements	2 - 11 or remaining life of the lease, whichever is less	1,861,000	3,675,000
Construction-in-progress		1,684,000	6,145,000
Total fixed assets		63,785,000	59,754,000
Accumulated depreciation		(24,278,000)	(23,252,000)
		$ 39,507,000	$ 36,502,000
		==========	==========

Total depreciation and amortization expense relating to all fixed assets was $6,048,000, $4,674,000, and $4,829,000, for fiscal 2005, 2004, and 2003, respectively.

Assets classified as construction-in-progress are not depreciated, as they are not ready for production use. All assets classified as construction-in-progress on September 24, 2005, are expected to be in production use before the end of fiscal 2006.

During fiscal 2005, fiscal 2004 and fiscal 2003, $226,000, $281,000, and $127,000, respectively, of interest expense was capitalized.

The Company regularly undertakes a review of its fixed assets records. In fiscal 2003, it recorded an impairment charge of $340,000, mainly related to obsolete manufacturing and distribution equipment. An additional $23,000 impairment charge related to obsolete distribution equipment was recorded in fiscal 2004. In fiscal 2005, obsolete fixed assets totaling $126,000 were written-off.

5. Income Taxes

The provision for income taxes for the years ended September 24, 2005, September 25, 2004 and September 27, 2003 consists of the following:

	September 24, 2005	September 25, 2004	September 27, 2003
Current tax expense:			
Federal	$4,820,000	$3,323,000	$ 2,897,000
State	839,000	825,000	699,000
Total current	5,659,000	4,148,000	3,596,000
Deferred tax expense:			
Federal	322,000	1,513,000	1,356,000
State	140,000	129,000	438,000
Total deferred	462,000	1,642,000	1,794,000
Tax asset valuation allowance	(0)	(59,000)	(145,000)
Total tax expense	$6,121,000	$5,731,000	$ 5,245,000
	========	========	=========

SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers expected future events other than enactments of changes in the tax law or rates.

Net deferred tax liabilities consist of the following:

	September 24, 2005	September 25, 2004
Deferred tax assets:		
Losses of equity investment in Keurig	$2,054,000	$1,684,000
Section 263A adjustment	19,000	10,000
Deferred hedging losses	50,000	89,000
Vermont VEPC tax credit	434,000	397,000
Other reserves and temporary differences	1,200,000	484,000
Gross deferred tax assets	3,757,000	2,664,000
Deferred tax asset valuation allowance	(43,000)	(42,000)
Deferred tax liability:		
Depreciation	(5,387,000)	(4,138,000)
Net deferred tax liabilities	$ (1,673,000)	$ (1,516,000)

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On January 22, 2004, the Vermont Economic Progress Council (VEPC) approved an application from Green Mountain Coffee Roasters for payroll and capital investment tax credits. The total incentives authorized are $2,091,000 over a five-year period beginning in fiscal year 2004. The capital investment tax credits are $1,844,000 of the total authorization and are contingent upon reaching minimum capital investments of $4,900,000, $3,000,000, $10,900,000, $5,800,000 and $4,700,000 in 2004, 2005, 2006, 2007 and 2008, respectively. All credits are also subject to recapture and disallowance provisions due to curtailment of trade or business. The Company is deemed to have substantially curtailed its trade or business if the average number of full time employees in any period of 120 consecutive days is less than 75% of the highest average number of full time employees for any year in a period of six years after the initial authorization of the incentive. The tax credit is earned as actual capital expenditures are made in the State of Vermont or employees added to the payroll in the case of the payroll tax credit. Once a credit is earned, it may be carried forward to any subsequent year for which an approval exists (2004 through 2008 for Green Mountain Coffee) or to any of the next 5 succeeding years following the last year of the term approved by the VEPC. The tax credit earned during fiscal 2005 decreased state income tax expense by $345,000, after federal effect.

The valuation allowance at September 24, 2005 of $43,000 consists entirely of allowance against future utilization of capital losses.

A reconciliation for continuing operations between the amount of reported income tax expense and the amount computed using the U.S. Federal Statutory rate of 34% is as follows:

	September 24, 2005	September 25, 2004	September 27, 2003
Tax at U.S. Federal Statutory rate	$5,294,000	$4,974,000	$ 4,297,000
Increase (decrease) in rates resulting from:			
Other nondeductible items	140,000	134,000	89,000
State taxes, net of federal benefit	687,000	682,000	1,004,000
Deferred tax asset valuation allowance	(0)	(59,000)	(145,000)
Tax at effective rates	$6,121,000	$5,731,000	$ 5,245,000
	=========	=========	=========

6. Investment in Keurig, Incorporated

During the first two quarters of fiscal 2002, the Company purchased 586,350 shares of Preferred Stock and 317,969 shares of Common Stock of Keurig, Incorporated ("Keurig") for approximately $5,921,000 from third-party investors in Keurig. During the third fiscal quarter of 2002, the Company purchased an additional 1,324,885 shares of Common Stock and 3,925 shares of Preferred Stock of Keurig from third party investors for approximately $8,681,000. Prior to January 8, 2002, the Company had an investment in the Preferred Stock of Keurig of $151,000. As of September 24, 2005 and September 25, 2004, the shares of Common Stock owned by the Company represent approximately 48.6% and 49.7% of Keurig's outstanding Common Stock, respectively. As of September 24, 2005, the total acquired shares (Preferred Stock and Common Stock) represent approximately 41.3% of Keurig's common equivalent shares and approximately 34.1% of Keurig's total shares on a fully diluted basis. The Company adopted the equity method of accounting to report its investment in Keurig, Incorporated in its third fiscal quarter of 2002.

As a result of contractual limitations and restrictions agreed to by the Company, MD Co., which owns approximately 23% of Keurig's capital stock, effectively controls Keurig - having the ability to elect a majority of Keurig's Board of Directors, cause certain types of amendments to Keurig's Certificate of Incorporation, and approve or reject a sale of Keurig's business.

The allocation of the equity investment in Keurig includes the assignment of $2,554,000 to identifiable technology intangible assets that are being amortized on a straight-line basis over their estimated useful lives, which range from 7 to 10 years. In addition, the Company allocated $1,152,000 to certain fixed assets of Keurig to approximate the estimated fair value of such assets. As the transaction was effected through the purchase of currently outstanding stock of Keurig, the historical tax basis of Keurig continues and the fair value ascribed to identifiable intangible assets and fixed assets are recorded net of a deferred tax liability.

In conjunction with its purchase of Keurig's stock in 2002, the Company issued Stock Appreciation Rights (SARs). Upon consummation of a liquidity event involving the stock of Keurig, Inc. as defined in the SARs agreement, the Company would be required to record an expense equal to the difference between the value of Keurig's stock and the price paid by Green Mountain Coffee Roasters when it acquired Keurig stock in 2002. At September 24, 2005, the Company estimated that it would have been required to record an expense equal to $42,000, had a liquidity event occurred.

In addition to its investment in Keurig, Incorporated, the Company conducts arms length business transactions with Keurig. Under license agreements with Keurig, dated July 22, 2003, and June 30, 2002, as amended, the Company pays Keurig a royalty for sales of Keurig licensed products. The Company recorded in cost of sales Keurig licensing royalties in the amount of $10,092,000, $7,365,000, and $5,091,000, for the years ended September 24, 2005, September 25, 2004, and September 27, 2003, respectively.

Keurig also purchases coffee products from the Company. In the fiscal years 2005, 2004, and 2003, the Company sold $2,144,000, $749,000, and $199,000 worth of coffee products to Keurig, Incorporated, respectively. In addition, the Company purchases brewer and equipment from Keurig, Incorporated. For the fiscal years 2005, 2004, and 2003, the Company purchased $2,506,000, $2,361,000, and $763,000 worth of brewers and equipment from Keurig, Incorporated, respectively. The Company has properly eliminated the effect of these related party transactions for which the earnings process has not been completed. At September 24, 2005, the Company had payables to Keurig amounting to $2,067,000. At September 25, 2004, the Company had licensed royalties payable to Keurig of $570,000.

Keurig is on a calendar year-end. The Company has included in its income for the year ended September 24, 2005, the Company's equity interest in Keurig's earnings of the period starting on October 1, 2004 and ending September 30, 2005. Similarly, the Company has included in its income for the years ended September 25, 2004 and September 27, 2003, the Company's ownership interest in Keurig's earnings of the period starting on October 1, 2003 and ending September 30, 2004 and the period starting on October 1, 2002 and ending on September 30, 2003, respectively. During fiscal 2005, fiscal 2004 and fiscal 2003, the equity impact of Keurig's earnings was $(492,000), $(1,076,000), and $(1,127,000), net of a tax benefit of $345,000, $708,000, and $800,000, respectively. The equity in earnings in the investment of Keurig represents the Company's portion of Keurig's earnings for the period relative to the Company's ownership of Common Stock in Keurig for that period including certain adjustments and is presented net of taxes. These adjustments include the amortization of assigned intangible assets, the accretion of Preferred Stock dividends and redemption rights, as well as depreciation differences between the Company's equity in the fair value of certain fixed assets as compared to Keurig's historical cost basis.

During fiscal 2005, $468,000, net of taxes, of the net equity impact of Keurig's earnings was due to the accretion of Preferred Stock owned by other shareholders. There was no material adjustment for accretion of Preferred Stock redemption rights in fiscal 2004 and fiscal 2003. The carrying value of Keurig Inc.'s preferred stock is being accreted to the estimated redemption value ratably through the earliest possible redemption date of February 4, 2007. The redemption value is based on Keurig's estimate of the amount the holders of the preferred shares will receive upon redemption. The Board of Directors of Keurig reviews its estimate periodically and may change it prior to the February 4, 2007 earliest possible redemption date. The Company carries its investment in Keurig Inc. preferred stock at accreted redemption value, which approximates fair value. The Company has recognized its equity portion of Keurig's losses net of related tax benefits. This accounting treatment assumes that the deferred tax asset from the Keurig losses will ultimately be realizable. The valuation of the Keurig investment at September 24, 2005 and the related deferred tax asset is supported by a recent valuation analysis prepared by an independent investment-banking firm.

Summarized financial information for Keurig (which is on a calendar year) is as follows:

	Income Statement Information for the twelve months ended		
Dollars in thousands	**September 30, 2005**	**September 30, 2004**	**September 30, 2003**
Revenues	$52,494	$33,834	$20,835
Cost of goods sold	$27,310	$17,106	$8,839
Selling, general and administrative expenses	$25,364	$19,097	$14,964
Operating loss	$(180)	$(2,369)	$(2,968)
Net income (loss)	$3	$(2,446)	$(3,147)

	Financial Position Information at	
Dollars in thousands	**September 30, 2005**	**September 30, 2004**
Current assets	$17,144	$10,079
Property, plant and equipment, net	$2,610	$3,417
Other assets	$284	$284
Total assets	$20,038	$13,780
Current liabilities	$10,561	$4,730
Noncurrent liabilities	-	$32
Redeemable preferred stock	$21,088	$18,434
Stockholder's deficit	$(11,611)	$(9,416)

7. Goodwill resulting from the acquisition of Frontier ® Organic Coffee

The carrying value of the Company's goodwill from the acquisition of the assets related to the coffee business of Frontier Natural Products Co-op of Norway, Iowa, was approximately $1,446,000 at September 24, 2005, and September 25, 2004. There have been no changes in this carrying amount since September 29, 2001. The Company tested its goodwill for impairment at September 24, 2005, and September 25, 2004, concluding that its goodwill is not impaired.

8. Credit Facility

The Company maintains a credit facility with Bank of America N.A. ("Bank of America"). On June 30, 2004 the Company modified its existing credit facility with Bank of America. The second participating lender in this modified facility is Citizens Bank New Hampshire ("Citizens"). The modified facility provides for the previously existing term loan to be increased from $15 million to $17 million and to be amortized over 5 years. The availability under the Company's revolving line of credit (which expires in March 2006) decreased from $12.5 million to $10 million and the availability under its equipment line of credit remains at $5 million with a term out of 5 years per amount drawn. The modified credit facility was used to finance the Company's new distribution center in fiscal 2004, to purchase needed equipment, as well as for working capital purposes. The credit facility is secured by all the assets of the Company, and includes a negative pledge on the Company' new distribution center. The terms of the credit agreement also restrict certain transactions without prior bank approval.

The interest paid on the credit facility varies with prime, LIBOR and Banker's Acceptance rates, plus a margin based on a performance price structure. Interest on the Bankers Acceptance loans is paid in advance and amortized over the duration of the loans. Interest on LIBOR loans and the variable portion of the Credit Facility accrues daily and is paid monthly, in arrears.

The interest rate on the term loan was 5.19% at September 24, 2005 and September 25, 2004 (fixed rate under swap agreement discussed below plus 125 basis points). The interest rate on the equipment line of credit was 3.0825% (LIBOR plus 125 basis points) at September 25, 2004. The Company also pays a commitment fee on the average daily unused portion of the revolving line of credit.

On May 31, 2005, the Company used some of its excess cash to pay back $5,000,000 of its term loan debt with Fleet Bank, now part of Bank of America. This prepayment shortened the maturity date of the loan from June 2009 to December 2007. All other terms of the debt remained unchanged.

At September 24, 2005 and September 25, 2004, the balance outstanding under the term loan was $8,450,000 and $16,500,000, respectively. No amount was outstanding under the revolving line of credit at September 24, 2005 or September 25, 2004. No amount was outstanding under the equipment line of credit at September 24, 2005. At September 25, 2004, $500,000 was outstanding under the equipment line of credit.

The credit agreement contains minimum quarterly profitability, maximum funded debt to EBITDA, and minimum fixed charge coverage ratio covenants. On September 12, 2005, Green Mountain Coffee and Bank of America entered into an amendment to the credit facility to replace the fixed charge coverage ratio with a debt service coverage ratio and amend the definition of EBITDA by expressly including in non-cash charges added back to the Company's consolidated net income charges for stock options, restricted stock, or other stock-based awards which have been expensed by the Company. The Company was in compliance with these covenants at September 24, 2005, and September 25, 2004.

The Company entered into an interest rate swap agreement with Bank of America effective June 29, 2004, in order to fix the interest rate on its term loan. The swap had an original notional amount of $17,000,000 and a maturity date of June 29, 2009. The notional amount at September 24, 2005 and September 25, 2004, was $8,450,000 and $16,500,000, respectively. The effect of the swap is to limit the interest rate exposure to a fixed rate of 3.94% versus the 30-day LIBOR rate. In accordance with the agreement and on a monthly basis, interest expense is calculated based on the floating 30-day LIBOR rate and the fixed rate. If interest expense calculated is greater based on the 30-day LIBOR rate, Bank of America pays the difference to the Company; if interest expense as calculated is greater based on the fixed rate, the Company pays the difference to Bank of America.

On May 31, 2005, the swap agreement was amended to lower the notional amount by $5,000,000 in conjunction with a prepayment of the term debt being hedged. The termination of the swap was changed from June 2009 to December 2007. All other terms of the swap remained unchanged.

The fair market value of the interest rate swap is the estimated amount that the Company would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the credit worthiness of the counterparty. At September 24, 2005, the Company estimates it would have received $28,000 (gross of tax) if it terminated the agreement. At September 25, 2004, the Company estimates it would have paid $317,000 (gross of tax) to terminate the agreement. Green Mountain Coffee designates the swap agreement as a cash flow hedge and the fair value of the swap is classified in accumulated other comprehensive income.

In fiscal 2005 and fiscal 2004, the Company paid $201,000 and $167,000, respectively, in additional interest expense pursuant to the swap agreement. The Company is exposed to credit loss in the event of nonperformance by the other party to the swap agreement; however, nonperformance is not anticipated.

9. Long-term Debt

	September 24, 2005	September 25, 2004
Fleet equipment line of credit (Note 8)	-	$ 500,000
Fleet term debt (Note 8)	$8,450,000	16,500,000
Office equipment capital leases	135,000	146,000
Service vehicle installment loans	163,000	152,000
	8,748,000	17, 298,000
Less current portion	3,530,000	3,259,000
	$5,218,000	$14,039,000
	============	============

Service Vehicle Installment Loans

The service vehicle installment loans represent several loans to financing institutions for the purchase of service vehicles. At September 24, 2005, the notes bear interest at a rate of 0.0% and require monthly installments totaling approximately $9,000. Maturities vary from March 2006 to February 2008.

Office Equipment Capital Leases

The Company leases copiers and fax machines. These leases require monthly installments of principal and interest totaling approximately $4,000. Maturities vary from March 2006 to October 2009.

Maturities

Maturities of long-term debt for years subsequent to September 24, 2005 are as follows:

Fiscal Year	
2006	$ 3,530,000
2007	3,499,000
2008	1,699,000
2009	20,000
	$ 8,748,000
	=========

10. Coffee prices hedging

The Company regularly enters into coffee futures contracts to hedge forecasted purchases of green coffee and therefore designates these contracts as cash flow hedges. Occasionally, the Company also enters into coffee option contracts. At September 24, 2005, the Company held outstanding futures contracts covering 1,687,500 pounds of coffee with a fair market value of ($60,000). At September 24, 2005, deferred losses on futures contracts designated as cash flow hedges amounted to $150,000 ($90,000 net of taxes). These futures contracts are hedging coffee purchases forecasted to take place in the next three months and the related gains and losses will be reflected in cost of sales in the first two fiscal quarters of 2006, when the related finished goods inventory is sold. At September 25, 2004, the Company held outstanding futures contracts covering 1,163,000 pounds of coffee with a fair market value of $122,000. At September 25, 2004, deferred gains on futures contracts designated as cash flow hedges amounted to $97,000 ($59,000 net of taxes). These deferred gains and losses are classified as accumulated other comprehensive income and losses. There were no outstanding coffee option contracts at September 24, 2005 and September 25, 2004.

The total losses on futures and options contracts that were included in cost of sales in fiscal 2005 amounted to $42,000 ($25,000 net of tax). The total gains on futures contracts designated as cash flow hedges that were included in cost of sales in fiscal 2004 and 2003 amounted to $83,000 ($51,000 net of tax) and $13,000 ($7,000 net of tax), respectively.

The fair market value for the futures was obtained from a major financial institution based on the market value of those financial instruments at September 24, 2005, and September 25, 2004.

11. Employee Compensation Plans

Stock Option Plans

Prior to the establishment on September 21, 1993 of the Company's first employee Stock Option Plan (the "1993 Plan"), the Company granted to certain key management employees individual non-qualified stock option agreements to purchase shares of the Company's common stock. All options outstanding under these individual agreements are fully vested and expire on April 15, 2008. At September 24, 2005 and September 25, 2004, 43,440 and 68,314 options were outstanding under these individual agreements, respectively.

The 1993 Plan provides for the granting of both incentive and non-qualified stock options. Effective July 26, 1996, the total number of shares of authorized common stock made available under the 1993 Plan was increased to 550,000. Grants under the 1993 Plan expire 10 years after the grant date, or earlier if employment terminates. There were no options available under the 1993 Plan on September 24, 2005, or at September 25, 2004, as this Plan expired on September 21, 2003, ten years after inception.

On May 20, 1999, the Company registered on Form S-8 the 1999 Stock Option Plan (the "1999 Plan"). Under this plan, 500,000 shares of common stock are available for grants of both incentive and non-qualified stock options. Grants under the 1999 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 24, 2005 and September 25, 2004, options for 11,434 and 61,234 shares of common stock were available for grant under the plan.

On September 25, 2001, the Company registered on Form S-8 the 2000 Stock Option Plan (the "2000 Plan"). Under this plan, 800,000 shares of common stock are available for grants of both incentive and non-qualified stock options. Grants under the 2000 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 24, 2005 and September 25, 2004, options for 33,856 and 51,788 shares of common stock were available for grant under the plan, respectively.

Under the 1993 Plan, the 1999 Plan and the 2000 Plan, the option price for each incentive stock option shall not be less than the fair market value per share of common stock on the date of grant, with certain provisions which increase the option price to 110% of the fair market value of the common stock if the grantee owns in excess of 10% of the Company's common stock at the date of grant. Under the 1993 Plan and the 1999 Plan, the option price for each non-qualified stock option shall not be less than 85% of the fair market value of the common stock at the date of grant. The 2000 Plan does not have restrictions on the pricing of non-qualified grants. Options under the 1993 Plan, the 1999 Plan and the 2000 Plan become exercisable over periods determined by the Board of Directors, generally in the range of four to five years.

Option activity is summarized as follows:

	Number of Shares	Option Price	Average Exercise Price
Outstanding at September 28, 2002	1,136,323	$ 2.19 - 26.83	$ 10.15
Granted	100,550	12.89 - 21.45	15.20
Exercised	(158,256)	2.19 - 18.97	3.94
Canceled	(79,015)	2.19 - 26.83	16.14
Outstanding at September 27, 2003	999,602	2.19 - 26.83	10.79

Granted	204,900	17.33 - 22.75	19.77
Exercised	(69,093)	2.19 - 22.75	4.93
Canceled	(7,915)	12.89 - 26.83	20.62
Outstanding at September 25, 2004	1,127,494	2.19 - 26.83	12.46
Granted	90,800	22.24 - 38.17	23.47
Exercised	(340,212)	2.19 - 26.83	9.5 5
Canceled	(23,668)	4.25 - 24.00	18.31
Outstanding at September 24, 2005	854,414	2.19 - 38.17	14.51
	=========		
Exercisable at September 27, 2003	592,120	$2.19 - 26.83	$ 7.21
Exercisable at September 25, 2004	673,043	$2.19 - 26.83	$ 8.78
Exercisable at September 24, 2005	512,062	$2.19 - 26.83	$10.09

	Options outstanding			Options exercisable	
Range of exercise price	**Number outstanding at September 24, 2005**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price**	**Number exercisable at September 24, 2005**	**Weighted average exercise price**
$ 2.19 - 5.00	246,104	2.90	$ 3.55	246,104	$ 3.55
6.38 - 14.93	122,020	5.37	10.06	100,500	9.55
15.07 - 18.97	134,243	5.85	18.50	78,017	18.34
19.40 - 20.45	182,316	5.97	20.04	47,770	20.21
20.50 - 38.17	169,731	7.63	21.06	39,671	23.59
	854,414			512,062	
	=========			=========	

Employee Stock Purchase Plan

On October 5, 1998, the Company registered on Form S-8 the 1998 Employee Stock Purchase Plan. Under this plan, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of the lower of the beginning or ending withholding period fair market value as defined in the plan. A total of 300,000 shares of common stock were reserved for issuance under the plan. On March 25, 2004, the Company's stockholders approved an amendment of this plan to increase the shares available from 300,000 to 600,000 shares. There are two six-month withholding periods in each fiscal year. At September 24, 2005 and September 25, 2004, options for 268,074 and 305,882 shares of common stock were available for grant under the plan, respectively.

12. Defined Contribution Plan

The Company has a defined contribution plan which meets the requirements of section 401(k) of the Internal Revenue Code. All regular full-time employees of the Company who are at least eighteen years of age and work a minimum of 36 hours per week are eligible to participate in the plan. The plan allows employees to defer a portion of their salary on a pre-tax basis and the Company contributes 50% of amounts contributed by employees up to 6% of their salary. Company contributions to the plan amounted to $625,000, $533,000, and $462,000, for the years ended September 24, 2005, September 25, 2004, and September 27, 2003, respectively.

13. Employee Stock Ownership Plan

On September 14, 2000, the Board of Directors of the Company adopted a resolution establishing the Green Mountain Coffee, Inc., Employee Stock Ownership Plan (the "ESOP") and the related Green Mountain Coffee, Inc., Employee Stock Ownership Trust (the "Trust"). The ESOP is qualified under sections 401(a) and 4975(e)(7) of the Internal Revenue Code. All employees of the Company with one year or more of service who are at least twenty-one years of age are eligible to participate in the Plan, in accordance with the terms of the Plan. The Company may, at its discretion, contribute shares of Company stock or cash that is used to purchase shares of Company stock. Company contributions are credited to eligible participants' accounts pro-rata based on their compensation. Plan participants hired before January 1, 2002, become vested in their Plan benefits ratably over five years from the date of hire of the employee. Plan participants hired after January 1, 2002, become vested in their Plan benefits after five years of employment.

In April 2001, a total of 12,500 shares were purchased at a cost of $197,000 in the open market and distributed directly to participants. On April 16, 2001, the Company made a $2,000,000 loan to the Trust to provide funds for the open-market purchases of the Company's common stock. This loan bears interest at an annual rate of 8.5% and provides for annual repayments to the Company. The maturity date of the loan is the last business day of the Company's fiscal 2010 year. Between April 19, 2001 and August 21, 2001, the Trust purchased 73,800 shares of the Company's common stock at an average price of $27.11 per share. The fair value of unearned ESOP shares at September 24, 2005 and September 25, 2004, was $519,000 or $34.16 a share and $416,000 or $19.76 a share, respectively.

For each of the years ended September 24, 2005, September 25, 2004, and September 27, 2003, the Company recorded compensation costs of $200,000 annually for contributions to the ESOP.

After the close of 2004 and 2003 calendar years, 10,121 and 9,940 shares were transferred from the unallocated ESOP pool of shares and allocated to participants' accounts, respectively. At September 24, 2005, 5,855 shares had been committed to be released to participants' accounts at the end of the calendar 2005 year.

14. Deferred Compensation Plan

The 2002 Deferred Compensation Plan permits certain highly compensated officers and employees of the Company and non-employee directors to defer eligible compensation payable for services rendered to the Company. Participants may elect to receive deferred compensation in the form of cash payments or shares of Company Common Stock on the date or dates selected by the participant or on such other date or dates specified in the Deferred Compensation Plan. The Deferred Compensation Plan is in effect for compensation earned on or after September 29, 2002. As of September 24, 2005 and September 25, 2004, 98,284 and 99,004 shares of Common Stock were available for future issuance under this Plan, respectively. As of September 24, 2005 and September 25, 2004, rights to acquire 1,716 and 996 shares of Common Stock were outstanding under this Plan, respectively.

15. Related party transactions

The Company uses travel services provided by Heritage Flight, a charter air services company acquired by Mr. Stiller, the Company's CEO, in September 2002. During fiscal 2005, 2004, and 2003, the Company was billed a total of $125,000, $129,000, and $295,000, respectively, by Heritage Flight for travel services provided to various employees of the Company.

16. Commitments, Lease Contingencies and Contingent Liabilities

Leases

The Company leases office and retail space, production, distribution and service facilities, and certain equipment under various non-cancelable operating leases, with terms ranging from one to twenty years. Property leases normally require payment of a minimum annual rental plus a pro-rata share of certain landlord operating expenses. Total rent expense under all operating leases was $2,159,000, $2,037,000, and $1,948,000 in fiscal 2005, 2004, and 2003, respectively.

Minimum future lease payments (net of committed sublease agreements of $56,000 for fiscal 2006, $56,000 for fiscal 2007 and $7,000 for fiscal 2008) under non-cancelable operating leases for years subsequent to September 24, 2005 are as follows:

Fiscal Year	Operating Leases
2006	$ 1,735,000
2007	1,184,000
2008	1,000,000
2009	889,000
2010	793,000
Thereafter	3,460,000
Total minimum lease payments	$ 9,061,000
	==========

17. Earnings per share

The following table illustrates the reconciliation of the numerator and denominator of basic and diluted income per share from continuing operations computations as required by SFAS No. 128 (dollars in thousands, except share and per share data):

	Year Ended		
	September 24, 2005	September 25, 2004	September 27, 2003
Numerator - basic and diluted earnings per share:			
Net income	$ 8,956	$ 7,825	$ 6,266
	======	======	======
Denominator:			
Basic earnings per share - weighted average shares outstanding	7,192,431	7,004,605	6,859,709
Effect of dilutive securities - stock options	474,401	404,821	400,096
Diluted earnings per share - weighted average shares outstanding	7,666,832	7,409,426	7,259,805
	========	========	========
Basic earnings per share	$ 1.25	$ 1.12	$ 0.91
Diluted earnings per share	$ 1.17	$ 1.06	$ 0.86

For the fiscal years ended September 24, 2005, September 25, 2004, and September 27, 2003, anti-dilutive options of 2,000, 105,000, and 111,000, respectively, have been excluded from the calculation of EPS because the options' exercise price was greater than the market price of the common shares.

18. Unaudited Quarterly Financial Data

The following table presents the quarterly information for fiscal 2005 and fiscal 2004 (dollars in thousands, except per share data). All quarters presented are made of 12 weeks except for the first fiscal quarters of fiscal 2005 and fiscal 2004 which comprise 16 weeks each.

Fiscal 2005	January 15, 2005	April 9, 2005	July 3, 2004	September 24, 2005
Net sales	$ 50,357	$ 36,993	$ 37,782	$ 36,404
Gross profit	$ 17,823	$ 12,943	$ 13,691	$ 12,518
Net income	$ 2,406	$ 1,960	$ 2,155	$ 2,435
Earnings per share:				
Basic	$ 0.34	$ 0.27	$ 0.30	$ 0.33
Diluted	$ 0.32	$ 0.26	$ 0.28	$ 0.31

Fiscal 2004	January 17, 2004	April 10, 2004	July 3, 2004	September 25, 2004
Net sales	$ 43,285	$ 31,058	$ 31,347	$ 31,754
Gross profit	$ 17,277	$ 11,946	$ 12,667	$ 12,194
Net income	$ 2,599	$ 1,315	$ 1,906	$ 2,005
Earnings per share:				
Basic	$ 0.37	$ 0.19	$ 0.27	$ 0.29
Diluted	$ 0.35	$ 0.18	$ 0.26	$ 0.27

-

Schedule II - Valuation and Qualifying Accounts
for the fiscal years ended
September 24, 2005, September 25, 2004, and September 27, 2003

		Additions			
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**Deductions**	**Balance at End of Period**
Allowance for doubtful accounts:					
Fiscal 2005	$ 481,000	$ 315,000	-	$ 252,000	$ 544,000
Fiscal 2004	$ 439,000	$ 253,000	-	$ 211,000	$ 481,000
Fiscal 2003	$ 351,000	$ 397,000	-	$ 309,000	$ 439,000
Obsolete inventory valuation allowance:					
Fiscal 2005	$ 166,000	$293,000	-	$ 326,000	$ 133,000
Fiscal 2004	$ 148,000	$ 130,000	-	$ 112,000	$ 166,000
Fiscal 2003	$ 234,000	-	-	$ 86,000	$ 148,000

AMENDMENT TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT
AND LOAN DOCUMENTS

THIS AMENDMENT (the "Amendment") is made as of this 12th day of September, 2005, by and between GREEN MOUNTAIN COFFEE ROASTERS, INC., a Delaware corporation having its chief executive office at 33 Coffee Lane, Waterbury, Vermont 05676 (the "Borrower"), and BANK OF AMERICA, N.A., a national banking association and successor by merger to Fleet National Bank, for itself, as a Lender, and as Agent for other Lenders identified below ("Bank of America").

R E C I T A L S:

WHEREAS, Borrower and Bank of America, as a Lender and Agent for other Lenders, are parties to a certain Second Amended and Restated Credit Agreement dated as of June 30, 2004 (the "Credit Agreement");

WHEREAS, Citizens Bank New Hampshire is the other "Lender" under the Credit Agreement;

WHEREAS, pursuant to the Credit Agreement, the Lenders have extended certain Loans to the Borrower;

WHEREAS, the Borrower has requested that the Lenders modify the Credit Agreement by replacing its Fixed Charge Coverage covenant contained in Annex E to the Credit Agreement with a Debt Service Coverage covenant, and the Lenders have agreed to such modification on the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants, agreements and promises contained herein, the parties hereby agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

2. Replacement of Fixed Charge Coverage Covenant with Debt Service Coverage Covenant.

(a) The defined term "Fixed Charge Coverage Ratio" is deleted from the Credit Agreement, and the definition of "Debt Service Coverage Ratio" is inserted in Annex A to the Credit Agreement to read as follows:

> **Debt Service Coverage Ratio" shall mean, with respect to the Borrower for any period, the ratio of (a) EBITDA to (b) the sum of (i) Interest Expense paid in cash, and (ii) scheduled principal payments on Funded Debt.**

(b) The definition of "EBITDA" set forth in Annex A to the Credit Agreement is amended by expressly including in non-cash charges added back into Borrower's consolidated net income in clause (iv) charges for stock options, restricted stock, or other stock-based awards which have been expensed by the Borrower, such that the definition of "EBITDA" shall read as follows:

> **" EBITDA " shall mean, with respect to Borrower for any fiscal period, an amount equal to (a) consolidated net income of Borrower for such period, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain during such period arising from the sale, exchange or other disposition of capital assets by Borrower (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains which have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of Borrower for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) accrued income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) the amount of non-cash charges (including depreciation and amortization, and stock options, restricted stock, or other stock-based awards which have been expensed by the Borrower) for such period, and (v) an aggregate net loss during such period arising from the sale, exchange or other disposition of capital assets by Borrower (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), in each case to the extent included in the calculation of consolidated net income of Borrower for such period in accordance with GAAP, but without duplication. For purposes of this definition, the following items shall be excluded in determining consolidated net income of Borrower: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, Borrower or Borrower's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which Borrower has an ownership interest, except to the extent any such income has actually been received by Borrower in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of Borrower 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 or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of Borrower, (8) in the case of a successor to Borrower by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, and (9) any deferred credit representing the excess of equity in any Subsidiary of Borrower at the date of acquisition of such Subsidiary over the cost to Borrower of the investment in such Subsidiary.**

(b) Paragraph (a) of Annex E to the Credit Agreement is amended to read in its entirety as follows:

> **(a) Minimum Debt Service Coverage Ratio. Borrower shall have at the end of each Fiscal Quarter and Fiscal Year, a Debt Service Coverage Ratio for the previous four (4) Fiscal Quarters then ended of not less than 2.75:1.**

3. No Other Modifications. Except as specifically modified or amended herein or hereby, all of the terms and conditions of each of the Credit Agreement and the Loan Documents, remain otherwise unchanged, and in full force and effect, all of which are hereby confirmed and ratified by the parties hereto.

4. Costs and Expenses of Agent and Lenders. Borrower agrees to reimburse the Agent and the Lenders for all reasonable costs, expenses, and fees, including attorneys' fees, associated with the documentation of this Amendment. Borrower consents to the Agent charging the Revolving Line of Credit account for any such costs, expenses and fees.

5. Counterparts. This Amendment may be executed in several counterpart copies, each of which shall be deemed an original, but all of such copies together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment all as of the date first set forth above.

BORROWER:

GREEN MOUNTAIN COFFEE ROASTERS, INC.

_/s/ Elizabeth Stanford
Witness

By :_/s/ Frances G. Rathke_
Frances G. Rathke
Chief Financial Officer

STATE OF Vermont
COUNTY OF Washington, SS.

On this the 12th day of September, 2005, before me, the undersigned notary personally appeared Frances G. Rathke, who acknowledged herself to be the Chief Financial Officer of Green Mountain Coffee Roasters, Inc., a corporation, and that she, as such authorized officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as such authorized officer.

/s/ Elizabeth Stanford
Notary Public

AGENT AND LENDERS:

BANK OF AMERICA, N.A.

/s/ William Bulger
Witness

By: / s/ Israel Lopez
Israel Lopez
Senior Vice President

CITIZENS BANK NEW HAMPSHIRE

By: /s/ Vernon Studer
Vernon T. Studer
Vice President

AMENDMENT TO GROUND LEASE AGREEMENT

This **Amendment to Ground Lease Agreement** (the "Amendment") is made by **Pilgrim Partnership, L.L.C.** , a Vermont Limited Liability Company, with principal place of business in Waterbury, Vermont (the "Landlord") and **Green Mountain Coffee Roasters, Inc** ., (the "Tenant").

WHEREAS, Pilgrim Partnership, L.L.C. and Mayflower Management, L.L.C., have declared and established a condominium known as Pilgrim Commercial Park Condominiums (the "Condominium") as described and depicted in the Declaration of Pilgrim Commercial Park Condominiums and all Exhibits thereto, dated March 24, 2005 and recorded on March 28, 2005, in Book 233, Pages 163-234 of Deeds in the Town of Waterbury Land Records, as amended (collectively the "Declaration");

WHEREAS , under the Declaration, the Landlord is the current declarant;

WHEREAS , Pilgrim Partnership, L.L.C. entered into a Ground Lease Agreement with Green Mountain Coffee Roasters, Inc. dated April 14, 2005, subsequent to the recording of the Declaration (the "Ground Lease");

WHEREAS , while the parties desire to preserve the transaction reflected in the Ground Lease, certain modifications of the Ground Lease are required in order to conform its terms to the Declaration.

NOW THEREFORE, Landlord and Tenant hereby amend the Ground Lease as follows:

1. Paragraph 1 is hereby deleted in its entirety and is amended and restated as follows:

   "1. Demised Premises. Landlord does hereby demise, let, rent and lease unto Tenant, and Tenant hereby leases and rents from Landlord's interest in Unit 3 of the Pilgrim Commercial Park Condominiums, together with an undivided percentage in the Common Elements apportioned thereto and together with the Limited Common Elements reserved to Unit 3 in the Declaration (the "Land") on the Plan of Pilgrim Commercial Park Condominiums, dated March 2005, prepared by Charles Grenier Consulting Engineer, P.C. and attached to the Declaration as Exhibit D, as same may amended from time to time, (the "Park Plan") and the non-exclusive right to use the roads, parking areas, open spaces and other common areas included within the condominium as Common Elements, subject to any limitations imposed by the Declaration. The Tenant shall have the exclusive right to use any areas designated in the Declaration as a Limited Common Element of Building 3, as defined in the Declaration, and Landlord hereby transfers to Tenant for the term of this Lease all rights of Landlord under Section 4.4(h) of the Declaration. A copy of the Park Plan is attached to the Ground Lease as Exhibit A. All references in this Lease to the "Land" shall be deemed to refer to Unit 3 and its related undivided interest in the Common Elements and Limited Common Elements reserved to Unit 3, except that in Sections 2, 4(b) and 5(b), all references to the "Land" shall be deemed to refer to Landlord's interest in Unit 3 and its related undivided interest in the Common Elements and Limited Common Elements reserved to Unit 3."

2. Paragraph 5(a) is hereby deleted in its entirety and is replaced with the following:

   "5. Option to Purchase **.**

   (a) At all times during the first five (5) years of the term of this Lease, Tenant shall have the option to purchase (i) Landlord's entire interest in Unit 3, together with an undivided interest in the Common Elements and the Limited Common Elements reserved to Unit 3 in the Declaration and together with the development rights for the Limited Common Elements reserved to Unit 3 arising in favor of the owner of Unit 3 pursuant to Section 4.4(h) of the Declaration (collectively "Unit 3"), and (ii) Landlord's entire interest in Unit 1, together with an undivided interest in the Common Elements and the Limited Common Elements reserved to Unit 1 in the Declaration (collectively, "Unit 1") and (iii) the Future Development Rights reserved in the area designated on the Park Plan as Site C and Site J ("Future Development Rights Site C and Site J"), all as shown on Exhibit A and in each case at the applicable price set forth below. Tenant may exercise each of such options separately, except that Tenant shall only have the right to purchase the Future Development Rights Site C and Site J together, and then only if Tenant simultaneously purchases Landlord's entire interest in Unit 1. Such options may be exercised by written notice from Tenant to Landlord, given no later than the fifth (5 th) anniversary of the commencement of the term of this Lease. If such notice has not been given by said fifth (5 th) anniversary, then the purchase option described herein shall terminate. Landlord agrees that during the term of said option, it shall not transfer, convey or lease any rights in the land and buildings subject to said options to any party other than Tenant, and any mortgagee. If Tenant exercises its option to purchase Landlord's interest in Unit 3, then as part of the conveyance of said interest, Landlord will quitclaim to Tenant any interest of Landlord in the improvements forming a part of Unit 3. The purchase price for each such option (in each case, the "Purchase Price") shall be as set forth below:

   > (1) Unit 3, including undivided interests in Common Elements and Limited Common Elements reserved to Unit 3 in the Declaration and development rights arising under Section 4.4(h) of the Declaration - Purchase Price - $750,000.00;
   >
   > (2) Unit 1, together with an undivided interest in the Common Elements and Limited Common Elements reserved to Unit 1 in the Declaration - Purchase Price - $3,800,000.00;
   >
   > (3) Future Development Rights Site C and Site J - Purchase Price - $950,000.00."

3. Paragraph 5(b) is hereby deleted in its entirety and is replaced with the following:

(b) If Tenant exercises any of the foregoing purchase options, Landlord shall convey the subject Unit or Future Development Rights Site C and Site J, as the case may be, to Tenant, or its designee, by warranty deed, conveying fee simple title to such land or building free and clear of all liens and other encumbrances. Closing of the transaction shall occur as soon as reasonably practicable. Rent and other payments due under this Lease or any other applicable lease between Landlord and Tenant shall be prorated to the date of closing. Taxes and Association Dues (each as defined in Section 7 below) shall also be prorated as of the closing. With respect to Unit 3, if Unit 3 has not been transferred to Tenant prior to the scheduled expiration of the then-current term of this Lease, said term shall automatically extend at the then-current rent until such transfer has been completed. Tenant shall be responsible for any transfer taxes payable with respect to any conveyance hereunder and Landlord shall be responsible for any capital gains tax, land tax or similar tax which may be payable in connection with such conveyance. If Tenant exercises its option to purchase the Future Development Rights Site C and Site J, Landlord's conveyance shall include all Special Declarant Rights (as defined by law) appurtenant to the development rights being conveyed, including specifically, but not by way of limitation, the right on the part of Tenant in its name to make, execute and record an amendment to the Declaration in form and content which satisfies the provisions of applicable law to effect the conversion of said development rights and the building or buildings and related improvements constructed by Tenant into a Unit or Units of the Pilgrim Commercial Park Condominium with the interest appurtenant to such Unit in the Common Elements of said Condominium (to be determined in accordance with the Declaration).

4. Paragraph 8(b) is hereby deleted in its entirety and replaced with the following:

"8(b). Landlord acknowledges that Tenant has an option to purchase Landlord's interest in Unit 3 together with an undivided interest in the Common Elements and the Limited Common Elements reserved to Unit 3 in the Declaration and the development rights described in Section 4.4(h) of the Declaration. Tenant may exercise its option to purchase Landlord's interest in Unit 3 pursuant to the terms of this Lease."

5. The parties acknowledge that the current version of the Park Plan incorrectly identifies the portion of Site D located south of Building 3 as "Reserved for Future Development Commercial/Industrial," when, in accordance with Section 3.2 of the Declaration, said land should have been identified as a Building 3 Limited Common Element. The parties agree that the text of the Section 3.2 of the Declaration supersedes the Park Plan with respect to this issue and Landlord agrees to cause the Park Plan to be corrected and to have said corrected version of the Park Plan recorded in the Town of Waterbury Land Records.

6. Except for the specific provisions amended herein, all of the original terms, conditions and provisions of the Ground Lease shall remain in full force and effect. Terms not otherwise defined herein shall have the same meaning as set forth in the Ground Lease, or to the extent applicable in the Declaration.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be executed by their respective duly authorized agents, this 15 th day of November, 2005.

PILGRIM PARTNERSHIP, L.L.C.

By: /s/ Steve Van Esen
Its duly authorized agent

GREEN MOUNTAIN COFFEE ROASTERS, INC.

By: /s/ Frances G. Rathke
Its duly authorized agent

STATE OF VERMONT
COUNTY OF WASHINGTON, SS.

At Waterbury, in said County and State, this 15th day of November, 2005, personally appeared Steve Van Esen, Duly Authorized Agent of **PILGRIM PARTNERSHIP , L.L.C.,** to me known, and he acknowledged this instrument, by him signed, to be his free act and deed and the free act and deed of **PILGRIM PARTNERSHIP, L.L.C.**

Before me,

/s/ Paula Clement _
Notary Public

Notary commission issued in
Orange County
My commission expires: 2/10/07

STATE OF VERMONT
COUNTY OF WASHINGTON, SS.

At Waterbury, in said County and State, this 15th day of November, 2005, personally appeared Frances G. Rathke, Duly Authorized Agent of **GREEN MOUNTAIN COFFEE ROASTERS, INC.,** to me known, and he acknowledged this instrument, by him signed, to be his free act and deed and the free act and deed of **GREEN MOUNTAIN COFFEE ROASTERS, INC.**

Before me,

/s/ Paula Clement _
Notary Public

Notary commission issued in
Orange County
My commission expires: 2/10/07

Exhibit 10.20 Employment Agreement

James Travis
7 Sawmill Road
Kingston, MA 02364

Dear Jim

I am pleased to offer you the position of Vice President of Sales at Green Mountain Coffee Roasters. In this capacity, you will report directly to me. Your compensation will include an annual base salary of $210,000, paid in bi-weekly increments. You will be eligible for participation in the Corporate Bonus program with a target bonus of up to 40% of your base salary based on the achievement of personal and corporate performance goals. Pending approval at the next Board of Directors meeting, you will also receive 15,000 stock options at the market value as of your first day of employment. The options vest over four years at 25% a year.

Additionally, you will receive a $25,000 sign on bonus (grossed up for taxes) to be paid to you in the first payroll of our employment. Should you leave the company, voluntarily, within six months of your date of hire, you must reimburse the sign on bonus to GMCR on a prorated basis.

Your benefits include Health, Dental, Vision and Life Insurances, Flexible Spending Plan, 401(k) and Employee Stock Ownership and Purchase Plans. A benefits plan information packet will be provided to you during orientation.

GMCR will reimburse you for the reasonable and customary moving expenses incurred in moving your household to Vermont, including lease breakage costs and temporary housing in an amount not to exceed $70,000 (substantiated with receipts).

We anticipate that your start date will be on August 15, 2005. Should your employment be terminated for any reason other than willful misconduct or fraud, including a change in control, you will be eligible to receive 12 months severance, paid in accordance with the normal payroll schedule.

This offer is contingent upon compliance with the Immigration Reform and Control Act of 1986, successful completion of the pre-employment physical and favorable professional references.

Jim, I look forward to working with you and welcoming you to Green Mountain Coffee Roasters. If you have any questions please contact me at 1-800-545-2326 x. 1329. Please sign one copy of this letter to signify your acceptance and return it to me.

Sincerely,

/S/ Scott McCreary
Chief Operating Officer

I confirm my acceptance of your offer of employment as Vice President of Sales.

/s/ James Travis   July 27, 2005
James Travis   Date

LEASE AGREEMENT

THIS AGREEMENT dated as of the 15th day of November, 2005, by and between Pilgrim Partnership, L.L.C., a Vermont limited liability company (hereinafter "Landlord"), and Green Mountain Coffee Roasters, Inc., a Vermont corporation (hereinafter "Tenant").

WITNESSETH:

In consideration of the rents herein reserved and the mutual covenants contained herein, the parties hereto agree as follows:

1. Premises . Landlord does hereby demise, let, rent and lease unto Tenant, and Tenant hereby leases and rents from Landlord a portion of a certain condominium unit currently under construction owned by Landlord consisting of 3,074 square feet of warehouse space and 9,000 square feet of office space located in a building commonly known as Pilgrim V on land in Waterbury, Vermont (the "Premises") which is a portion of the land identified as Site A and Site G shown on the Plan of Pilgrim Commercial Park Condominiums, dated March, 2005, prepared by Charles Grenier Consulting Engineer, P.C. and attached as Exhibit D to the Declaration of Pilgrim Commercial Park Condominiums dated March 24, 2005, recorded at Volume 233 at Page 163 of the Town of Waterbury Land Records, as the same has been or may be amended from time to time (said Declaration being hereinafter referred to as the "Declaration" and said plan being hereinafter referred to as the "Plan""). The Premises are depicted on Exhibit A attached hereto and incorporated herein by reference. In addition to the foregoing, Tenant shall also have a non-exclusive right to use the roads, open spaces and other common areas included within Pilgrim Commercial Park Condominiums for access to the Premises, subject to the limitations on the use thereof (if any) included in the applicable condominium declaration and other governing documents. The entire building upon which the Premises are located shall hereinafter be referred to as the "Building".
2. Term of Lease .
   A. The term shall commence on the Lease Commencement Date and shall remain in effect for a period of time running through March 31, 2016 (the "Term"). The "Lease Commencement Date" shall be the earlier of: (i) the date on which construction of the Premises are Substantially Complete (as defined in Section 2(b)); or (ii) the date Tenant commences beneficial use of the Premises. Tenant shall be deemed to have commenced beneficial use of the Premises when Tenant begins to move furniture, furnishings, inventory, equipment or trade fixtures into the Premises. The parties acknowledge that they contemplate that the Lease Commencement Date will occur on or about April 1, 2006.
   B. The Premises shall be deemed to be "Substantially Complete" when (i) as certified by Landlord's architect for Pilgrim V ("Landlord's Architect"), the Premises have been completed in accordance with the specifications attached hereto as Exhibit B (the "Specifications"), except for items of work and adjustments of equipment and fixtures that can be completed after the Premises are occupied without causing substantial interference with Tenant's use and occupancy of the Premises (collectively, the "Punch List Items"), and (ii) a certificate of occupancy for use of the Premises, if required, has been issued by the applicable governmental authorities. As soon as Landlord's Architect certifies the Premises to be Substantially Complete, Landlord will so notify Tenant and Tenant will promptly thereafter inspect the Premises for conformity to the Specifications. If Tenant determines that the Premises conform to the Specifications, Tenant will so inform Landlord and they will together compile a list of Punch List Items, together with a schedule for completing the Punch List Items. If Tenant determines that the Premises do not conform to the Specifications in any material respect, Tenant will so notify Landlord in writing and Landlord will cause the Premises to be repaired or corrected so that they do conform to the Specifications in all material respects. In the event of a dispute as to whether the Premises conform to the Specifications, the matter in dispute will be referred to Landlord's Architect to be resolved impartially and in good faith.
   C. Tenant, by taking possession of the Premises, shall accept and shall be held to have accepted same as suitable for the use intended by the Tenant, provided that Landlord shall remain responsible for the prompt completion of the Punch List Items and shall complete same in a manner which avoids unnecessary interference with Tenant's use and occupancy of the Premises.
3. Rent .
   A. Rent Amount . During the first year of the Term, Tenant agrees to pay Landlord annual rent of Two Hundred Seventeen Thousand Eighty Six and 10/100 Dollars ($217,086.10) in monthly installments of Eighteen Thousand Ninety and 51/100 Dollars ($18,090.51) each. A portion of this rental amount is in lieu of a common area maintenance (CAM) charge. The foregoing annual rental amount is premised upon the following calculations:
      I. Office Space: 9,000 square feet multiplied by $18.00 per square feet multiplied by 110%.
      II. Warehouse Space: 3,074 square feet multiplied by $11.50 per square foot multiplied by 110%.
   B. Rent Increases . The rent amount specified in Section 3(a) shall increase annually during the Term from the amount of rent charged during the previous year by two and one-half percent (2.5%).
   C. Additional Rent . In addition to the rent amount specified in Section 3(a) above, all costs, charges, expenses and adjustments to rent which Tenant assumes, agrees or is obligated to pay Landlord pursuant to this Lease shall be deemed additional rent, and in the event of nonpayment thereof, Landlord shall have all of the rights and remedies with respect thereto as are herein provided for in case of the nonpayment of rent. In the event that any of the costs, charges and expenses constituting additional rent are deemed to be taxable income to Landlord, Landlord shall be entitled to a corresponding tax deduction for said costs, charges and expenses.
   D. Rent Payments . Tenant covenants to pay monthly installments of rent pursuant to subsection (a) above in advance, on the first day of each month, without any set-off or reduction. Tenant covenants to pay Landlord the rent, additional rent and adjustments of rent as herein provided when due, without notice or demand, at the time and in the manner herein specified and, in default of payment may, at the option of Landlord, be added to the next or any other installment of fixed minimum rent subsequently becoming due. All rent and additional rent is to be mailed to Landlord at the address identified for Landlord in Section 25 herein. In the event that this Lease is or becomes a month-to-month lease because of holdover or otherwise, or if Tenant vacates the Premises prior to the end of any month for any reason whatsoever, no rent shall be prorated or refunded to Tenant for the applicable period and Tenant shall be required to pay rent through the end of the applicable monthly period. Additionally, in the event this Lease is or becomes a month-to-month lease because of holdover or otherwise, Tenant shall be required to give Landlord at least sixty (60) days notice prior to vacating the Premises, and Tenant shall be responsible for paying Landlord for all rents which accrue prior to the expiration of the sixty days following the notice, provided that said notice requirement shall be reduced to ten (10) days for any period that rent is being assessed as the rate specified in Section 18(b).
   E. Late Payment Penalty . Tenant acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain. Accordingly, if any installment of rent or any other sum due hereunder from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, Tenant shall also pay to Landlord a late charge equal to Two Hundred Fifty and 00/100 Dollars ($250.00) for each instance that an installment of rent or other sums due hereunder is not paid by its due date. The parties agree that such late charges represent fair and reasonable estimates of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge or service charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.
4. Option to Purchase.
   A. During the first year of the Term, Tenant shall have the option to purchase (i) Landlord's development rights located within the 5.35 acre +/- area depicted as Site F on the Plan (the "Site F Development Rights"), said development rights having been created and reserved pursuant to the Declaration; and (ii) Landlord's development rights within the 10.54 acre +/- area depicted as Site H on the Plan (the "Site H Development Rights"), said development rights also having been created and reserved pursuant to the Declaration. Tenant may exercise each such option separately, by written notice from Tenant to Landlord, given no later than the last day of the first year of the Term. If such notice(s) has not been given by the last day of the first year of the Term, then the purchase option described herein shall terminate unless otherwise extended as provided in Section 4(b) below. Landlord agrees that during the term of said option, including any extension term pursuant to Section 4(b), it shall not transfer or convey the Site F Development Rights or the Site H Development Rights, except as provided in Section 27 herein. The purchase price for each such option, whether exercised during the first year of the Term, or, during the extension term arising pursuant to Section 4(b), shall be as follows:

      Purchase Price

Site F Development Rights $548,375

Site H Development Rights $1,080,350

B. In the event that Tenant fails to exercise either of its options to purchase the Site F Development Rights or the Site H Development Rights during the first year of the Term as provided in Section 4(a) above, Tenant may extend the time it has to exercise said unexercised option(s) for an additional one year period, expiring on the last day of the second year of the Term, by providing written notice and making payment to Landlord as further set forth in Section 4(b)(i) and Section 4(b)(ii) below. Tenant may extend the period for exercising the options to purchase the Site F Development Rights and the Site H Development Rights separately.
   I. Tenant may extend the time period for exercising the option to purchase the Site F Development Rights for said additional one year period by providing Landlord with written notice of its election to extend the option period together with payment to Landlord in the amount of Fifty Four Thousand Eight Hundred Thirty Seven and 50/100 Dollars ($54,837.50) no later than the last day of the first year of the Term.
   II. Tenant may extend the time period for exercising the option to purchase the Site H Development Rights for said additional one year period by providing Landlord with written notice of its election to extend the option period together with payment to Landlord in the amount of One Hundred Eight Thousand Thirty Five and 00/100 Dollars ($108,035.00) no later than the last day of the first year of the Term.

C. If Tenant exercises either of the foregoing purchase options, Landlord shall convey the subject development rights, as the case may be, to Tenant or its designee, by warranty deed, conveying fee simple title to such development rights, free and clear of all liens and other encumbrances. Any such conveyance shall include all Special Declarant Rights (as defined by law) appurtenant to the development rights being conveyed, including specifically, but not by way of limitation, the right on the part of Tenant in its name to make, execute and record an amendment to the Declaration in form and content which satisfies the provisions of applicable law to effect the conversion of said development rights and the building or buildings and related improvements constructed by Tenant into a Unit or Units of the Pilgrim Commercial Park Condominium with the interest appurtenant to such Unit in the Common Elements of said Condominium (to be determined in accordance with the Declaration). Closing of the transaction(s) shall occur as reasonably practicable, with standard prorations to the date of closing. Tenant shall be responsible for any transfer tax payable with respect to the conveyance(s) and Landlord shall be responsible for any capital gains tax, land gains tax or other similar tax which may be payable in connection with the conveyance(s). At closing, Tenant shall receive a credit towards the purchase price of the subject development rights being purchased in the amount equal to seventy five percent (75%) of the payment made under Section 4(b)(i) for the purchase of the Site F Development Rights, and under Section 4(b)(ii) for the purchase of the Site H Development Rights, as the case may be. If Tenant fails to exercise either of the foregoing options, or fails to close, after paying either of the sums identified in Section 4(b)(i) or 4(b)(ii) above, its shall not receive any refund (or credit) of such sums from Landlord with respect to the payment made for the subject development right for which its fails to exercise the option or purchase.

D. Contemporaneously with the exercise of either of the foregoing purchase options, Tenant shall notify Landlord in writing of the existence of encumbrances and defects in the title to the subject development rights. Landlord shall use its best efforts to remove such encumbrances and defects. If Landlord is not able to remove said encumbrances and defects and Landlord is then unable to convey title to the subject development rights free and clear of one or more encumbrances and defects specified in such notice, Tenant in full satisfaction of Tenant's obligations hereunder, shall either:

(i) Accept such title to the subject development rights as Landlord can convey without reduction in the corresponding purchase price; or

(ii) Revoke its exercise of such option(s). Any revocation of Tenant's exercise of said option shall be by written notice to Landlord.

E. Landlord agrees to exercise its rights as a Declarant and Unit Owner (as said terms are defined in the Declaration) with the Declaration, and all other rights it may have pursuant to the Declaration, in a manner that will support and facilitate Tenant's exercise of any development rights and ensure Tenant's practical realization of the full benefit of the ownership of any development rights acquired pursuant to the exercise of either of the foregoing purchase options, provided that any such exercise is consistent with the terms of the Declaration and with all laws and governmental permits applicable to the exercise of said development rights.

5. Use of Premises/Possession . Tenant may use the Premises only for business office space and/or as a warehouse/workshop, and no other use will be allowed unless expressly agreed in writing by Landlord. Tenant shall be responsible for obtaining all necessary State and local permits and governmental approvals with respect to its use of the Premises, and shall be solely responsible for all costs and expenses associated with obtaining such permits and governmental approvals. The Premises shall not be used as living/sleeping quarters.

6. Taxes .
   A. Real Property Taxes : Landlord shall pay and be responsible for all real estate taxes with respect to the Premises except as otherwise provided in this Paragraph. Tenant shall reimburse Landlord for Tenant's proportional share of any increase in the real estate taxes upon the Building over and above such taxes assessed by the tax authority for the municipal tax year running from January 1, 2006 through December 31, 2006 and the school tax year running from July 1, 2005 through June 30, 2006 (collectively the "Base Year"). During the Term, Tenant's proportional share of the increase in real estate taxes on the Building shall be determined by multiplying the total increase in real estate taxes on the Building during any year that taxes are increased above the amount assessed by the taxing authority during the Base Year by 29% (which represents the proportion which the square footage of the Premises bears to the total square footage of the Building including the Premises). Said contribution towards any increases in annual real estate taxes shall be due and payable by Tenant to Landlord within thirty (30) days of receipt by Tenant from Landlord of copies of the relevant tax bills evidencing any tax increase above the Base Year, and calculations from Landlord showing the amount owed.
   B. Personal Property Taxes and Other Assessments : Tenant shall pay and be solely responsible for all operating license fees for the conduct of its business, and all ad valorem taxes, personal property taxes, inventory taxes and other assessments levied upon Tenant's trade fixtures, inventory and other personal property.

7. Utilities .
   A. Water and Sewer Charges . Landlord shall pay and be solely responsible for all water and sewer charges for water and sewer usage in the Premises.
   B. Other Utility Expenses . Tenant shall, during the Term, pay and discharge punctually, as and when the same shall become due and payable all charges for heat, gas, hot water, electricity, light and power, and other service or services, furnished to the Premises during the Term except as provided in Section 7(a) above.
      I. In addition to the foregoing, due to rising energy costs, Landlord has elected to install a highly efficient decentralized water-source heat system. This system meets and exceeds various energy efficiency guidelines. Although the heat pumps for the system will be run on electricity and will be billed directly to Tenant, Tenant shall also be separately billed for and shall be responsible for paying thirty percent (30%), representing Tenant's pro-rata share, of the fuel and energy costs associated the Winter supplement boiler and the Summer supplement chiller for the system.

8. Insurance .
   A. During the Term of this Lease, Tenant shall purchase and maintain commercial general liability insurance covering all of the Tenant's operations and activities upon the Premises and upon any portion of the common areas of the Pilgrim Commercial Park Condominiums, including, but not limited to contractual liability, the operations of contractors and subcontractors and commercial automobile liability insurance covering the operation of vehicles, each with limits of liability effective during the Term of this Lease of not less than $1,000,000 combined single limit per occurrence, for bodily injury and property damage liability, with an umbrella liability policy of not less than $2,000,000 per occurrence and annual aggregate. All liability policies required pursuant to this Section 8(a) shall name Landlord as an additional insured and shall require that said policy shall not be cancelled or the policy limits decreased without thirty (30) days' prior notice to Landlord. Tenant agrees to deliver certificates of such insurance to Landlord and/or a complete copy of said insurance policy, at the request of Landlord.
   B. During the Term of this Lease, Landlord shall purchase and maintain commercial general liability insurance covering all of the Landlord's operations and activities upon the Premises and upon any portion of the common areas of the Pilgrim Commercial Park Condominiums, including, but not limited to

contractual liability, the operations of contractors and subcontractors and commercial automobile liability insurance covering the operation of vehicles, each with limits of liability effective during the Term of this Lease of not less than $1,000,000 combined single limit per occurrence, for bodily injury and property damage liability, with an umbrella liability policy of not less than $2,000,000 per occurrence and annual aggregate. Landlord agrees to deliver certificates of such insurance to Tenant and/or a complete copy of said insurance policy, at the request of Tenant.

C. All insurance policies required by this Section 8 shall be issued by insurance companies licensed to do business in the State of Vermont.

9. Covenant of Quiet Enjoyment . Landlord covenants, represents, and warrants that Landlord has the full right and power to execute and perform this Lease, and that Tenant, upon payment of the rent herein and performance of all the covenants and conditions hereof, shall peaceably and quietly have, hold, and enjoy the Premises and all the rights, appurtenances and privileges pertaining thereto during the Term, subject to the terms of this Lease.

10. Repairs and Maintenance . Except as expressly provided in this Section 10, Tenant shall be solely responsible, at Tenant's cost and expense, for all maintenance relating to the Premises. Maintenance shall include cleaning, janitorial work, lamp replacement and trash removal. Landlord shall be responsible for maintenance, repair and replacements of all structural elements of the building including all system repairs to the Premises, and all maintenance and system repairs to the common areas within the Building, provided that the damage was not caused by an act or omission of the Tenant. Landlord shall also be responsible for snow removal and landscaping. In the event that Landlord fails to satisfy its repair and maintenance obligations arising under this Section 10, and such failure continues for a period of thirty (30) days following notice to Landlord, Tenant may, at its own expense, complete the repairs and maintenance identified in its notice to Landlord.

11. Alterations . Tenant shall make no alterations to the Premises without the written consent of Landlord. Tenant shall be responsible for obtaining and complying with all required permits and governmental approvals necessary for any alteration or improvement approved by Landlord. To the extent that Tenant requires any amendment to an existing permit obtained by Landlord, Landlord agrees to provide reasonable cooperation to Tenant (at Tenant's expense) in obtaining such amendment. Tenant covenants and agrees that, unless otherwise agreed in writing, all improvements, alterations, or other work once begun will be paid for by Tenant, free and clear of liens or encumbrances against the Premises, and will be performed in all respects in accordance with law, including applicable building codes.

12. Non-Smoking Building . The Building is a non-smoking building.

13. Signs . Tenant shall not erect or place signs on the outside of the Premises or the Building in which the Premises are located without first obtaining Landlord's written permission and appropriate municipal permits. Landlord shall provide a location and format for directory signs for occupants of the Building, including Tenant, which shall be used by Tenant for signage.

14. Trash . Tenant shall provide for and pay for its own trash removal from the Premises, and shall ensure that trash is removed from the Premises regularly so as not to cause nuisance or interfere with the use of adjoining properties, including other portions of the building in which the Premises are located, by Landlord, adjoining property owners, or other tenants. Notwithstanding the foregoing, Landlord shall provide an outside dumpster for nonexclusive use by Tenant, provided however, that Tenant shall not place more than twelve (12) bags of garbage per week in said the dumpster.

15. Noise/Nuisance . Tenant shall not cause or allow to be caused excessive noise, disturbance, interference, or nuisance in or about the Premises including, but not limited to, any actions which cause disturbance or create a nuisance to adjoining property owners or tenants.

16. Parking . The Building is provided with adequate parking. Tenant may use available parking for the Building but there shall be no exclusive parking spaces designated for Tenant.

17. Loading Door . Tenant shall have the non-exclusive right to use the loading door located at the rear center portion of the Building.

18. Surrender/Holdover .

A. Tenant, on the expiration or sooner termination of this Lease, shall quit and surrender the Premises, leaving the Premises in good condition and repair, as received, normal wear and tear excepted.

B. If Tenant remains in possession of the Premises without agreement in writing after the expiration of the Term, Tenant shall be deemed to be occupying the Premises as a tenant from month to month, with monthly rent equal to 150% of the monthly rent payment for the last full month of the Term and subject to all the other conditions, provisions and obligations of this Lease insofar as the same are applicable to a month to month tenancy.

19. Fire or Casualty .

A. If the Premises shall be damaged by fire, the elements, accident or other unavoidable casualty, but are not thereby rendered untenantable, Landlord shall cause such damage to be repaired or restored within sixty (60) days, and the rent shall not be abated.

B. If the Premises shall be rendered untenantable in part by reason of such fire or other unavoidable casualty, Landlord shall cause the damage to be repaired or restored within sixty (60) days, and the rent shall be abated ratably as to the portion of the Premises rendered untenantable until such time as the Premises are repaired or restored.

C. If the Premises shall be rendered wholly untenantable by reason of such fire or other unavoidable casualty, Tenant or Landlord shall each have the right, at its election, to terminate this Lease by giving to the other, within the sixty (60) days following the date of said casualty, ten (10) days' prior written notice of an election to terminate. If neither Landlord nor Tenant terminate the Lease, then Landlord shall cause such damages to be repaired and the Premises to be restored and the rent shall be abated in full until such time as the Premises are fully repaired and restored.

D. In the event of a termination of this Lease Agreement under (c) above, rent and other charges shall be pro-rated to the date of the termination.

20. Condemnation or Eminent Domain . If any part of the Premises shall be taken in any proceeding by public authorities by condemnation or otherwise, or be acquired for public or quasi-public purposes, Tenant shall have the right to terminate this Lease by written notice to Landlord, in which case any unearned rent shall be refunded to Tenant. Tenant's written notice of termination must be given to Landlord within thirty (30) days after Landlord provides Tenant with a detailed drawing showing the area being condemned. Landlord's written notice must specify that the information being furnished to Tenant is being delivered in order for Tenant to decide whether or not to terminate this Lease and that Tenant must make the decision within thirty (30) days after receiving the letter and enclosures. At Tenant's option, the effective date of termination shall be the date the condemning authority takes physical possession of the property being condemned. If only a portion of the Premises is taken and Tenant elects not to terminate this Lease, the rent shall be reduced in the same proportion that the Premises are reduced.

21. Sublet or Assignment . Tenant shall not assign or sublet the Premises without written consent from Landlord which consent will not be unreasonably withheld, conditioned or delayed. No assignment or other transfer by Tenant of its interest under this Lease shall be effective unless Tenant delivers to Landlord, within ten (10) days after such assignment or transfer, an instrument of assumption by the transferee of all Tenant's obligations hereunder. Notwithstanding any sublet or assignment, Tenant and all guarantors to this Lease shall remain liable for the full performance of all terms and conditions of this Lease. Tenant shall be responsible for all attorney's fees and costs incurred by Landlord with respect to any assignment or sublet of this Lease, and shall pay all such attorney's fees and costs incurred by Landlord in advance of any sublet or assignment.

22. Right to Inspect . Upon reasonable advance notice no less than twenty-four (24) hours, Tenant agrees that Landlord and Landlord's agents and other representatives shall have the right to enter into and upon the Premises, or any part thereof, during normal business hours for the purpose of examining the same, showing the Premises or any other reasonable purpose. In the event of emergency, Landlord may enter without advance notice to Tenant.

23. Indemnification . Tenant shall indemnify, defend and save harmless Landlord and its members, employees, officers and managers ("indemnified parties") from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, and judgments, including reasonable attorneys' fees and litigation costs, arising from injury to person or property in or about the Premises during the Term of this Lease and not resulting from any gross negligence or intentional misconduct of Landlord or Landlord's agents. The indemnity contained in this Section shall not apply to amounts paid in settlement of any claim or action if such settlement is effected without Tenant's prior written approval. Within 15 days after receipt by an indemnified party of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against Tenant under this Section, notify Tenant of the commencement thereof. Tenant shall have the right to control the defense of any matter for which an indemnified party seeks indemnification hereunder and, after Tenant's notice to any such indemnified party of its election to control the defense of such matter, Tenant shall not be liable for any legal or other expenses subsequently incurred by such party in connection with such matter. The provisions of this Section 23 shall survive the expiration or sooner termination of this Lease.

24. Default by Tenant .

A. Tenant's failure to pay any installment of rent or any other charges or expenses it is required to pay pursuant to this Lease when the same shall be due and payable, or Tenant's failure to perform any of the other covenants, conditions and agreements herein contained on Tenant's part to be kept or performed and the continuance of such failure to perform such other covenants, conditions or agreements without curing the same or taking reasonable steps to cure the same, for a period of thirty (30) days after receipt by Tenant of notice in writing from Landlord specifying in detail the nature of such failure, shall constitute a default under this Lease ("Tenant's Default"), provided, however, that, in the event of a default that cannot be reasonably cured during the said 30-day period, Tenant need only commence the cure of such default within the 30-day period and thereafter shall diligently pursue the cure of such default through completion of the cure.

B. Upon the occurrence of a Tenant's Default, Landlord may at any time thereafter, give a written termination notice to Tenant specifying a date on which this Lease shall terminate, and on such date, the Term of this Lease shall terminate and all rights of Tenant under this Lease shall cease unless before such date (i) all arrears of rent and all other sums payable by Tenant under this Lease, and all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by or on behalf of Landlord on account of such Tenant's Default shall have been paid by Tenant to Landlord, and (ii) all other Tenant's Defaults at the time existing under this Lease shall have been fully cured to the reasonable satisfaction of Landlord. All costs and expenses incurred by or on behalf of Landlord (including, without limitation, reasonable attorneys' fees) occasioned by any Tenant's Default shall constitute additional rent hereunder.

C. If any Tenant's Default shall have occurred and be continuing and the Term of this Lease shall have been terminated pursuant to Section 24(b) above, Landlord may enter upon and repossess the Premises by self-help, summary proceeding, ejectment, or otherwise, and may remove Tenant and all other persons and any and all property therefrom. Landlord shall have no liability for or by reason of such entry, repossession or removal. The foregoing notwithstanding, Landlord will use reasonable efforts to arrange for an orderly repossession of the Premises before exercising its rights hereunder.

D. After the repossession of the Premises pursuant to Section 24(c), Landlord shall use reasonable efforts to relet the Premises on commercially reasonable terms.

E. In the event of any termination or repossession under this Section 24, Tenant will pay to Landlord the rent and other sums required to be paid by Tenant up to the time of such termination or repossession, and thereafter Tenant shall be liable to Landlord for, and shall pay to Landlord, as liquidated and agreed current damages on account of such termination or repossession, (i) a sum equal to the rent and all other sums which would be payable under this Lease by Tenant in the absence of such termination or repossession for the remainder of the Term, plus (ii) all reasonable expenses of Landlord in connection with such termination or repossession and the re-letting of the Premises (including, without limitation, reasonable legal expenses and attorneys' fees, advertising, signage, brokers' fees, managers' fees, and compensation for landlord's time); provided, however, that any amounts received by Landlord through the re-letting of the Premises, or any portion thereof shall be offset against amounts due hereunder. In the event Landlord re-lets the Premises to mitigate its damages, Landlord shall report to Tenant monthly (or at such other times as the parties may agree) all rents received by virtue of any such re-letting; provided however, that Landlord's failure to report to Tenant monthly or otherwise shall not constitute a defense to or waiver of Landlord's right to damages. Tenant shall pay such damages monthly on the days on which the rent would have been due and payable under this Lease in the absence of such termination or repossession.

F. If Tenant shall fail to make any payment or perform any act required to be made or performed by it hereunder, Landlord upon ten (10) days' notice to Tenant may (but shall be under no obligation to) at any time thereafter make payment or perform such act for the account and at the expense of Tenant, and may enter upon the Premises or any part thereof at reasonable times for such purpose and take all such action thereon as, in the opinion of Landlord, may be necessary or appropriate. No such entry shall be deemed an eviction of Tenant. All payments so made by Landlord and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith or in connection with the performance by Landlord of any such act shall, upon demand, be reimbursed to Landlord by Tenant as additional rent hereunder.

G. Each right, power and remedy of Landlord provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights, powers or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all such other rights, powers or remedies.

25. Notices . Any notices, demands, requests or other instrument which may be, or are required to be given under this Lease shall be sent by certified mail, postage prepaid, and shall be addressed:

If to Landlord:

Pilgrim Partnership, L.L.C.
P.O. Box 447
Waterbury, VT 05676
Attn: Stephen Van Esen

If to Tenant:

Green Mountain Coffee Roasters, Inc.
33 Coffee Lane
Waterbury, VT 05676-1529
Attn: Chief Financial Officer

Either party may change its address for notice by written notice to the other party given in the foregoing manner.

26. Condominium Association . The Parties agree that this Lease is subject to the Declaration of Pilgrim Commercial Park Condominiums, the Condominium Association's bylaws, and any other Rules and Regulations of the Condominium Association, and Tenant agrees that it will comply with the terms and conditions of the Declaration, the Condominium Association's bylaws and said Rules and Regulations.

27. Mortgage Subordination . This Lease and the Option to Purchase contained herein are subject and subordinate to all mortgages which may now or hereafter affect the Premises, and to all renewals, modifications, consolidations, replacements and extensions thereof, provided, however, that Landlord shall obtain a nondisturbance agreement from Landlord's mortgagee relative to Tenant's interest in the Premises, in a form satisfactory to Landlord's mortgagee, which shall remain in force and effect at all times during the Term unless the subject mortgage has been discharged by Landlord's mortgagee. In confirmation of such subordination, Tenant shall execute promptly any instrument required by Landlord or Landlord's mortgagee.

28. Liens/Encumbrances . Except as otherwise expressly provided in this Lease or otherwise agreed in writing by Landlord, Tenant shall not permit any mortgage, deed or trust, mechanic's lien, or other encumbrance, lien, or security interest in, on, or against the Premises.

29. Modification/Merger . This Lease constitutes the entire agreement between the parties and may only be modified by written instrument signed by the parties.

30. Invalidity . If any portion of this Lease is deemed invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and shall remain in full force and effect.

31. Performance/Waiver . The failure by Landlord to insist upon the strict performance of any of the terms, conditions and covenants herein, shall not be deemed a waiver of any rights or remedies that Landlord may have pursuant to this Lease, and shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained.

32. Parties . The terms and conditions of this Lease shall be binding upon and inure to the benefit of the parties hereto, and their permitted successors and assigns.

33. Force Majeure . In the event that Landlord or Tenant shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws, regulations, orders or decrees, riots, insurrection, war, acts of God, inclement weather, or other reason beyond such party's reasonable control, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided that nothing contained in this Section 31 shall excuse, delay or otherwise apply to the Tenant's obligation to pay rent or any other monetary obligation hereunder.

34. Dispute Resolution . Any and all disputes or controversies between the parties arising out of or relating to this Lease which cannot be resolved on an amicable basis shall be finally settled by binding arbitration. Such arbitration shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association before a single arbitrator selected as provided in said Rules. To the extent permitted by said rules, the arbitrator shall have liberal discretion to order specific performance of a party's obligations under this Agreement, so long as such specific performance would not impose undue economic hardship on the breaching party.

Unless otherwise agreed by the parties, all arbitration proceedings shall be held in Waterbury, Vermont. Any decision rendered in such an arbitration proceeding shall be final and binding on the parties and shall be enforceable in any court having jurisdiction over the parties.

ACKNOWLEDGMENT OF ARBITRATION

The parties understand that this Agreement contains an agreement to arbitrate. After signing this Agreement, the parties understand that they will not be able to bring a lawsuit concerning any disputes that may arise which is covered by such an agreement to arbitrate, unless it involves a question of constitutional or civil rights. Instead, the parties agree by this Agreement to submit any covered dispute to an impartial arbitrator or arbitrators.

35. Memorandum of Lease . At the request of either party, the parties shall also execute a Memorandum of Lease. Each party shall have the right to record said Memorandum of Lease with the public land records and the party choosing to record said Memorandum shall bear all filing fees associated therewith.
36. Interpretation . This Lease and the performance hereof shall be governed by and construed in accordance with the laws of the State of Vermont, without reference to any conflict of laws principles.
37. Headings . The titles and headings of the various sections and paragraphs of this Lease are intended solely for the convenience of reference and are not intended for any other purpose whatsoever, or to explain, modify or place any construction upon or on any of the provisions of this Lease.

IN WITNESS WHEREOF, the parties have each caused this Lease to be signed by their duly authorized representatives.

IN PRESENCE OF: PILGRIM PARTERSHIP, L.L.C.

/s/ Lynn Brown III By : /s/ Steve Van Esen
Witness

GREEN MOUNTAIN COFFEE ROASTERS, INC.

/s/ John J. Holtman By: /s/ Frances G. Rathke
Witness

STATE OF VERMONT
WASHINGTON COUNTY, SS.

At Waterbury, in said County, on this 15th day of November, 2005, Steve Van Esen, duly authorized agent of PILGRIM PARTERSHIP, L.L.C., personally appeared and he/she acknowledged this instrument, by him/her sealed and subscribed, to be his/her free act and deed and the free act and deed of PILGRIM PARTERSHIP, L.L.C.

Before me, /s/ Paula Clement
Notary Public
My Commission Expires: 2/10/07

STATE OF VERMONT
WASHINGTON COUNTY, SS.

At Waterbury, in said County, on this 15th day of November, 2005, Frances G. Rathke, duly authorized agent of GREEN MOUNTAIN COFFEE ROASTERS, INC. , personally appeared and he/she acknowledged this instrument, by him/her sealed and subscribed, to be his/her free act and deed and the free act and deed of GREEN MOUNTAIN COFFEE ROASTERS, INC.

Before me, /s/ Paula Clement
Notary Public
My Commission Expires: 2/10/07

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-29641, No. 333-65321, No. 333-78937 and No. 333-70116) of Green Mountain Coffee Roasters, Inc. of our report dated December 8, 2005 relating to the financial statements, financial statement schedule, managements' assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
December 8, 2005

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director and officer whose signature appears below constitutes and appoints Robert P. Stiller and Frances G. Rathke, and each of them, his or her true and lawful attorney-in-fact and agent, with full power to each of them to act without the other and with full power of substitution and re-substitution, to sign, individually, in the name on behalf of the undersigned in any and all capacities stated below, the Annual Report on Form 10-K of Green Mountain Coffee, Inc. for the fiscal year ended September 24, 2005 and any and all amendments thereto, which amendments may make such changes in such Form 10-K as any such attorney-in-fact may deem appropriate, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do all such other acts and execute all such other documents as they, or any of them, may deem necessary or desirable in connection with the foregoing, as fully as the undersigned might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Robert P. Stiller Robert P. Stiller	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 8, 2005
/s/ Frances G. Rathke Frances G. Rathke	Chief Financial Officer, Vice President and Secretary (Principal Financial and Accounting Officer)	December 8, 2005
/s/ Kathryn S. Brooks Kathryn S. Brooks	Director	December 8, 2005
/s/ Barbara Carlini Barbara Carlini	Director	December 8, 2005
/s/ William D. Davis William D. Davis	Director	December 8, 2005
/s/ Jules A. delVecchio Jules A. del Vecchio	Director	December 8, 2005
/s/ David E. Moran David E. Moran	Director	December 8, 2005

Exhibit 31.1

CERTIFICATIONS PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert P. Stiller, certify that:

1. I have reviewed this annual report on Form 10-K of Green Mountain Coffee Roasters, 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(s) 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(s) 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: December 8, 2005

/s/ Robert P. Stiller _

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frances G. Rathke, certify that:

1. I have reviewed this annual report on Form 10-K of Green Mountain Coffee Roasters, 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(s) 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(s) 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: December 8, 2005

/s/ Frances G. Rathke
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee Roasters, Inc. (the "Company") on Form 10-K for the period ending September 24, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert P. Stiller, as the President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: December 8, 2005
/s/ Robert P. Stiller
Robert P. Stiller*
President and Chief Executive Officer

* A signed original of this written statement required by Section 906 has been provided to Green Mountain Coffee Roasters, Inc. and will be retained by Green Mountain Coffee Roasters, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee Roasters, Inc. (the "Company") on Form 10-K for the period ending September 24, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frances G. Rathke, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: December 8, 2005
/s/ Frances G. Rathke
Chief Financial Officer

* A signed original of this written statement required by Section 906 has been provided to Green Mountain Coffee Roasters, Inc. and will be retained by Green Mountain Coffee Roasters, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.